

Civil Works: A New Budget Paradigm

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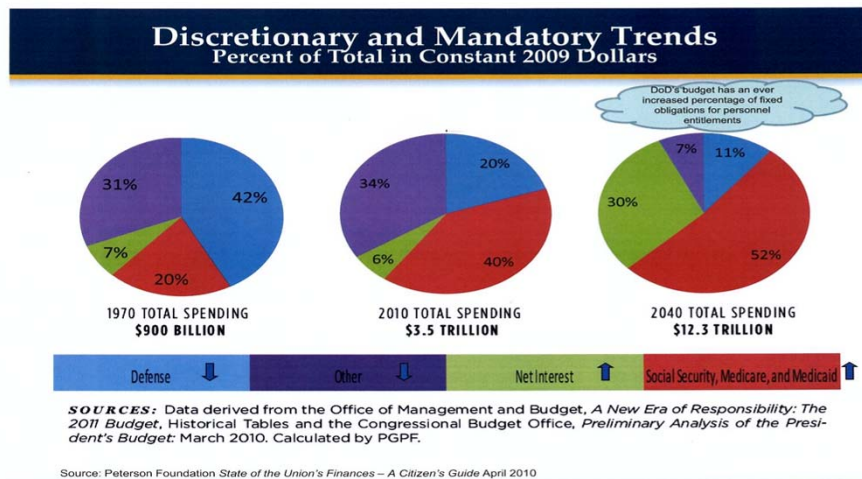
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“The Perfect Storm” Hitting the CW Program

- Aging capital stock portfolio with program becoming unsustainable
- Underfunded CW budgets with anticipated future spending constraints
- Declining performance across all CW business lines
- Increasing demand and competition for water & water resources
- Climate Variability – increased frequency, intensity and location of extreme events
- Changing values of American people
- Under-appreciated value of the CW infrastructure with continuing challenges for communicating the “Value to the Nation” to American people & decision-makers

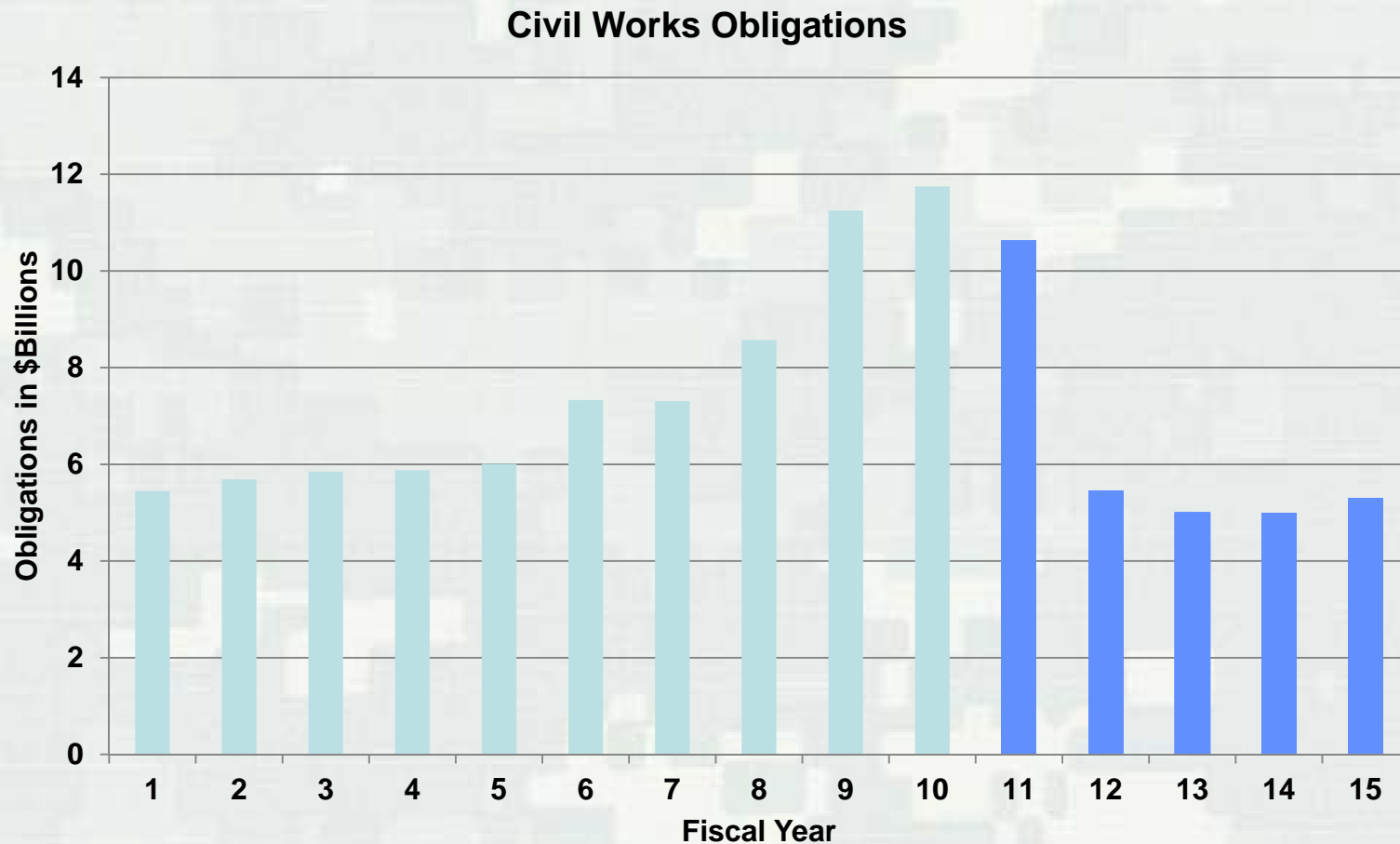
Mandatory Spending and Interest on Debt is Crowding out Domestic Discretionary Spending



2009 REPORT CARD AMERICA'S INFRASTRUCTURE		
Aviation		D
Bridges		C
Dams		D
Drinking Water		D-
Energy		D+
Hazardous Waste		D
Inland Waterways		D-
Levees		D-
Public Parks and Recreation		C-
Rail		C-
Roads		D-
Schools		D
Solid Waste		C+
Transit		D
Wastewater		D-

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Historical & Projected Obligations



NOTE: Approximately \$7 million carryover from FY10 to FY11 maintains high workload in FY11. Then, barring additional Emergency Supplemental Appropriations workload decreases substantially in FY12 and beyond



New Budget Paradigm

Currently, insufficient funding is available to sustain the program, resulting in high priority, high performing projects that are taking longer & longer to deliver

- Finish Projects That We Start
- Focus on Core Mission Areas
- Take risks in Non-Core Mission Areas
- Provide Efficient Funding for Fewer Projects
- Focus on initiatives to fund, finance and prioritize CW actions, including prioritization and alternative financing
- Align Program outputs to National Goals/Objectives



Recommended National Priorities/Goals

- Reduce the Deficit¹
- Create Jobs and Restore the Economy
- Improve Resiliency & Safety of Infrastructure
- Restore and Protect the Environment
- Maintain Global Competitiveness²
- Increase Energy Independence²
- Improve Quality of Life²

¹ FY2011 CW Budget Briefings to OMB

² President's 2011 State of the Union Address



NOTE: This listing is a listing of priorities/goals, not a ranking.

Recommended Water Resources Objectives

- Recapitalize, operate and maintain water resource infrastructure and high priority transportation infrastructure to provide maximum benefit to the Nation
- Develop, restore and protect the Nation's water, wetlands and related resources
- Plan, train and prepare for extreme flood events in order to reduce the risk of damages
- Improve Federal energy, water and petroleum efficiency, including measuring, managing and reducing greenhouse gas emissions toward agency-defined targets
- Double exports from FY2010 to FY2015
- Provide stable, cost effective hydropower benefits to the Nation



NOTE: This is a listing of objectives, not a ranking.

Civil Works Vertical Mapping/Alignment and Sources



A Change in Perspective: Budgeting

- Changing the Debate:
 - From value of individual projects to Programs/Systems/Watersheds
 - From 'Earmarks' to Program
 - From annual 'racked/stacked' budget to multi-year strategic plan
- Application of 'efficient' funding to major programs
- Scenario Planning based on Trends Analyses
- Strategic Communication & Collaboration
- Opportunities for additional Funding Sources
 - HMTF, IWTF, Hydro-PPP, Recreation Fees



A Change in Perspective: Program Management

- Manage CW as a multi-year program....
 - NOT as a collection of projects
 - Developed and implemented based on attaining national needs
 - Applying an appropriate investment level to the program, not to individual projects
 - Strategic plan for program implementation over 5 years/20 years, not 1 year
- Pursue additional federal and non-federal, direct funding sources
 - Inland Waterways recapitalization (IWTF)
 - Coastal federal channel maintenance (HMTF)
 - Hydropower recapitalization
 - Implement a recapitalization policy for all infrastructure
- De-authorize projects that no longer serve their authorized purposes
- Incorporate risk-based cost and schedule analyses into all budget and program decision-making
- Reform program development & prioritization to a 'team event'
 - Encourage, solicit participation by stakeholder & interest groups
 - Obtain their views on priorities, selection criteria, future planning initiatives, etc.



Examples of Financing Alternatives

- Working: HMTF, IWTF, Hydropower Contributions, Hydropower ESPCs, Retention of Rec User Fees
- Hydropower: Take Hydropower off-line, e.g. Bonneville Power, TVA
- “Donations” (Miami Harbor, Corpus Christi)
- Credits for WIK or for PIng/Design/Construction in excess of cost-share
- Water Supply: Non-federal-funded studies
- Water Supply: Contributions towards Recap Projects that would extend project life]
- Water Supply: Expand authority for USACE to execute projects for sedimentation management and dredging
- Water Supply: Refine, clarify cost of storage methodology to enable reallocation
- Multiple Purpose: Authorize USACE to provide credit to non-federal sponsors for work related to O&M activities



Stakeholders and Partnering

- Leverage Efforts
- Reach Agreement on Major Initiatives
 - Issues
 - Outcomes
 - WRDA
- Be mutually supportive (Shared messaging)
- Involve end-users
 - Ag, Energy, Containers, Commodities
- Seek to Influence (Pres Business Council)



QUESTIONS? DISCUSSION?



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