DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

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BEFORE

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

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE FISCAL YEAR 2015 BUDGET

FOR THE ARMY CIVIL WORKS PROGRAM

APRIL 2, 2014

Mr. Chairman and distinguished members of the Subcommittee, thank you for the opportunity to present the President's Budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2015.

OVERVIEW

The FY 2015 Budget for the Civil Works program reflects the Administration's priorities through targeted investments to develop, manage, and restore water resources. Commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration are the primary mission areas of the Army Civil Works program. The Budget also supports related efforts at existing projects owned or operated by the Corps (hydropower, recreation, environmental stewardship, and water supply storage); as well as emergency preparedness and training to respond to natural disasters, the regulatory program, and the restoration of certain sites contaminated as a result of the nation's early efforts to develop atomic weapons. These investments will contribute to a stronger economy, improve reliability of waterborne transportation, reduce flood risks to businesses and homes, increase public safety, protect and restore aquatic ecosystems affected by water resources development, and support American jobs.

The primary objectives of the Budget are as follows:

- Focus funding on water resources investments that will yield high economic and environmental returns or address a significant risk to public safety, including investing in restoring significant aquatic ecosystems to help promote their ecological sustainability and resilience.

- Support commercial navigation through investments in maintenance and related activities at the most heavily used coastal ports and inland waterways in the Nation.

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

FY 2015 DISCRETIONARY FUNDING LEVEL

The Budget for FY 2015 for the Civil Works program provides a fiscally prudent and sound level of Federal investment in the Nation's water resources.

In keeping with the Administration's commitment to continue to invest in those efforts that are a priority for the Nation, while putting the country on a sustainable fiscal path, the Budget includes $4.561 billion in gross discretionary appropriations for the Army Civil Works program offset by a $28 million cancellation of unobligated carry-in to FY 2015, including funds previously earmarked for particular programs, projects, or activities.

This gross funding level represents the amount of new Federal discretionary resources that would be available to the Civil Works program.

Within the $4.561 billion recommended appropriations, $1.125 billion is for projects in the Construction account, and $2.6 billion is for activities funded in the Operation and Maintenance account. The Budget also includes $80 million for Investigations; $245 million for Mississippi River and Tributaries; $28 million for Flood Control and Coastal Emergencies; $200 million for the Regulatory Program; $100 million for the Formerly Utilized Sites Remedial Action Program; $178 million for the Expenses account; and $5 million for the Office of the Assistant Secretary of the Army for Civil Works. Attachment 1 shows this funding by account and program area.

A total of nine construction projects (three navigation projects, four flood risk management projects, and two aquatic ecosystem restoration projects), 28 studies, and 6 designs are funded to completion in the Budget. Completed construction projects will result in immediate benefits to the Nation and directly impact many local communities as benefits are realized from the combined Federal and non-Federal investments.

BUDGET CRITERIA

The FY 2015 Budget continues the Army's commitment to a performance-based approach to budgeting to provide the best overall return for the Nation in achieving economic, environmental, and public safety objectives. Competing investment opportunities for studies, design, construction, and operation and maintenance were evaluated using objective performance metrics, which guided the allocation of funds.

Within the Investigations account, deciding which studies to pursue can be a challenge. The Corps must use its professional judgment in these situations. Generally, funding is allocated to those studies that appear the most promising based on the potential for high economic, environmental, and safety returns to the Nation; and have an active local sponsor. Under the SMART Planning initiative, to be eligible for funding the Corps (the District, Division, and Headquarters) must also have reached agreement with the local sponsor on the scope, cost, and schedule of the study. This improvement to the planning process is helping to bring studies to a conclusion sooner and with less money without compromising the quality of the analyses.

NEW INVESTMENTS IN FY 2015

The Civil Works budget includes $10 million to start construction of a nationally significant aquatic ecosystem restoration effort, the Louisiana Coastal Area Ecosystem Restoration program. This program, authorized in the Water Resources Development Act of 2007, is needed to restore habitat while reducing the risk of damage to coastal Louisiana from storm driven waves and tides, and complements the ongoing Federal effort under the Coastal Wetlands Planning, Protection, and Restoration Act. The

Administration is committed to restoration of the Gulf Coast, and starting construction on this program serves as an important step in fulfilling that commitment.

The Budget also includes funding for eleven new study starts in the Investigations account. Two of these studies support efforts to encourage States and communities to assume responsibility for the development, management, restoration, and protection of water resources. Those studies focus on the disposition of locks that are no longer being used for commercial navigation, or have very little commercial navigation; these studies are the Allegheny River Disposition study in Pennsylvania and the Kentucky River Locks 1-4 Disposition in Kentucky.

Three additional studies are focused on deep draft navigation improvements - Manatee Harbor, Florida; New Haven Harbor Deepening, Connecticut; and San Juan Harbor Navigation Improvements, Puerto Rico. The principal criterion used to select these studies was the anticipated economic return to the Nation.

Three studies are focused on flood risk management - Du Page River, Illinois; Fairfield and New Haven Counties, Connecticut; and Short Creek and Wheeling Creek, Ohio. The principal criteria used to select these studies were the population affected, the condition of the flood damage reduction measures that currently exist, and the potential consequence of a flood event.

One new aquatic ecosystem restoration study—Salton Sea Restoration, California—will examine the potential for a project of environmental improvements to the Salton Sea.

Finally, the Budget again includes funding for the Water Resources Priorities Study. This study would assess the Nation's vulnerability to inland and coastal flooding; compare the flood risks faced by different regions of the United States; evaluate the effectiveness of current approaches to reducing these risks in different settings at the Federal, state, and local levels; and develop recommendations to improve existing programs to save lives, and reduce flood losses and associated recovery costs nationwide, in ways that will also promote the long-term sustainability of communities and ecosystems. In short, it would improve our understanding of why flood costs are increasing so dramatically and identify better ways for the Nation to address these risks. This is not being proposed as a study leading to a new project, and thus should not be subject to any potential limitation on new starts. Rather, this study will build on, and broaden, progress being made by the Corps in its North Atlantic Coast Comprehensive Study under the Disaster Relief Appropriations Act of 2013, P.L. 112-3, and is a logical next step to that effort.

NAVIGATION

The Budget includes $1.825 billion in support of global and domestic waterborne transportation, with emphasis on the coastal ports and inland waterways that support the greatest national economic activity.

The Cleveland Harbor (Dike Raise), Ohio; New York and New Jersey Harbor, New York & New Jersey; and Texas City Channel (50-Foot Project), Texas Dredged Material Placement Facility projects are all funded to completion in FY 2015.

At a funding level of $915 million, the Budget provides, for the third consecutive year, the highest amount ever proposed in a President's Budget for work financed from the Harbor Maintenance Trust Fund to maintain coastal channels and for related work. The FY 2015 Budget includes $595 million for the operation and maintenance of inland waterways.

Overall, the total number of lock closures due to mechanical failures at main chamber locks on the high and moderate commercial use inland waterways has decreased, in both FY 2012 and FY 2013.

For the operation and maintenance of navigation projects with a low level of commercial use (coastal and inland combined), the Budget provides $113 million. Starting in 2012, the Corps modified the levels of service for certain inland waterways locks. This has resulted in reduced operating costs and the Corps is using these savings for work on these waterways or other inland waterways.

The Budget continues to include funding in both the Investigations and Construction accounts on proposals to deepen and widen channels at several of our coastal ports to accommodate post-Panamax vessels with deeper drafts. Within the Investigations account, funding is included to complete feasibility studies for Charleston Harbor, South Carolina and Wilmington Harbor, North Carolina; continue design efforts at Boston Harbor, Massachusetts, Savannah Harbor, Georgia, and Freeport Harbor, Texas; and to complete design efforts at Jacksonville Harbor, Florida. Within the Construction account, funding is included to continue construction of a new dredged material placement facility at Charleston Harbor, North Carolina.

The Budget includes $160 million for Olmsted Lock and Dam, Illinois, of which $80 million would be derived from the Inland Waterways Trust Fund. The Budget does not support a reduction in the portion of the costs of this project financed from this trust fund. The Budget also includes $9 million for ongoing work to address dam safety issues at Locks and Dams 2, 3, 4, Monongahela River, Pennsylvania, of which $4.5 million would be derived from the Inland Waterways Trust Fund.

The Budget funds capital investments in the inland waterways based on the estimated revenues to the Inland Waterways Trust Fund under current law. However, the Budget also assumes enactment of the legislative proposal submitted to the Joint Select Committee on Deficit Reduction in 2011, which would reform the laws governing the Inland Waterways Trust Fund, including an annual per vessel fee to increase the amount paid by commercial navigation users of the inland waterways sufficiently to meet their 50 percent share of the capital investments that the Army Corps of Engineers incurs on their behalf. The revenue from this user fee would supplement the revenue from the existing excise tax on liquids used as fuel in commercial transportation on the inland waterways.

The Administration's proposal would generate an estimated $1.1 billion in additional revenue over 10 years from the commercial users of these inland waterways. This amount reflects estimates of future capital investment for navigation on these waterways over the next decade, including an estimate adopted by the Inland Waterways Users Board (Users Board). The proposal is needed to ensure that the revenue paid by commercial navigation users is sufficient to meet their share of the costs of capital investments on the inland waterways, which would enable a significant increase in funding for such investments in the future.

Under the Administration's proposal, the Corps would be able to structure the user fee in two tiers. Nearly all of the capital investment by the Corps to support commercial navigation on these waterways involves work at Corps locks and dams. Under a two-tiered fee system, those who use the locks and dams would pay more of the non-Federal share of capital investments, as they should. This would increase economic efficiency by requiring the specific users who benefit from these investments to internalize the costs. The Administration's proposal also includes other needed changes, which would clarify the scope of cost-sharing for inland waterways capital investment, and the authority for appropriating funds from the IWTF and from the General Fund to finance inland waterways costs; and would close an existing loophole under which traffic on roughly 1,000 miles of the inland waterways does not now pay the fuel tax.

FLOOD RISK MANAGEMENT

Through both structural and non-structural measures, the flood risk management program serves as a vehicle to reduce the risk to safety and property from riverine and coastal flooding.

The FY 2015 Budget provides $1.3 billion for the flood risk management program, which includes $325.7 million for construction of dam safety projects, $34 million for the assessment of existing dam safety projects, development of dam safety modification reports, and preconstruction engineering and design for existing dam safety projects, and $38 million to continue the levee safety initiative, which involves an assessment of the conditions of Federal levees.

Between 10 percent and 15 percent of the levees in the Nation are maintained by the Corps, or are maintained by others and inspected by the Corps. The FY 2015 Budget includes funds for periodic inspections, levee screenings, and risk characterization by the Corps of these levees. The most prevalent deficiencies that the Corps has found to date have mostly been related to vegetation, encroachments, and culverts. Where the levee is a local responsibility, the Corps will suggest both structural and non-structural risk reduction measures that the local authority can take to improve the condition of its levee and manage its flood risk.

The Budget also includes $2 million under the National Flood Risk Management Program to support the continued development of interagency teams known as Silver Jackets to provide unified Federal assistance in implementing flood risk management solutions. Silver Jackets teams have now been established in 41 States.

The Dover Dam, Muskingum River, Ohio and Muddy River, Massachusetts projects are both funded to completion in the FY 2015 Budget.

AQUATIC ECOSYSTEM RESTORATION

The FY 2015 Budget reflects a continuing effort by the Administration to have a coordinated approach to restoring significant aquatic ecosystems. The Corps has been working collaboratively with other Federal resource agencies on this effort. Attachment 2 provides a list of these ecosystems and the associated funding in the FY 2015 Budget for the Civil Works program.

The Budget for the Army Civil Works program provides $74.9 million for the ongoing South Florida Ecosystem Restoration Program, which includes the Everglades, consisting of $65.6 million in the Construction account and $9 million in the Operation and Maintenance account. The Budget includes $29 million in Construction and $500,000 in Investigations to continue efforts to combat the threat of Asian Carp and other aquatic invasive species in the Great Lakes region. Approximately $1.5 million of FY 2014 funds are projected to be carried into FY 2015, which will be used in conjunction with the budgeted funds to further the Great Lakes Mississippi River Interbasin Study efforts.

The Budget includes $71 million for the Columbia River Fish Mitigation program in order to meet requirements laid out in the Columbia River Biological Opinion and to meet commitments made under the Columbia River Basin Fish Accords. The Budget includes statutory language to increase the authorized program limits for the Lower Columbia River Ecosystem Restoration, Oregon and Washington construction program and for the research efforts on the Lower Columbia River, which have both been relied upon to meet requirements laid out in the Columbia River Biological Opinion.

In addition, the Budget includes funds to initiate two new phase feasibility studies on the Russian River in California in order to address requirements laid out in the 2008 Russian River Biological Opinion. These feasibility studies will serve as the follow-up to the reconnaissance study that was initiated in FY 2014. The Corps anticipates that the operational requirements and the likely alternatives needed to address problems in the study area will be specific to each facility, warranting separate feasibility studies. It has been common practice for the Corps to use one reconnaissance study to determine if there is a Federal interest in addressing the same water resource challenge in the same geographic area with the same project sponsor, before moving to separate feasibility studies.

The Budget also provides $48.8 million for ongoing work under the Missouri River Fish and Wildlife Recovery program, including funds to award construction of the Yellowstone Intake Dam Diversion project.

RESILIENCE TO A CHANGING CLIMATE

The Budget supports continued progress on very important investments that will yield long-term returns for the Nation. For example, the Corps of Engineers continues its active role in climate change adaptation. Through the Administration's proposed Opportunity, Growth, and Security Initiative, the Corps would be able to further its efforts to increase the resilience of water resources infrastructure to a changing climate. This would include investments in small flood risk reduction projects, with the focus on nonstructural and/or natural approaches to risk reduction. It would also provide technical assistance to non-Federal, State, and local agencies to assist and enable their development and implementation of nonstructural actions to reduce risks; and an interagency study by Corps and the Bureau of Reclamation to develop more resilient approaches to Federal development and management of water resources infrastructure to support project planning.

SUSTAINABILITY AND ENERGY

We have redoubled our efforts to leverage third party financing to achieve Administration, Energy Policy Act (EPAct 2005), and Energy Independence and Security Act (EISA 2007) energy efficiency and renewable energy goals while reducing the demand on appropriated funds. By leveraging investments made since January 1999 in USACE hydropower infrastructure, we are now solidly "GREEN" on the federal renewable energy goal (7.5 percent of total agency electricity in FY 2013). We achieved a new high in renewable energy use in FY 2013: 12.1 percent of our electricity consumption in FY 2013 was provided by renewable resources, the majority of which (78 percent) we generated on-site in our hydropower dams.

REGULATORY PROGRAM

The Budget includes $200 million for the Regulatory Program, which is the level provided in the enacted appropriations for FY 2014, to enable the Corps to continue to protect high-value aquatic resources, enable more timely business planning decisions via a transparent and timely permit review process, and support sustainable economic development.

VETERANS CURATION PROJECT

In continued support of the President's Veterans Job Corps, the FY 2015 Budget includes $4.5 million to continue the Veterans Curation Project, which provides vocational rehabilitation and innovative training for wounded and disabled veterans, while achieving historical preservation responsibilities for archaeological collections administered by the Corps. The project supports work by veterans at curation laboratories located in August, Georgia; St. Louis, Missouri; and the Washington, D.C. area.

CONCLUSION

In summary, the President's FY 2015 Budget for the Army Civil Works program is a performance-based budget that supports an appropriate level of Federal funding for continued progress, with emphasis on those water resources investments that will yield high economic, environmental, and safety returns for the Nation and its citizens.

These investments will contribute to a stronger economy, support waterborne transportation, reduce flood risks to businesses and homes, restore important ecosystems, provide low-cost renewable hydropower, and deliver other benefits to the American people.

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