

DEPARTMENT OF THE ARMY

WRITTEN STATEMENT

OF

THE HONORABLE JO-ELLEN DARCY

ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

BEFORE

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE FISCAL YEAR 2016 BUDGET

FOR THE ARMY CORPS OF ENGINEERS, CIVIL WORKS

February 11, 2015

Thank you Chairman Simpson and distinguished members of the subcommittee for the opportunity to present the President's Budget for the Civil Works program of the Army Corps of Engineers for fiscal year (FY) 2016. We are pleased to have an opportunity to further expand on the Administration's priorities and goals. Those priorities include promoting resilient communities in the wake of the impacts of climate change and sea level rise; fostering and maintaining strong partnerships with local communities; and practicing sustainability and sound stewardship across all our missions. I also want to take this opportunity to touch on points that this Committee has raised in the past.

This year's Civil Works Budget reflects the Administration's priorities through targeted investments in the Nation's water resources infrastructure, including dams and levees, navigation, and the restoration of aquatic ecosystems.

The 2016 Civil Works Budget provides \$4.7 billion in discretionary appropriations for the Army Civil Works program, focusing on investments that will yield high economic and environmental returns or address a significant risk to safety.

The Budget focuses on funding our three major mission areas:

- 41 percent of funding is allocated to commercial navigation,
- 27 percent to flood and storm damage reduction,
- And 9 percent to aquatic ecosystem restoration.

Other practical, effective, sound investments include allocating 5 percent of the Budget to hydropower, 4 percent to regulatory activities, and 2 percent to the clean-up of sites contaminated during the early years of the Nation's nuclear weapons program.

The Civil Works program, which this Budget supports, relies on the strong relationships between the Corps and local communities; these strong relationships allow us to work together to meet their water resources needs across all of our missions, as well as to address broader water resources challenges that are of concern at the national or regional level.

The Budget supports a Civil Works program that has a diverse set of tools and approaches to working with local communities, whether this means funding studies and projects with our cost-sharing partners, or providing planning assistance and technical expertise to help communities make better informed decisions.

PLANNING MODERNIZATION

This Budget supports the continued implementation of Corps efforts to modernize its planning process. The Budget provides funding in the Investigations account for 54 feasibility studies, and funds 13 of them to completion.

Section 1002 of the Water Resources Reform and Development Act of 2014 repeals the requirement for the Corps to conduct a Federally-funded reconnaissance study prior to initiating a feasibility study. This creates an accelerated process which allows non-Federal project sponsors and the Corps to proceed directly to the cost shared feasibility study. The Budget reflects that change, and does not propose any new reconnaissance studies.

The Budget reflects full implementation of the SMART (Specific, Measurable, Attainable, Risk Informed, Timely) planning initiative, under which each feasibility study is to have a scope, cost, and schedule that have been agreed upon by the District, Division, and Corps Headquarters. The Budget supports efficient funding of these studies.

Studies generally are funded with the presumption that they will complete in three years and for \$3 million (\$1.5 million Federal). For most studies, the Corps estimates that it will spend \$300,000 in the first year, \$700,000 in the second year, and \$500,000 in the final year. In the first year, the Corps will work to identify the problem, develop an array of alternatives, and begin the initial formulation. The bulk of the study costs are anticipated to be incurred during year two, as the alternatives are narrowed down and a Tentatively Selected Plan is identified, which requires more detailed feasibility analysis and formulation. During the third year, the focus is on completing the detailed feasibility analysis, state and agency review, and finalizing the Chief's Report. There are limited exceptions to this funding stream, where the Corps has approved an increase in the study cost or an extension in its schedule based on factors such technical complexity, public controversy, the need for more detailed work to address a specific issue, or the overall cost of a proposed solution.

The Budget includes funding to complete two ongoing preconstruction engineering and design efforts. Within the past year, the Corps has initiated 19 new studies under the FY 2014 and FY 2015 work plans. The Budget does not propose additional new studies for FY 2016. Instead, the Corps would focus on managing its existing portfolio of ongoing studies and bringing them to a conclusion. However, the Budget does propose two important, new initiatives in the Investigations account – the North Atlantic Coast Comprehensive Study Focus Areas; and Disposition of Completed Projects. Both of these are funded as remaining items.

North Atlantic Coast Comprehensive Study Focus Areas

The Disaster Relief Appropriations Act, 2013, tasked the Corps to work with a variety of partners to conduct a Comprehensive Study of the coastal areas affected by Hurricane Sandy to evaluate flood risks and, as part of this study, to identify areas warranting further analysis and institutional and other barriers to reducing flood risks. The Water Resources Reform and Development Act, 2014, provided further requirements to the study. In January of 2015, the U.S. Army Corps of Engineers released to the public the North Atlantic Coast Comprehensive Study (NACCS) detailing the results of a two-year

effort to address coastal storm and flood risk to vulnerable populations, property, ecosystems, and infrastructure in the North Atlantic region of the United States affected by Hurricane Sandy in October 2012.

Within the NACCS, nine focus areas were identified and analyzed. There is a new remaining item included in the FY 2016 Budget in the Investigations account to follow on with additional analysis into those focus areas; in-depth studies of three of the nine areas – New York-New Jersey Harbor, the New Jersey Back Bays, and Norfolk, Virginia – will be undertaken beginning in FY 2016 under this remaining item.

Disposition of Completed Projects

The Corps would use the funds provided under the new remaining item for Disposition of Completed Projects to develop a process to help identify projects that it could sell or transfer to other parties, and to determine the viability of such a divestiture and what actions would be necessary to make it happen. In the future, funds provided through this line item would primarily be used to undertake studies or analyses of options for candidate projects to support specific divestiture recommendations.

CONSTRUCTION

The Budget for the construction program funds 53 ongoing efforts, and four new ones. It funds nine of them to completion. Several of these efforts are in fact programs, which comprise multiple projects. For transparency, the supporting budget justification materials for each of these programs display their constituent parts separately. For example, the South Florida Ecosystem Restoration Program includes many projects. Some of these projects are part of an integrated, ongoing Federal and State effort to restore the unique aquatic ecosystem of the Everglades; while others primarily seek to restore the aquatic ecosystems of surrounding areas. This year's Budget also presents the main stem flood damage reduction features of the Lower Mississippi River together, since they are the component parts of a single, integrated project.

The Corps continues to contribute to the Nation's efforts to restore degraded environments; to that end, the Budget for the Corps funds restoration of several large aquatic ecosystems that have been a focus of interagency collaboration, including the California Bay-Delta, the Chesapeake Bay, the Everglades, the Great Lakes, and the Gulf Coast. Other funded efforts include the Columbia River, portions of Puget Sound, and priority work in the Upper Mississippi and Missouri Rivers.

The Budget requests funds sufficient to complete nine construction projects. Among these is the Chicago Sanitary and Ship Canal Dispersal Barrier in Illinois; the Budget will allow the Corps to physically complete Permanent Barrier I and appurtenant features. Finishing this project has been a high priority of both the Administration and

Congress and I am pleased that the Corps will be able to deliver a solution that will reduce the risk of migration of Asian carp and other invasive species between the Great Lakes and Mississippi River through the Chicago Area Waterway System (CAWS). After FY 2016, work for this project will be limited to operation and maintenance and will be funded through the Operation and Maintenance account.

The Budget also helps to further combat the spread of invasive species by its proposals for funding work associated with the Great Lakes and Mississippi River Interbasin Study (GLMRIS). The Budget supports efforts to reduce the risk of interbasin transfer of aquatic nuisance species through the CAWS in the vicinity of Brandon Road Lock and Dam. The Brandon Road effort will assess the viability of establishing a single point to control the one-way, upstream transfer of aquatic nuisance species from the Mississippi River basin into the Great Lakes basin near the Brandon Road Lock and Dam located in Joliet, Illinois. Carryover funds are being used to develop a scope, schedule, and cost for a study. This is needed as a basis for further action to undertake a feasibility-level evaluation of options to support a decision. The Budget includes funding to continue this effort.

Another completion of note is the Main Tunnel System (Stage 1) of the McCook Reservoir, Illinois project. The \$9 million in the Budget coupled with the additional funds provided in the FY 2015 work plan will allow the Corps to complete this work on a schedule that will support the non-Federal sponsor, the Metropolitan Water District of Greater Chicago, in meeting its requirements under the Clean Water Act by December 2017.

Also funded to completion are two dam safety projects in Oklahoma – Pine Creek Lake and Canton Lake - that will result in reduced dam safety action classification ratings as a result of the construction.

Dam and Levee Safety

Over the last several years, Congress has funded the dam safety program at a lower level than the Budget, based on revisions of capabilities that the Corps has provided to Congress subsequent to the Budget submission; these revisions - often but not always showing a lower capability than requested in the Budget - are caused by a variety of factors, including savings from contract awards, process efficiencies, and unforeseen changed conditions. The Budget includes \$310 million (not including \$24 million for the Dam Safety remaining item) for the dam safety program that, when coupled with anticipated unobligated carryover balances on these important projects, will ensure that each of the Dam Safety Action Classification (DSAC) I and DSAC II projects funded in the Budget is able to progress as efficiently and effectively as possible toward risk reduction.

The Budget also provides \$44 million for a comprehensive levee safety initiative that will help ensure that all Federal levees are safe and in line with the Federal Emergency Management Administration standards.

Inland Waterways

The overall condition of the inland waterways has improved over the last few years. The number of lock closures due to preventable mechanical breakdowns and failures lasting longer than one day and lasting longer than one week has decreased significantly since FY 2010. However, the lock closures that do occur result in additional costs to shippers, carriers, and users. That is why the Budget continues to provide a high level of funding to operate and maintain the inland waterways, with emphasis on those that together carry 90 percent of the commercial traffic.

The Budget funds inland waterways capital investments at \$974 million, of which \$53 million will be derived from the Inland Waterways Trust Fund (IWTF). With the passage of the Water Resources Reform and Development Act of 2014 (WRRDA 2014), the Olmsted Locks and Dam, Ohio River, Illinois and Kentucky project is now cost-shared 85 percent General funds and 15 percent IWTF. This change reduced the cost of this project to the navigation users by around \$500 million, and increased the amount that Federal taxpayers will have to pay by an equivalent amount. In the ABLE Act, the Congress also increased the tax on diesel fuel used in commercial transportation on certain of the inland waterways. As a result of both of these changes, over the next few years there will be somewhat more money in the IWTF to support the user-financed share of inland waterways capital investments.

The Administration has proposed legislation to reform the way that we finance capital investments for navigation on the inland waterways. The Administration's proposal includes a new user fee to produce additional revenue from the users to help finance long-term future capital investments in these waterways to support economic growth. We would like to work with the Congress to enact this legislation.

The Corps also is working to develop a Capital Investment Program for the inland waterways. It will coordinate this effort with stakeholders and the Inland Waterways Users Board to provide an opportunity for their input. The process will include development of objective nationwide criteria to provide a framework for deciding which capital investments should have priority for funding from a national perspective.

OPERATION AND MAINTENANCE

The Budget provides \$2.71 billion for Operation and Maintenance, with \$1.08 billion for operation and \$1.44 billion for maintenance, and an additional \$186 million for remaining items. This encompasses a wide range of activities, from operating and

maintaining our locks and dams to monitoring the condition of dunes and berms that reduce the risk of flooding in a hurricane from wave action and storm surges, running the Corps recreation facilities that are visited by millions of Americans each year, and helping us be responsible stewards of the lands associated with Corps projects and operate them in an increasingly sustainable fashion.

For example, the Budget helps us maintain and improve our efforts on sustainability. We are reducing the Corps' carbon footprint by:

- increasing renewable electricity consumption,
- reducing greenhouse gas emissions,
- and reducing non-tactical vehicle petroleum consumption.

The Budget continues to support the Corps' actions to improve the sustainability of our facilities and projects, by participating in Energy Savings Performance Contracts, which are innovative tools that enable us to work with non-Federal partners in financing improvements that otherwise might be postponed due to competition for scarce Federal dollars, and which can help to make upgrades to our facilities in ways that have immediate positive impacts, such as by cutting power consumption from lighting and buildings.

We are also making important investments to promote the sustainable management of the lands around Corps facilities; the Budget provides \$2.3 million to update 22 of the Master Plans that govern how we manage our facilities, which will help us make better decisions about how to use the land and keep it healthy, such as by combating invasive species.

Harbor Maintenance Trust Fund

The Budget provides \$915 million from the Harbor Maintenance Trust Fund (HMTF) to maintain coastal channels and related work, matching the highest amount ever budgeted. This includes \$856 million from the O&M Account, \$2 million from the Mississippi River & Tributaries account, and \$57 million from the Construction account.

Levels of Service

At some of our navigation projects, we have adopted changes to the level of service at low commercial use locks (those with less than 1,000 commercial lockages per year). The Corps has worked with navigation stakeholders to reduce impacts to commercial users. Generally, commercial traffic will be able to continue to use the locks at certain times. The intent of this effort is to focus the available Federal resources on maintenance that will extend the service life of these or other navigation locks.

RESEARCH AND DEVELOPMENT

Research, Development, and Technology is a component of the Science and Technology portfolio of the Corps and continues to address key strategic technology needs to inform policy-making and business processes. The FY 2016 Budget includes \$18.1 million for research and development. This funding will be used to extend the service life of water resources infrastructure through research, use of novel materials, and technology transfer. Research, Development, and Technology efforts address ways to maintain or improve the reliable and efficient operation of marine transportation, continued development of tools for flood and coastal storm preparation and recovery, and capabilities that address ecosystem restoration, sustainable environmental management, and changing environmental conditions.

REMAINING ITEMS

The Budget includes \$61 million in the Investigations account, \$47 million in the Construction account, and \$186 million in the Operation and Maintenance account for remaining items.

Annual funding for these remaining items is determined based on current needs, such as the increased focus on technical assistance to States and local communities to improve resilience to climate change.

This year, the President's Civil Works Budget provides \$31 million for the Corps to provide these resources to local communities, to improve their resilience to the impacts of climate change and sea level rise.

REGULATORY PROGRAM

The Budget includes a \$5 million increase from the FY 2015 Budget level for the Regulatory program, which is necessary to implement Clean Water Act (CWA) rulemaking activities while maintaining staffing needs, adequate scientific and technologic support, and Regulatory strategic priorities. This increase is based on estimates derived from the EPA Economic Analysis to support revisions to the definition of waters of the United States and would support certain actions to facilitate implementation, such as changes to documentation forms, training, science and technology development, and public outreach. Without the increase over 2015 levels, resources could be shifted away from permit evaluation, affecting processing times and increasing the time it takes to render a permit decision.

ALTERNATIVE FINANCING AND PUBLIC-PRIVATE PARTNERSHIPS

As part of looking to the future of the Army's Civil Works program, we are considering potential tools to expand and strengthen our already strong partnerships, especially in the area of Alternative Financing. As part of this effort, we are actively talking with potential non-Federal partners about their ideas for how we can work together and soliciting suggestions and best practices from others in the Federal government with experience in this area.

As part of this effort, we are considering new authorities, such as Section 5014 of the Water Infrastructure Finance and Innovation Act (WIFIA), and other parts of WRDDA 2014. We are focusing on understanding how we could structure programs to provide efficient forms of Federal assistance and partnership under authorities, including identifying potential challenges to implementation and what additional tools we may need to successfully engage in public-private partnerships. There are limitations on how such structures can be applied to the Civil Works program, but we are working on developing several pilots to flesh out opportunities associated with alternative financing.

We are also considering other approaches to public-private partnerships, such as by expanding use of existing authorities. In some cases, non-Federal sponsors have expressed interest in contributing funds to enable work to occur more quickly than it could with just Federal funds. Before entering into an agreement to accept such funds, the Corps carefully evaluates its overall workload to ensure that execution of the proposed work will not adversely affect directly-funded programs, projects and activities.

VETERANS CURATION PROGRAM

Finally, this Budget provides \$6 million for the Corps' Veterans Curation Program, which was started in 2009 with support from the American Recovery and Reinvestment Act. This program offers veterans the opportunity to learn tangible work skills and gain experience by rehabilitating and preserving federally owned or administered archaeological collections found at Corps projects.

Thank you all for attending today. General Bostick will provide further remarks on the Army Corps of Engineers 2016 Budget.