

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.

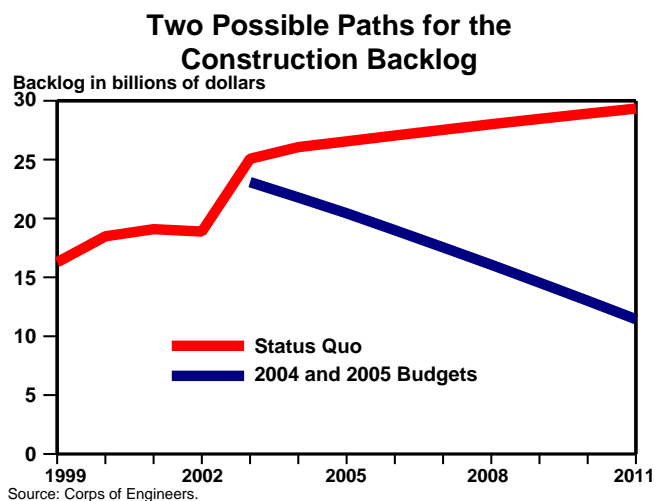
A concerted effort by this Administration and the Congress is needed to ensure that the ongoing and future efforts of the Corps are environmentally sustainable, economically responsible, and fiscally sound. Achieving this goal will require a transformation in cultural attitudes. That needed change has 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.
- 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



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

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.

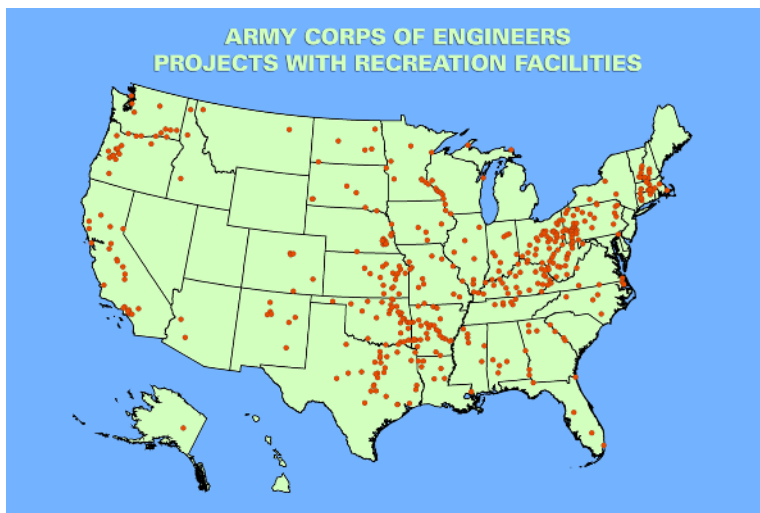
- In 2004, the Corps will work to issue a draft report that identifies the most critical ecological needs and proposes a near-term program of highly cost-effective projects to address them. The report will also highlight the key long-term scientific uncertainties and engineering challenges facing the 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:

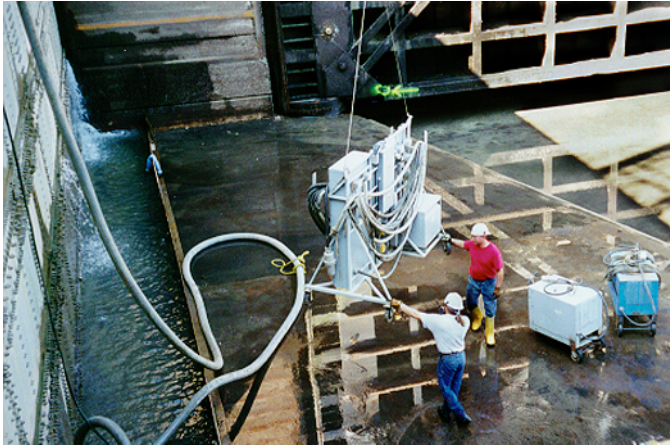
- The Administration will submit legislation authorizing the Corps to participate in the existing Federal Recreation User Fee Demonstration project. This will allow the Corps to use a portion of the fees it collects to maintain and upgrade recreation facilities at the Corps sites where the fees are collected.
- 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

CORPS OF ENGINEERS—CIVIL WORKS

AT A GLANCE:

2006 Discretionary Budget Authority: \$4.3 billion
(Decrease from 2005: 7 percent)

Major Programs:

- Commercial navigation
- Flood and storm damage reduction
- Aquatic ecosystem restoration



MEETING PRESIDENTIAL GOALS

Making Government More Effective

- Establishing clear, performance-based guidelines for allocating funds among construction projects in order to increase the net economic and environmental return of the Army Corps of Engineers' (Corps) construction program.

Agency-specific Goals

- Prioritizing construction funding for projects with the highest net economic and environmental return.
- Reducing the large backlog of construction work, by providing \$114 million in the Budget to complete 20 projects by the end of 2006, yielding an average return of \$6.64 per dollar invested.
- Using innovative means to strengthen partnerships with local stakeholders to improve the quality of Corps recreation services through a Recreation Modernization Initiative.
- Restoring aquatic ecosystems, with an emphasis on the Florida Everglades, the Louisiana coastal area, and the Upper Mississippi River; and assisting recovery efforts for endangered and threatened fish and wildlife on the Columbia and Missouri Rivers.
- Protecting the Nation's waters and wetlands.

MAKING GOVERNMENT MORE EFFECTIVE

A Performance Budgeting Initiative for Construction

The 2006 Budget proposes an initiative that improves the performance of the Corps construction program. The initiative establishes objective, performance-based guidelines for developing the Corps construction budget, which will maximize the overall net economic and environmental return from the construction program. These funding guidelines are based on sound financial management principles similar to those used by private industry to rank and select investments. The initiative would improve the program's overall performance and benefit to the Nation by redirecting funds from low-performing to high-performing construction projects.

The 2006 Budget provides \$1.4 billion for the Corps construction program, with an additional \$0.2 billion available for the highest performing projects contingent upon congressional adoption of this initiative. The President's Budget directs resources to construction projects based on guidelines summarized below.

The Performance Budgeting Initiative: Guidelines for Making Better, Smarter Construction Investments

1. *Budgeting by mission area.* Projects compete for funding in each of the Corps' three main mission areas: commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration.
2. *Performance-based project rankings.* Projects are ranked based on objective performance criteria.
 - In all mission areas except aquatic ecosystem restoration, projects are ranked based on their remaining benefits, relative to their remaining costs.
 - Aquatic ecosystem restoration projects are ranked based on the extent to which they use resources effectively to address a significant regional or national ecological problem.
3. *Performance-based funding allocations.* The performance rankings will determine what level of funding projects will receive. Projects ranking at, or near, the top will be funded at very high levels, while low-performing projects will receive reduced funding levels, and in some cases, may be suspended.
 - Highest ranking projects will receive at least 80 percent of the amount that the Corps can efficiently spend.
 - Low-ranking projects that do not meet baseline performance thresholds will be considered for deferral.
4. *Limitations on multiyear contracts.* The Budget proposes appropriations language to repeal the Corps' continuing contract authorities. The proposal will reduce out-year funding commitments, while allowing the Corps to issue multiyear contracts where appropriate.

Reducing the Construction Backlog. Between 2000 and 2005, funding for the Corps construction program increased by 30 percent in nominal terms. Much of this increase was for work on projects with relatively low benefits or outside of the Corps' three main mission areas: 1) facilitating commercial navigation; 2) reducing damages caused by floods and storms; and 3) restoring aquatic ecosystems. During the same period, the Corps construction workload grew at an unmanageable rate and more projects faced construction delays, as additional projects were authorized without funding for timely completion. This growth trend has resulted in a \$50 billion cost to complete authorized

projects, of which only \$15 billion is for projects that are both within the Corps' main mission areas and meet current economic and environmental performance standards. Funding new projects further stresses the Corps' workload as these projects inevitably compete for funding with ongoing projects that offer much greater benefits, relative to their costs. As a result, some projects cost more than they need to, and most projects are completed many months—and sometimes years—later than they could.

The Administration's performance budgeting initiative will reduce the construction backlog over time by placing a higher priority on completing high-return projects and limiting the start of new projects to the highest performing projects that are consistent with long-term fiscal management goals. In addition, the Administration's principles for improving program performance, which were in the President's 2004 Budget, will contribute significantly to achieving this objective. Those principles emphasize the need for using sound economic analysis in the formulation and design of proposed projects, funding only those new projects that have a very high net economic and environmental return and developing a process for de-authorizing projects that are inactive, have low return, or fall outside the Corps' mission areas.

Priority Funding for High-Ranking National Projects. Based upon the performance rankings within each mission area, the Budget focuses funding on the highest-performing projects, including nine projects that are national priorities.

Priority Projects	2006 Budget Authority (in millions of dollars)	Project Purpose
Sims Bayou, Houston (TX).....	18	Flood Damage Reduction
West Bank, New Orleans (LA).....	28	Flood/Storm Damage Reduction
New York/New Jersey Harbor (NY, NJ).....	101	Commercial Navigation
Oakland Harbor (CA).....	48	Commercial Navigation
Olmsted Locks and Dam, Ohio River (IL, KY).....	90	Commercial Navigation
Missouri River Fish and Wildlife Recovery (IA, NE, KS, MO) .	83	Hydropower, Flood Damage Reduction, Commercial Navigation/Mitigation
Upper Mississippi River Restoration (IL, IA, MN, MO, WI).....	34	Commercial Navigation/ Mitigation
Columbia River Fish Recovery (OR, WA, ID).....	102	Hydropower, Commercial Navigation/ Mitigation
Everglades (FL).....	137	Aquatic Ecosystem Restoration

A Five-Year Plan for Corps Investments

The Corps is developing a comprehensive five-year budget plan for future spending that meets the goals set by the Administration's performance budgeting initiative. This effort will encourage greater fiscal discipline by requiring current budget decisions to be made in light of their long-term funding implications. It also will establish an important link between Corps spending projections and the agency's annual and long-term performance targets. The plan will include a summary of projected civil works funding by both appropriation and program area, disaggregated to the individual project level.











MAKING GOVERNMENT MORE EFFECTIVE—Continued



Program Performance

Several Corps programs were assessed this year using the Program Assessment Rating Tool (PART). The PART analyses helped shape the Budget by reviewing the programs' design, purpose, and strategic planning efforts; how well they are managed; and whether they are generating positive returns for taxpayers. The PART analysis of the storm damage reduction program, for example, concluded that the Budget should continue to limit funding for long-term beach re-nourishment, and the Corps should better coordinate its beach nourishment activities with Federal, State and local plans for hazard mitigation, to reduce overall storm damages more cost-effectively. In addition, the reassessment of the Corps hydropower program concluded that in response to deficiencies cited in the initial PART, the Corps has since developed an overall asset management plan for plant and program managers to use in making risk-based hydropower investment decisions and setting regional and national hydropower investment priorities.

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, 2004.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					
<p>The Corps is assessing implementation of its 2012 Reorganization Plan to determine whether organizational changes are achieving intended results. The Corps also developed a leadership guide to focus leadership training and development efforts. The Corps has ensured the security of 87 percent of its Information Technology (IT) systems and expects to be fully accredited by 2005. The Corps has two ongoing competitions for IT and Facilities Management and has completed plans for three more. To address problems identified in its financial audit, the Corps is aggressively working to correct past audit deficiencies. To advance Budget and Performance Integration, the Corps revised the Civil Works strategic plan and is using performance measurement to guide budget and management decisions, such as in the wetlands permitting program.</p>					

Initiative	Status	Progress
Real Property Asset Management		
<p>The Corps has completed its initial assessment of its Real Estate Management Systems and has made important progress in developing its real property inventory analysis and asset management plan.</p>		

AGENCY-SPECIFIC GOALS

Facilitating Commercial Navigation

The Corps manages nearly 11,000 miles of commercial waterways and about 300 ports and harbors, typically through lock and dam operations and dredging. In allocating operation and maintenance funds, priority is given to maintaining key infrastructure, which yields the highest economic returns. The average return on investment from completing the construction of ongoing commercial navigation projects included in the 2006 Budget is 6.4 to one.

Ports and Harbors. The Budget provides \$921 million for ports and harbors, including \$588 million for maintaining existing channels and \$260 million for continuing construction. The Budget also includes funding for high-return harbor deepening projects, such as New York/New Jersey Harbor and Oakland Harbor.

Inland Waterways. The Budget provides \$932 million for inland waterway navigation, including \$369 million to continue progress on high performing inland projects such as Olmsted Locks and Dam, Illinois and Kentucky; Marmet Lock, West Virginia; and McAlpine Locks and Dam, Illinois and Kentucky.



The Port of Oakland in California is a priority navigation project in the 2006 Budget.

Flood and Storm Damage Reduction

Flood Damage Reduction. The 2006 Budget provides \$390 million to continue construction on highly cost-effective flood damage reduction projects, such as Sims Bayou, Texas and West Bank, Louisiana. Upon completion, both ownership and maintenance responsibility for such projects will be turned over to local sponsors. In addition, the Budget proposes a new flood damage reduction project in Washington, D.C., for which the estimated benefits are 4.1 times greater than the costs.

Storm Damage Reduction. The Budget also provides \$54 million to continue progress on beach nourishment projects based on the degree to which they will reduce storm damage. Similar to the President's 2005 proposal, the Budget funds the initial construction phase of those projects, while local sponsors will have the responsibility for financing long-term follow-up re-nourishment. The Budget includes \$14 million for beach nourishment and re-nourishment to mitigate the impacts of Federal navigation projects.

Aquatic Ecosystem Restoration

The 2006 Budget provides \$510 million for aquatic ecosystem restoration work, focusing resources on nationally significant projects such as the Florida Everglades and Coastal Louisiana.

AGENCY-SPECIFIC GOALS—Continued

Everglades. The Administration continues its commitment to restore the fragile Florida Everglades ecosystem in partnership with the State of Florida. Specifically, the Budget provides \$137 million for restoration of the Everglades, including \$68 million for the Comprehensive Everglades Restoration Plan (CERP). Under CERP, the Corps will support the State's decision to use its own funds to accelerate certain work on the restoration project. In addition, the Corps will broaden its role in the Modified Water Delivery Project, which will make more water available for the Everglades National Park and is a prerequisite for CERP. The Corps will share funding responsibilities with the Department of the Interior while continuing to manage construction efforts.

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 by 2050. The affected area supports a coastal wetlands and barrier island ecosystem that is an environmental resource of national significance. The Corps is continuing to work closely with the State of Louisiana to address its coastal problems. The 2006 Budget provides \$20 million, an increase of \$11.5 million over the 2005 level, with emphasis on the science and technology program; a long-term hydrodynamic study of the Mississippi River; and studies and design work on one or more significant restoration projects.

A Budgetary Priority: Implementing the Missouri River Master Manual



The Budget provides funds to create sand bar habitat along the Missouri River.

In the Missouri River basin, a series of Corps actions over more than a century contributed to the economic growth of the region, but also dramatically altered the natural ecosystem.

Three Missouri River species are of particular concern: two birds, the interior least tern and the piping plover, which nest along the river; and a large fish called the pallid sturgeon. The 2006 Budget requests \$83 million—an increase of \$64 million above 2005—to enable the Corps to manage the flow of the river as provided in recent revisions to the Missouri River Master Manual, without jeopardizing the continued existence of these species. The Administration is committed to invest these funds to improve the environment in a manner that will reflect the best available science, consistent with commercial navigation and other needs. These investments include:

- Creating side channels that provide shallow water habitat under a range of river conditions and support healthy forage fish and insect populations;
- Purchasing low-lying land from willing sellers to re-establish a hydrologic connection between the river and its floodplain and improve the biological productivity of the side channels;
- Assisting pallid sturgeon recovery below Fort Peck Dam and on the Yellowstone River;
- Establishing sand bar habitat for the nesting birds; and
- Collecting baseline and annual biological data.

Regulating Development that Affects Wetlands

The Corps manages a permitting program that plays an important role in the status of our Nation's wetlands. It requires real estate developers and builders of roads, bridges, and shopping centers to avoid, minimize or mitigate any damage they cause to aquatic resources, including wetlands. The agency processes some 80,000 permits annually. In 2003, developers received permits for projects that will adversely affect 21,300 acres of wetlands nationwide, in return for which they were required to create or restore 43,400 acres (roughly the size of the District of Columbia) of wetlands. The 2006 Budget proposes \$160 million for the agency's regulatory program, an increase of 11 percent over the 2005 level, which will help improve the speed and quality of permit processing and increase the Corps' mitigation and compliance activities.

Maintaining Key Infrastructure

The 2006 Budget provides \$2.0 billion for the operation and maintenance of existing Corps projects, including funding for continued security improvements at Corps facilities to reduce their vulnerability to terrorist threats. In order to allow more timely maintenance at Corps hydropower facilities, the Budget proposes that the Corps' hydropower-related operation and maintenance expenses be directly financed by the Department of Energy's Power Marketing Administration receipts, which are generated by the sale of power from these Corps facilities. This will enable the Corps to reduce downtime and increase the reliability of power generation. In addition, the 2006 Budget proposes to create an emergency maintenance reserve fund—managed directly by the Assistant Secretary of the Army for Civil Works—to meet high-priority, unexpected, and urgent maintenance needs at key Corps facilities each year. Under the proposed arrangement, the Assistant Secretary for Civil Works will be able to respond to these emergency situations promptly, without interfering with other program commitments.



The Corps maintains navigation infrastructure in Illinois.

Recreation Management that Draws on Local Resources and Local Leadership

The Corps is one of the largest Federal providers of outdoor recreation services, managing 4,300 recreation areas at 465 projects in 43 States. The Corps spends about \$268 million each year to support this popular program.

The 2006 Budget proposes a Corps recreation 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 agency would use a portion of the recreation fees that it collects (such as entrance fees) to upgrade the site where the fees are collected. In addition, the Corps will seek legislative authority to conduct a limited number of demonstration projects such as lake improvement districts. These public/private partnerships encourage local community leaders and property owners to work with the Corps to maintain and upgrade Corps recreation facilities. The work would be performed in a collaborative manner, similar to the approach taken in the President's cooperative conservation efforts. The demonstration projects could be expanded subsequently if they prove to be an effective way to pay for and improve the program.

Corps of Engineers—Civil Works
(In millions of dollars)

	2004 Actual	Estimate	
		2005	2006
Spending			
Discretionary Budget Authority by Program:			
Construction.....	1,730	1,782	1,637
Operation and Maintenance.....	1,955	1,943	1,979
Flood Control, Mississippi River and Tributaries.....	322	322	270
Flood Control and Coastal Emergencies	3	—	70
General Investigations.....	116	143	95
Regulatory Program.....	139	144	160
Formerly Utilized Sites Remedial Action Program.....	139	164	140
General Expenses	159	166	162
Office of Assistant Secretary (Civil Works).....	—	4	—
Subtotal, Discretionary budget authority	4,563	4,668	4,513
Reclassification of PMA Receipts, Operation and Maintenance	—	—	—181
Total, Discretionary budget authority	4,563	4,668	4,332
<i>Memorandum: Budget authority from enacted supplementals</i>	—	372	—
Total, Discretionary outlays	4,696	4,909	4,625
Mandatory Outlays:			
Existing law	142	—18	27
Legislative Proposal, Recreation Program User Fee	—	—	—9
Total, Mandatory outlays	142	—18	18
Total, Outlays	4,838	4,891	4,643

CORPS OF ENGINEERS—CIVIL WORKS

Since 2001, the Administration:

- Completed 64 civil works construction projects;
- Focused the Corps construction program on building projects with the highest economic and environmental return;
- Helped protect the Nation's environment by encouraging developers to avoid development on 25,000 acres of wetlands; and
- Led efforts to prioritize resources for the completion of ongoing construction projects before starting new ones.

The President's Budget:

- Completes an additional 16 construction projects in 2007, with an average return of \$9.57 per dollar invested;
- Initiates a comprehensive inventory and risk assessment of the Nation's flood and storm damage reduction projects;
- Invests in maintenance of key locks and dams on the Nation's busiest inland waterways; and
- Supports improvements in the Corps emergency management program that build upon lessons learned from Hurricane Katrina.

FOCUSING ON THE NATION'S PRIORITIES

Katrina Response and Recovery: Emergency Management in Action

The 2007 Budget reflects the Administration's robust support for the Corps emergency management program and its ongoing contribution to the Gulf Coast recovery effort. The Administration will continue to work with the Congress to fund and complete vital improvements to the New Orleans levee system, which will help provide protection for New Orleans that is better and stronger than ever before. In addition to emergency preparedness, response, and recovery work performed under its own authority, the Corps responds to national emergencies, such as Hurricane Katrina, as part of the larger, Federal response team led by the Federal Emergency Management Agency (FEMA). As part of the coordinated Federal response to Hurricane Katrina in 2005, the Corps mobilized over 2,500 of its employees to meet the critical needs of hurricane victims quickly and effectively. A response of that magnitude is a major logistical challenge, and the Corps emergency operations team met that challenge. As of January 2006, the Corps had:

- Delivered 232 million pounds of ice and 112 million gallons of drinking water to hurricane victims;
- Removed 34 million cubic yards of debris from affected areas; and
- Placed 189 thousand temporary roofs for residents of damaged homes.

The Budget takes steps to improve upon the successes of both the Corps' direct emergency response program and its support to FEMA's Federal response team, building upon several lessons learned from the 2005 hurricane season. First, the Budget provides funding to improve the Corps' overall logistics capability so that its emergency operations teams will be prepared for a broader array of post-disaster logistical challenges, including commodities distribution and tracking, and response team mobilization and integration.

Second, the Budget continues the Administration's policy of ensuring an effective response to future emergencies through responsible funding and planning now. In recent years, the Corps has often not received funding for emergency management in regular annual appropriations, and instead has had to rely upon support from emergency transfers or supplemental funding. The 2007 Budget supports a more proactive approach to emergency management by funding the Corps' planning, preparedness, response and recovery activities through the regular budget process.

Third, the Budget provides \$20 million for three key efforts that will help ensure that Americans can make more informed decisions on building homes, locating businesses, and purchasing flood insurance based upon the actual risk of flood and storm damages where they live. The Corps will: (1) inventory the Nation's levees and other flood and storm damage reduction projects, including those built or maintained by State, local, or private entities; (2) develop a risk assessment tool for



Planning for Emergencies Now Pays Off Later. The Budget supports critical training and preparedness activities so the Corps can respond quickly and effectively to emergencies, such as Hurricane Katrina. Ensuring a rapid, effective, and efficient response to future events requires budgeting for preparedness, response and recovery activities now.

evaluating the structural and operational integrity of these identified projects; and (3) create a national flood and storm project database that identifies project location, actual level of protection, maintenance condition, and the parties responsible for project maintenance. The Corps will coordinate these efforts with FEMA's Map Modernization Program to enhance the accuracy of that ongoing floodplain mapping effort. This collaboration builds upon two Corps pilot projects now underway to better integrate Federal and non-Federal floodplain management programs and policies.

Maintaining Key Inland Navigation Infrastructure



The Budget gives priority to the maintenance of infrastructure on the Nation's most important inland waterways.

The 2007 Budget increases funding to properly maintain locks and dams on the Nation's three busiest inland waterways—the Ohio River, the Mississippi River, and the Illinois Waterway. Since the 1960s, the Federal Government has invested heavily in the maintenance and rehabilitation of these major transportation arteries, which support substantial movements of agricultural products, energy-related materials, and other bulk commodities and handle the vast majority of all inland waterway traffic. The Corps is giving priority to the continued maintenance and rehabilitation of the locks and dams on these key waterways.

For example, a series of rehabilitation projects at locks and dams 24 and 25 on the Upper Mississippi River over the past 10 years has contributed to improved performance by reducing the incidence of malfunctioning and breakdowns. These investments reduce the likelihood that barges will encounter unexpected, protracted delays. The Corps periodically evaluates the condition of all of the lock and dam sites on the Upper Mississippi River and the Illinois Waterway, and has concluded that the existing locks can continue to process tows safely and reliably for the next 50 years or more, as long as we continue to invest prudently in their maintenance and rehabilitation. The Budget furthers this objective by funding four rehabilitation projects and boosting spending for maintenance.

Helping to Restore Nationally Significant Aquatic Ecosystems

The 2007 Budget includes a focus on the restoration of three important aquatic ecosystems: Coastal Louisiana, the Upper Mississippi River, and Everglades/South Florida.

Coastal Louisiana. The wetlands of coastal Louisiana support many plant and animal species, but are subject to continuing pressures as a result of human intervention and natural causes. The 1990 Coastal Wetlands Planning, Protection and Restoration Act took steps to address this ecological challenge. The Administration seeks to build upon the 1990 Act by supporting generic authorizing legislation to address the most critical ecological needs over the next 10 years, with the understanding that significant additional work will be needed in subsequent years. These wetlands also provide a natural buffer that can lessen the impacts of some storms, and are in fact an important part of the overall storm damage reduction system for coastal communities, such as New Orleans. The Budget includes \$25 million for studies, design work, and a science program to lay the groundwork for this effort, a \$4 million (19-percent) increase over the 2006 level of funding.

FOCUSING ON THE NATION'S PRIORITIES—Continued

Upper Mississippi River. Through the Upper Mississippi System Environmental Management Program, the Corps is helping to revitalize the side channels of the Upper Mississippi, where habitat has been damaged by the construction and operation of the existing navigation system. The Budget includes the funding needed to continue critical baseline environmental data collection and related analysis, while making further progress on the ongoing projects. A Corps report has recommended a major expansion of the Federal commitment to restore this ecosystem. The Budget includes \$3 million for a focused 10-year plan—modeled after the one recently developed for Coastal Louisiana—that will establish near-term priorities for this program.

Everglades/South Florida. The Corps budget includes \$164 million for activities that will benefit the ecosystem of South Florida, including the Everglades, while supporting future population growth. In 2007, the Corps will begin construction of one or more bridges along the Tamiami Trail (U.S. Highway 41), allowing more water to enter Everglades National Park. Work on seepage control north and south of Tamiami Trail, the Kissimmee River, and aquifer storage and recovery pilot projects will be a priority. The Corps will also work with the non-Federal sponsor to develop a full range of options to: (1) optimize management of the waters in and around Lake Okeechobee over time, based on the expected net environmental and net economic returns; and (2) develop a full range of options for improving water flows through the Central Everglades, both in the Water Conservation Areas and in Everglades National Park.



Restoring the Mississippi Flyway. The Upper Mississippi River, the Illinois Waterway, and their floodplains support one of the principal flyways for migratory birds in North America. The area includes 285,000 acres of National Wildlife Refuge and is home to nearly 500 species of fish, amphibians, reptiles, birds, and mammals, 10 of which are listed as endangered or threatened.

Strengthening the Regulatory Program for Wetlands

The Budget provides \$173 million for the Corps regulatory program, a \$15 million (9-percent) increase over the 2006 funding level. The program helps to preserve and protect the Nation's wetlands. The Corps evaluates permit applications submitted by developers of roads and real estate and others whose activities will affect wetlands. It requires developers to avoid, minimize, and mitigate any wetland damage. Increased funding for the program will allow the Corps to improve permit processing, increase compliance by permit recipients with the terms of their permits, and upgrade the ability of the Corps to assess and review wetland-related projects using a broadly focused watershed approach rather than a narrower and less effective site-by-site approach. The funding increase will also allow the Corps to work with local officials to identify environmentally sensitive areas in advance of development and to work with the Environmental Protection Agency to upgrade the database both agencies use to track and coordinate wetland-related data.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

Setting Priorities for the Construction Program

The 2007 Budget provides strong support for the Corps construction program with a sharpened focus on completing more projects sooner, building the best projects faster, and ensuring that taxpayer dollars are spent on projects with the greatest return on the investment, based on objective performance criteria. The Budget again proposes to use performance guidelines to guide the development of the Corps construction budget and establish a clear, performance-based framework for selecting the most worthy construction investments. This approach mimics the decision-making of businesses and individuals who seek the greatest return from the investment of their own resources. The Budget supports a major change to the guidelines proposed in the 2006 Budget to ensure funding for flood and storm damage reduction projects that address a significant, ongoing risk to human safety.

One of the lessons learned from Hurricane Katrina is the importance of setting spending priorities to meet the water resources needs that are most compelling from a national perspective. To that end, the budget for construction focuses funding on six national priorities and other high-ranking projects within the Corps main mission areas.

Priority Construction Projects	2007 Budget Authority (in millions of dollars)	Project Purpose
Sims Bayou, Houston (TX).....	22	Flood Damage Reduction
New York/New Jersey Harbor (NY, NJ).....	90	Commercial Navigation
Olmsted Locks and Dam, Ohio River (IL, KY).....	110	Commercial Navigation
Oakland Harbor (CA).....	44	Commercial Navigation
Upper Mississippi River System Environmental Management Program (IL,IA,MN,MO,WI)	27	Commercial Navigation/Mitigation
Everglades/South Florida Ecosystem Restoration (FL) ..	164	Aquatic Ecosystem Restoration

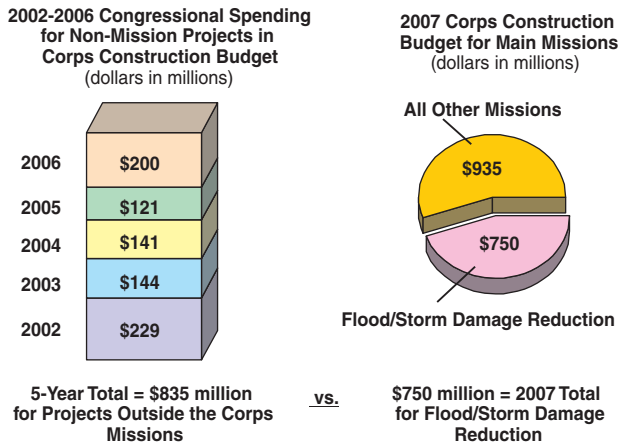
Two other efforts are also national priorities—the work now underway in the Columbia River and Missouri River basins to benefit listed species. The Budget funds these efforts under the operation and maintenance program. The Budget does not include additional funding for the flood damage reduction project in the West Bank and Vicinity, Louisiana, because sufficient funds to complete that project were provided in 2006.

Staying on Mission

In any given year, there are about 300 new or ongoing construction projects that compete for limited available resources in the Corps construction budget. Not all of these projects, however, are appropriate investments. For example, many projects fall outside the Corps main missions—commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. Other projects have not completed the necessary policy review within the Executive Branch or, as a result of such review, have raised serious policy concerns.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

Staying and Spending on Mission Matters



In response to an Administration proposal last year, the Congress took an important step and placed limits on the Corps' use of continuing contracts. The 2007 Budget builds upon this successful effort by improving and reproposing performance guidelines for the Corps construction program. The guidelines continue to focus on projects that are within the Corps mission areas and have completed rigorous policy review. Projects are then ranked within each mission area by their estimated economic or environmental return. Projects with economic outcomes are ranked by the ratio of their remaining economic benefits to the remaining costs. Environmental projects are given priority if they involve restoration of

a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a Corps project or, if the Corps is otherwise uniquely suited to undertake the restoration. Flood and storm damage reduction projects that address significant risk to human safety also receive priority. The highest-ranking projects in each mission area will receive at least 80 percent of the maximum amount the Corps can efficiently spend, and the lowest-ranking projects will be considered for deferral. Setting priorities and adhering to objective performance criteria will help ensure that the construction program produces the best value for the American taxpayer. The Administration will continue to work with the Congress to achieve this worthy goal.

Authorizing New Ways to Support Recreation at Corps Lakes and Reservoirs

The Corps manages 4,300 recreation areas at 465 Corps projects (mostly lakes and reservoirs) in 43 States. Millions of people each year enjoy the marinas, camping areas, and conference centers that line Corps lakes. The Corps spends about \$267 million each year to support this popular program. To help finance upgrades to recreation facilities at Corps lakes, the Administration repropose a recreation modernization (RecMod) initiative that would improve these facilities and increase program quality through additional fees (e.g., entrance fees, which are not now authorized), leasing arrangements, and public/private partnerships. The RecMod initiative would provide better service to all visitors at less cost to taxpayers. The initiative would be implemented in a collaborative manner that draws on local leadership and protects environmental values, similar to the approach taken in the President's cooperative conservation efforts.

Budgeting for Operation and Maintenance

The Budget supports development of risk-based facility condition indices to enable strategic, objective investment decisions on the maintenance of the Corps' aging infrastructure. The Corps will use these analytic tools to standardize decision-making across its divisions and districts and to help set priorities for maintenance spending. In addition, to improve accountability and oversight, reflect the full cost of operating and maintaining existing projects, and support an integrated investment strategy, the Budget transfers the following activities from the construction program to the operation and maintenance program:

- Rehabilitation of navigation and hydropower infrastructure, where the extent of the work is not large enough to be considered a replacement;
- Endangered Species Act compliance, where the Corps is implementing a reasonable and prudent alternative set forth in a biological opinion in order to be able to continue operating an existing project without jeopardizing the existence of listed species;
- Construction of facilities, projects or features (including islands and wetlands) to use materials dredged during navigation maintenance; and
- Mitigation of impacts on shorelines from navigation maintenance activities.

Assessing Corps Program Performance and Management

The Corps worked with the Office of Management and Budget to assess two programs this year using the Program Assessment Rating Tool (PART). These assessments yielded a set of findings and follow-up actions for improving the performance and management of each program. For example, an assessment was completed for the Corps environmental stewardship program, which involves management of 12 million acres of land and water nationwide (equal in size

to the States of Vermont and New Hampshire combined). The assessment found that the natural resource inventories and management plans for these properties are in many cases incomplete or out of date. In response to this finding, the Corps will complete and update these inventories and plans to ensure Corps environmental assets are managed in a more responsible way. An assessment was also completed for the Corps program tasked with cleaning up sites contaminated as a result of the Nation's early efforts—mostly under the Manhattan Project—to develop atomic weapons. The assessment found that many stakeholders at individual clean-up sites have significantly differing views on the purpose and goals of this program. In response, the Corps will work with local community leaders and other stakeholders to better document and clarify agreements on the program's goals and commitments at the 22 sites scheduled for clean-up.











Innovations in Management: Improving the Quality of Water Resource Project Review



In March 2005, the Corps established a Civil Works Review Board to serve as a corporate checkpoint for reviewing the quality of the recommendations that Corps field offices make regarding future Federal water resource projects. The Board, chaired by the Deputy Commanding General of the Corps of Engineers, will allow for improved quality control in project formulation and a more integrated and collaborative project review process.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

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, 2005.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					
<p>The Corps continued to refine improvements to its 2012 Reorganization Plan while deploying over 2,500 employees to areas affected by Hurricanes Katrina, Rita, Ophelia, and Wilma. The Corps is aggressively working to ensure the security of its information technology systems and expects all systems to be secure and fully accredited by the end of 2006. The Corps is taking advantage of competitive sourcing to lower costs and improve the performance of information technology, finance, and public works activities. The Corps is working diligently to address and resolve problems identified in past financial audits, which it must do to lay the groundwork for a future audit. To advance Budget and Performance Integration, the Corps has completed assessments of two additional programs this year using the PART: the Environmental Stewardship program and the Formerly Utilized Sites Remedial Action Program.</p>					

Initiative	Status	Progress
Real Property Asset Management		
<p>The Corps is completing its real property inventory, asset management plan and performance measures, as called for by the Federal Real Property Council. These efforts are expected to be completed by mid-2006.</p>		

Corps of Engineers—Civil Works
(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Spending			
Discretionary Budget Authority:			
Construction ¹	1,755	2,348	1,555
Operation and Maintenance ¹	1,944	1,970	2,258
Flood Control, Mississippi River and Tributaries	298	396	278
Flood Control and Coastal Emergencies	59	—	81
Investigations	144	162	94
Regulatory Program	144	158	173
Formerly Utilized Sites Remedial Action Program	164	139	130
Expenses	166	152	164
Office of Assistant Secretary (Civil Works)	4	4	—
Total, Discretionary budget authority	4,678	5,329	4,733
<i>Memorandum: Budget authority from enacted supplementals</i>	772	2,900	—
Total, Discretionary outlays	4,885	7,380	5,843
Mandatory Outlays:			
Existing law	– 119	33	45
Legislative proposal, Recreation Program User Fee	—	—	– 9
Total, Mandatory outlays	– 119	33	36
Total, Outlays	4,766	7,413	5,879

¹ The 2007 Budget reflects a transfer of certain activities from the construction program to the operation and maintenance program.



CORPS OF ENGINEERS—CIVIL WORKS

Since 2001, the Administration:

- Developed a strategy for improving the performance of the Corps civil works program by establishing five principles to guide future authorization and funding decisions;
- Completed 70 projects, thereby reducing the large backlog of Corps construction work;
- Invested \$4.8 billion to restore nationally or regionally significant aquatic ecosystems, with emphasis on the Florida Everglades, the Upper Mississippi River, the Louisiana coastal area, and endangered species recovery efforts in the Columbia and Missouri River basins; and
- Improved compliance and enforcement of wetlands regulation and reduced the average time to process permits by an estimated 10 percent, or 15 days.

The President's 2008 Budget:

- Provides the highest level of funding ever included in any President's budget for Corps water resources projects and programs;
- Improves the performance of the construction program by focusing on the projects that provide the best net economic and environmental returns to the Nation;
- Emphasizes performance of existing projects by focusing on the maintenance of key commercial navigation, flood and storm damage reduction, hydropower, and other facilities; and
- Improves the readiness of the Corps to respond to floods, hurricanes, and other natural disasters by improving training and interagency coordination and by purchasing additional rapid response vehicles.

FOCUSING ON THE NATION’S PRIORITIES

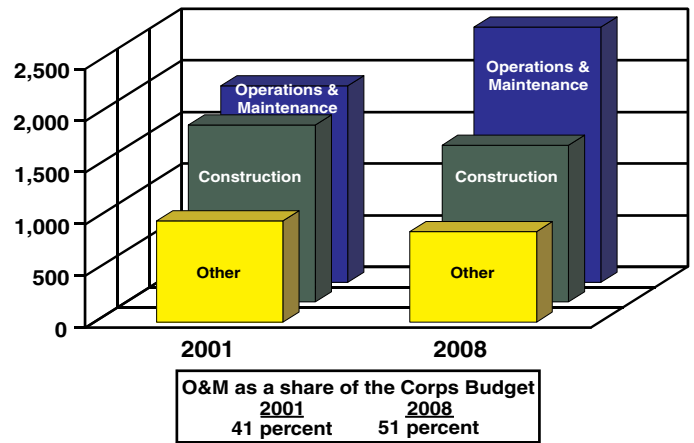
The Corps of Engineers civil works program within the Department of Defense has three main missions: 1) reduce the expected damage caused by floods and storms; 2) facilitate commercial navigation; and 3) restore aquatic ecosystems. The Corps conducts its work on projects in partnership with State and local governments and other non-Federal entities.

Maintaining Key Infrastructure Needs

The Administration is committed to maintaining key infrastructure owned and operated by the Corps. As these facilities age, operations, maintenance, and rehabilitation costs are increasing. These maintenance investments will improve the reliability of the services provided by this infrastructure.

The Budget includes a nine-percent increase for operation and maintenance (O&M) relative to the 2007 President’s Budget, to maintain the effectiveness of these facilities, and to take advantage of technologies that improve their performance and efficiency. Funds will be directed toward maintaining the overall condition of facilities as measured by facilities condition indices.

Administration Prioritizes Corps O&M Funding
(Budget authority in millions of dollars)



Prioritizing High Performing Projects

The Corps construction program emphasizes projects that will provide the best net economic and environmental returns to the Nation. The Budget allocates funding among projects based on their economic performance, as measured by their total national benefits divided by their total costs, or, for aquatic ecosystem restoration projects, by performance measures that include their environmental significance to the Nation and cost-effectiveness. The Budget focuses resources on high-ranking projects that have begun construction and gives priority to completing ongoing projects as opposed

Priority Construction Projects	2008 Budget Authority (in millions of dollars)	Project Purpose
Sims Bayou, Houston (TX)	24	Flood Damage Reduction
New York/New Jersey Harbor (NY, NJ)	91	Commercial Navigation
Olmsted Locks and Dam, Ohio River (IL, KY)	104	Commercial Navigation
Oakland Harbor (CA)	42	Commercial Navigation
Upper Mississippi River System Environmental Management Program (IL, IA, MN, MO, WI)	23	Commercial Navigation/Mitigation
Everglades/South Florida Ecosystem Restoration (FL)....	162	Aquatic Ecosystem Restoration

to starting new ones. It also funds studies of those future projects that would potentially yield high net economic and environmental returns.

The Budget proposes to authorize the Corps to issue multi-year contracts in lieu of its current continuing contract authority. This would subject Corps contracts to conditions and oversight similar to those that apply to other Federal contracting agencies. It would increase the ability of the Executive Branch and the Congress to establish priorities by reducing the high out-year funding commitments that result from the existing contract authority.

Promoting User Financing of the Inland Waterways

The commercial barges that move cargo on the inland waterways pay a beneficiary-based excise tax of 20 cents per gallon on diesel fuel. The existing tax covers only about 10 percent of the total costs that the Corps incurs to make barge transportation possible on the inland waterway system. The Administration is developing and will propose legislation to require payment of a user fee designed to promote the efficient use of the Nation's overall resources and require the commercial interests that benefit from Corps spending on the inland waterways to carry more of the costs, thereby improving future Federal authorizing and funding decisions.

Increasing Preparedness

The Corps plays a central role in responding to flood, hurricane, and other natural disasters. Although disasters are often unpredictable, the Corps must be ably prepared to respond to their occurrence. For this reason, the Administration proposes to substantially increase the emergency preparedness budget to \$40 million in 2008. This increased funding will enable the Corps to train more of its staff to be able to effectively respond, improve needed inter-agency coordination to facilitate communication and response with State, local, and other Federal agencies, maintain larger emergency supply inventories, and purchase additional rapid response vehicles.

Addressing Aquatic Ecosystem Restoration Needs

The Budget's support for aquatic ecosystem restoration activities includes providing funding for three significant new initiatives:

Missouri River Fish and Wildlife Recovery. As part of its efforts to operate six large dams on the Missouri River to meet multiple purposes, the Corps is working to restore the habitat of an endangered fish called the pallid sturgeon. In 2008, it will begin construction work to modify Intake Dam on the Yellowstone River, a project that is potentially very important to the prospects for the survival of this species.

Everglades/South Florida. Building upon the success of the Kissimmee River aquatic ecosystem restoration effort, the Corps will conduct a study to reevaluate the Federal interest in expanding the area to be restored in order to reduce peak flows to Lake Okeechobee and achieve additional benefits for the ecosystem.

Chicago Sanitary and Ship Canal Dispersal Barrier. To protect the ecosystem of the Great Lakes from Asian carp, which have had a harmful impact on the ecology of the Illinois Waterway, and from other invasive species, the Corps will improve the existing electrical barrier on the Illinois Waterway and continue to construct a second barrier.

Safeguarding the Nation's Waters and Wetlands through Improved Regulation

The Corps regulatory program helps to protect the Nation's waters and wetlands. The program issues over 90,000 permits per year to developers, on the condition that the developer takes the steps needed to avoid, minimize, or mitigate potential environmental damage. In the past five years, the Administration has increased funding by 19 percent for this program to improve performance. The Corps is issuing more permits and reducing the time it takes to secure a permit, while increasing on-site inspections to ensure compliance by recipients with the terms of their permits. The net effect is a more efficient permitting process and less costly development, while protecting important aquatic resources.

Army Corps of Engineers—Civil Works (In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Spending			
Discretionary Budget Authority:			
Construction ¹	2,348	1,891	1,523
Operation and Maintenance ¹	1,980	1,975	2,471
Flood Control, Mississippi River and Tributaries.....	396	291	260
Flood Control and Coastal Emergencies.....	—	—	40
Investigations.....	164	134	90
Regulatory Program.....	158	152	180
Formerly Utilized Sites Remedial Action Program.....	139	130	130
Expenses.....	152	142	177
Office of Assistant Secretary (Civil Works).....	4	4	—
Total, Discretionary budget authority.....	5,341	4,719	4,871
<i>Memorandum:</i>			
<i>Budget authority from enacted supplementals.....</i>	6,585	—	—
<i>Additional funding requirements.....</i>	—	— ²	—
Total, Discretionary outlays.....	7,184	7,584	6,486
Mandatory Outlays:			
Existing law.....	-220	-6	22
Legislative proposal, Recreation Program User Fee.....	—	—	-7
Total, Mandatory outlays.....	-220	-6	15
Total, Outlays.....	6,964	7,578	6,501

¹ The 2008 Budget reflects a transfer of certain activities from the construction program to the operation and maintenance program.

² Reflects the proposed reallocation of \$1.0 billion within the Flood Control and Coastal Emergencies account, as well as the proposed reallocation of \$0.3 billion from the Construction account to the Flood Control and Coastal Emergencies account.



CORPS OF ENGINEERS—CIVIL WORKS

The President's 2009 Budget will:

- Enhance the performance of the Corps civil works program consistent with sound science, public safety, and the needs of the American economy;
- Emphasize investing in maintenance at key Corps facilities;
- Focus on ongoing projects with the highest returns to the Nation and project completions;
- Provide resources to restore nationally and regionally significant aquatic ecosystems;
- Enhance the Corps' ability to plan for and respond to natural disasters; and
- Meet the President's commitment to improve hurricane and storm protection for New Orleans.

Improving Performance in the Corps Civil Works Program

- *Supports the program's three primary missions.* 1) Facilitate commercial navigation; 2) reduce the risk of damage from floods and storms; and 3) restore aquatic ecosystems. The Corps conducts its work in partnership with non-Federal entities.
- *Assesses project performance.* Develops these programs using economic, environmental, and other performance criteria to produce a greater overall return to the Nation from the civil works program.

Maintaining the Nation's Infrastructure

- *Focuses on the performance of existing projects.* Gives priority to operating and maintaining key water resources infrastructure across the Nation, including multi-purpose dams, navigation projects, and levees.

Constructing the Highest-Performing Projects First

- *Continues to propose a performance-based, earmark-free construction program.* Supports construction of the projects in the main Corps missions that provide the greatest net returns for each dollar invested.
- *Reduces the construction backlog.* Focuses funds on completing projects that demonstrate a high return within the main Corps mission areas that are already under construction.
 - Requires \$19 billion just to complete those ongoing projects that are consistent with the program's performance criteria and \$38 billion to complete all projects including congressional add-ons.

- Focuses on the highest-performing projects, rather than new starts, and thereby completes them sooner. This accelerates the completion of such projects as the Oakland Harbor navigation channels in California, which will be completed in 2009.
- Supports studies of those proposed projects that are most likely to produce a high net return for each dollar invested.
- *Proposes user fee for inland waterways.* Proposes to phase out the current excise tax on diesel fuel for the inland waterways and replace it with a lockage-based user fee.
 - Additional revenue from the proposed fee is needed to pay for ongoing and future construction, replacement, expansion, and rehabilitation work on the inland waterways, consistent with the required 50 percent cost-share for such investments from the Inland Waterways Trust Fund.

Restoring Aquatic Ecosystems

- *Restores the Everglades.* \$185 million for the Corps to help restore the ecosystem of South Florida, including the Everglades, an increase of \$54 million over the 2008 enacted level.
 - Focuses on a small number of restoration projects with direct ecological benefits, as recommended by the National Research Council, with projects selected to evaluate the validity of scientific assumptions regarding the effectiveness of current approaches to restoration of the Central Everglades, thereby reducing uncertainty over time.
 - Works in stages to restore, for example, natural hydrological conditions in Everglades National Park. The first stage, which the Corps is conducting under the 1989 Modified Water Deliveries to Everglades National Park project authority, is the centerpiece of the current phase of the overall South Florida ecosystem restoration effort. The Corps will evaluate the success of this project, and incorporate the lessons learned, before proceeding under the 2000 Comprehensive Everglades Restoration Plan authority with further steps to improve water deliveries to the park.
- *Fosters Louisiana coastal restoration.* \$20 million to protect and restore Louisiana's coastal wetlands ecosystem, an increase of \$17 million over the 2008 enacted level.
- *Supports Missouri River restoration.* Modifies the Intake Dam on the Yellowstone River to open up the upstream habitat to the endangered pallid sturgeon.



Source: Environmental Science Division, Conservancy of Southwest Florida

The Budget would help restore 90 square miles of endangered Florida panther habitat at Picayune Strand, west of the Everglades.

Rebuilding New Orleans and Supporting Overall Response Capability

- *Reduces vulnerability of New Orleans to storm damage.* \$5.8 billion in additional emergency funding in 2009 to provide 100-year storm protection to the greater New Orleans area. The Corps has already provided a higher level of storm protection for New Orleans than the area has ever had. The additional funds, combined with the State's cost-share, will help keep the project on schedule for completion.

- *Supports effective response to emergencies.* \$46 million for activities, such as preparation, logistics, and training, to ensure that the Corps is able to respond effectively to natural disasters.

Since 2001, the Corps of Engineers has:

- Focused resources on the highest performing projects. The Administration has established principles and performance criteria to guide and rank the allocation of funds among construction projects.
- Completed 70 construction projects. Allows the Nation to realize the benefits of completed navigation, aquatic ecosystem restoration, and storm damage reduction projects. Significant project completions through 2008 include inland waterways projects, such as Montgomery Point Lock and Dam in Arkansas and an innovative flood damage reduction project, Grand Forks and East Grand Forks in North Dakota and Minnesota, which combined structural and non-structural approaches to flood damage reduction. The 2009 Budget will complete funding for construction of the navigation and ecosystem features of the Columbia River Channel Improvements project.
- Placed greater emphasis on existing infrastructure. The Budget emphasizes maintenance of key Corps facilities. For instance, the Budget has emphasized maintenance and rehabilitation of facilities to improve reliability on three inland waterways with the most commercial traffic: the Ohio River; the Mississippi River; and the Illinois Waterway.
- Protected the environment. Through its permitting process, the Corps Regulatory Program has helped protect 30,000 acres of wetlands.

Corps of Engineers—Civil Works
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
Spending			
Discretionary Budget Authority:			
Construction ¹	2,382	2,289	1,402
Operation and Maintenance ¹	1,975	2,244	2,475
Flood Control, Mississippi River and Tributaries	397	387	240
Flood Control and Coastal Emergencies	—	—	40
Investigations	163	167	91
Regulatory Program	159	180	180
Formerly Utilized Sites Remedial Action Program	140	140	130
Expenses	167	175	177
Office of Assistant Secretary (Civil Works)	4	4	6
Total, Discretionary budget authority	5,387	5,586	4,741
<i>Memorandum:</i>			
<i>Budget authority from enacted supplementals</i>	<i>1,609</i>	<i>—</i>	<i>—</i>
<i>Budget authority from emergency request, Construction</i>	<i>—</i>	<i>—</i>	<i>5,761</i>
Total, Discretionary outlays	3,780	7,205	8,774
Mandatory Outlays:			
Existing law	156	27	28
Legislative proposal, Recreation Program User Fee	—	—	—9
Total, Mandatory outlays	156	27	19
Total, Outlays	3,936	7,232	8,793

¹ The 2009 Budget reflects a transfer of certain activities from the construction program to the operation and maintenance program.