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BEFORE THE SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
ON THE ARMY CIVIL WORKS PROGRAM BUDGET FISCAL YEAR 2002**

INTRODUCTION

Mr. Chairman and distinguished members of the Subcommittee:

Thank you for the opportunity to testify before this subcommittee of the Appropriations Committee and to present the President's budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2002.

Accompanying me this morning are Lieutenant General Robert B. Flowers, Chief of Engineers; Major General Hans A. Van Winkle, Director of Civil Works; and Mr. Robert F. Vining, Chief of the Programs Management Division, Directorate of Civil Works.

My statement provides an overview of the FY 2002 Army Civil Works program and discusses highlights of the program.

FY 2002 ARMY CIVIL WORKS PROGRAM

The Army Corps of Engineers is the premier Federal agency for managing water resources project planning, construction, and operation; protecting the Nation's waters and wetlands; and responding to emergencies. As a decentralized, watershed-based organization with strong engineering, environmental, and research capabilities, the Corps is very well positioned to continue developing integrated solutions to complex, modern water resources problems. To carry out the Civil Works program, the Corps works in partnerships with other Federal agencies, states, and local communities, including the non-Federal cost-sharing sponsors for studies and projects.

The President's FY 2002 budget for the Army Civil Works program includes \$3.9 billion in appropriations. Of the \$3.9 billion, about \$765 million will be derived from the Harbor Maintenance Trust Fund, the Inland Waterways Trust Fund, and other sources offsetting general revenues. In addition to the \$3.9 billion, about \$514 million will be contributed by the Bonneville Power Administration, non-Federal cost sharing partners, and other sources supplementing appropriated funds. Details are presented in Table A.

The budget reflects the President's overall goals to slow the growth of Federal spending, provide for a tax cut, and reduce the national debt, while providing greater emphasis on education and protecting social security. The President is committed to a collegial, bipartisan approach to working with Congress. We look forward to working with you throughout your deliberations on the President's FY 2002 budget for the Army Civil Works program.

HIGHLIGHTS OF THE FY 2002 ARMY CIVIL WORKS PROGRAM

The FY 2002 Army Civil Works program includes a number of proposals and initiatives, such as targeting funds on continuing work with high priority outputs, increasing user fees for recreation services, and modifying the cost sharing for periodic renourishment at shore protection projects.

The budget emphasizes the principal Civil Works missions of commercial navigation, flood damage reduction, and environmental restoration. The budget also provides funds for storm damage reduction studies and projects and for multiple purpose studies and projects that include other outputs such as hydroelectric power, water supply, and recreation. No funds are provided to continue additional missions that, in the view of the Administration, should remain the responsibility of non-Federal interests. In addition, the budget does not fund individual studies and projects that are inconsistent with established policies governing the applicable missions.

Construction Backlog

There is a construction backlog of about \$40 billion, including about \$26 billion to complete ongoing regular construction projects, about \$6 billion to complete ongoing Mississippi River and Tributaries construction projects, and about \$8 billion for projects in Preconstruction Engineering and Design. Available funding is directed toward construction of the continuing projects, and no new project construction starts or project-specific study starts are budgeted. Shore Protection Policy

The FY 2002 budget presents a new Administration policy toward shore protection projects that involve periodic sand nourishment. Until now, beach nourishment projects started since FY 1995 have not received budgetary support. However, ongoing shore protection projects that involve periodic nourishment and that are otherwise consistent with established policies are supported in the FY 2002 budget, no matter when these projects were started, provided that non-Federal interests agree to pay 65 percent of the costs of nourishment work funded in FY 2002 or thereafter. This increased non-Federal cost share reflects the substantial economic benefits that these projects provide to state and local economies and ensures that the Federal Government's long-term nourishment obligations do not crowd out other important funding needs. The existing cost sharing for initial sand nourishment, which is 65 percent Federal and 35 percent non-Federal in most cases, is not affected by the new policy.

The new 65 percent non-Federal cost share would apply to all periodic nourishment costs for which the Federal share is financed with funds allocated to the project after FY 2001. The Army Corps of Engineers will develop amendments to the project cooperation agreements to establish the new 65 percent non-Federal cost share for periodic nourishment.

In addition, beach nourishment study phases started since FY 1995 have not received budgetary support until now. With the policy change, this restriction has been lifted. Project reports will recommend the same new cost sharing formula for the resulting projects.

Altogether, the budget provides \$82 million for beach nourishment projects.

Recreation User Fees

Recreation user fees will be increased by \$10 million, to an estimated \$44 million per year. This is the first step of a four-year effort to increase recreation user fee receipts by a total of \$25 million per year. All of the increase in fees will be made available to the Corps of Engineers, without further appropriation, for operation, maintenance, and improvement of Corps recreation facilities. A portion of these increases will be accomplished by increasing day use fees, camping fees, annual pass fees, and special use permit fees under existing authority. For the other portion of the increases, we plan to transmit proposed legislation to Congress to authorize certain changes in current fee collection authorities.

General Investigations

The budget for the Civil Works study program is \$130 million. This funding level is intended to slow the growth of the ongoing construction backlog and avoid unrealistic funding expectations among non-

Federal project sponsors. Cost-sharing sponsors, who are being asked to invest in these studies, expect timely construction, once studies and design are completed and the projects are authorized.

No project-specific new study starts are included in the budget. However, policy-consistent studies that are under way will continue to move seamlessly from the reconnaissance phase to the feasibility phase and from the feasibility phase to preconstruction engineering and design, as they receive the necessary levels of review and approval within the Corps and the Army.

The budget proposes two new national studies that will provide information needed by the Army and the Chief of Engineers to assess potential changes in Civil Works policies and procedures. The first of these new studies was authorized in Section 223 of the Water Resources Development Act of 2000 and involves a Project Monitoring Program to monitor the economic and environmental results of up to 5 projects constructed by the Corps. The budget includes \$100,000 to initiate the monitoring program.

The second new national study, a National Shoreline Study, was authorized by Section 215 of the Water Resources Development Act of 1999 and will assess the extent, causes, and impacts of shoreline erosion on the coastal shores of the United States. The budget includes \$300,000 to initiate this study.

A number of continuing studies focus on basin-wide solutions to interrelated water resources problems, where the Corps of Engineers can be especially effective as an integrator of multi-agency efforts. These studies include the comprehensive studies initiated in FY 2001 for the Rio Grande River Basin, the White River Basin, and the Yellowstone River Basin.

Coordination, technical assistance, and research activities also will be continued. Ongoing coordination of Federal estuary management activities will include funds to enable Army participation in the National Estuaries Council.

Construction, General

The FY 2002 budget for the Civil Works Construction, General program is \$1.324 billion. Of the total, \$61 million would be derived from the Inland Waterways Trust Fund and \$9 million would be derived from the Harbor Maintenance Trust Fund.

Funds are included for continuing projects that are consistent with established policies, including Congressional adds that have completed Administration review and are policy consistent. No funds are included to initiate construction of new specifically authorized and funded projects, new projects funded in the Dredged Material Disposal Facility Program, or new projects under the Continuing Authorities Program.

A number of projects added to the construction program in FY 2001 have not completed Administration review and, thus, are not known to be policy-consistent. Where a project report is being prepared during FY 2001 and additional funds are needed in FY 2002 to complete the project report, the FY 2002 budget includes the needed funds.

The budget emphasizes the continuing, multi-agency efforts to restore the South Florida and Everglades ecosystem and to mitigate the impacts of projects on the Columbia and Snake Rivers on threatened and endangered salmon species.

\$139 million is budgeted for the South Florida and Everglades program, including \$28 million for the Comprehensive Everglades Restoration program authorized in Title VI of the Water Resources Development Act of 2000, \$65 million for other elements of the Central and South Florida project, \$26 million for the Kissimmee River restoration, and \$20 million for critical restoration projects.

\$81 million is budgeted for the salmon impact mitigation program. These funds are needed to comply with Biological Opinions issued by the National Marine Fisheries Service and the U.S. Fish and Wildlife Service under the Endangered Species Act, while continuing to operate the projects for authorized flood control, navigation, and hydroelectric power purposes. Potentially conflicting requirements of the Endangered Species Act and the Clean Water Act also must be reconciled.

The budget provides \$88 million for planning, design, and construction of projects under the Continuing Authorities Program. These are small projects for flood damage reduction, navigation, beach erosion control, shore and streambank protection, navigation project impact mitigation, clearing and snagging, aquatic ecosystem restoration, beneficial uses of dredged material, and project modifications for improvement of the environment.

Flood Control, Mississippi River and Tributaries

The budget includes \$280 million for the Mississippi River and Tributaries program. The budget targets funds to high priority flood damage reduction projects, which are on the mainstem of the Mississippi River and in the Atchafalaya River Basin, Louisiana.

Operation and Maintenance, General

The overall budget for the Operation and Maintenance, General, account is \$1.745 billion. Of this amount, \$666 million would be derived from the Harbor Maintenance Trust Fund and \$29 million would be derived from Special Recreation User Fees.

In addition to these funds, operation and maintenance of hydropower facilities in the Pacific Northwest will be directly financed by a transfer of approximately \$114 million from Bonneville Power Administration revenues, pursuant to an agreement signed four years ago.

Among port and harbor and inland waterway projects, recreational shallow-draft harbors and low commercial-use inland waterway segments are de-emphasized so that scarce resources can be available for navigation facilities with higher commercial use, as well as for other project purposes.

Operation and maintenance funds for shallow draft harbors are limited to \$47 million. These are harbors that have authorized depths of 14 feet or less. Among shallow draft harbors, the subsistence harbors for isolated communities and the harbors that involve higher use for commercial cargo and commercial fishing are emphasized, while the harbors that are essentially recreational in nature are de-emphasized.

The budget includes \$42 million for operation of low commercial-use inland waterways, that is, inland waterways with less than 1 billion ton-miles of traffic per year. Funds for maintenance of low commercial-use inland waterways are limited to \$25 million for maintenance dredging, and the dredging funds are targeted at the waterway segments with relatively higher commercial use. No funds are requested for structural maintenance on the low-commercial use inland waterways.

As always, funds will be reprogrammed as necessary for emergencies, such as to protect human health and safety, to perform emergency repairs, or to perform emergency dredging of shoaled-in waterways.

Regulatory Program

The budget for the Regulatory Program is \$128 million, an increase of \$3 million over the FY 2001 amount for labor cost increases. These funds are needed to help maintain program performance, protect important aquatic resources, and support partnerships with states and local communities through watershed planning efforts. These funds will be used for permit evaluation, enforcement, administrative appeals, and studies and environmental impact statements, in order to provide effective regulation of the

Nation's waters and wetlands.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

FUSRAP is an environmental cleanup program that was transferred by Congress from the Department of Energy to the Army in FY 1998. We are continuing to implement needed clean-up at contaminated sites. This year's budget includes \$140 million in new appropriations for this program.

Flood Control and Coastal Emergencies

Funding that remains available from prior year appropriations is sufficient to fund normal program activities during 2002. In order to finance responses to emergencies that may arise during the year, the Administration is proposing a government-wide emergency reserve fund. Civil Works is one of the programs that will be able to tap this proposed nation-wide emergency reserve fund, in the event that response costs for qualifying emergencies exceed available funds.

General Expenses

Funds budgeted for the General Expenses program are \$153 million. These funds will be used for executive management and direction activities of the Corps of Engineers headquarters, the Corps Division headquarters, and related support organizations.

Among these funds, \$1.8 million will be used to continue the management study authorized by section 216 of the Water Resources Development Act of 2000. This study, which is being initiated in FY 2001, is examining Corps of Engineers planning and review procedures.

Harbor Maintenance Trust Fund

The President's FY 2002 budget proposes that \$675 million be derived from the Harbor Maintenance Trust Fund, including \$666 million in the Operation and Maintenance, General program for harbor maintenance, and \$9 million in the Construction, General program for the addition of dredged material disposal facilities at existing projects.

GOVERNMENT PERFORMANCE AND RESULTS ACT

A performance plan is in preparation for the Army Civil Works program, based on the FY 2002 budget. After completion of Administration review, the plan will be submitted to the Congress, as required by the Government Performance and Results Act of 1993.

In FY 2002, we plan to maintain high use commercial navigation facilities in a fully operational state at least 90 percent of the time, maintain flood damage reduction facilities in a fully operational state at least 95 percent of the time, and achieve "no net loss" of wetlands by creating, enhancing, and restoring wetlands functions and values that are comparable to those lost.

PROJECT PLANNING AND REVIEW

The Army is working closely with the Chief of Engineers and others to identify opportunities to strengthen the Civil Works planning process. In addition, as indicated in the President's Budget Blueprint, the Army is considering options for strengthening the ability of the Office of the Assistant Secretary for Civil Works to ensure policy oversight of project planning. Already, General Flowers and I have restored the past practice of concurrent, vertical involvement at all organizational levels - including the Office of the Assistant Secretary -- at critical steps in the formulation of studies.

CONCLUSION

In summary, the President's FY 2002 budget for the Army Civil Works program is a solid one. It continues support to ongoing work, emphasizes primary missions and applies resources to areas likely to have the greatest national economic benefit. The Army Civil Works program is a wise investment in the Nation's future.

Thank you.