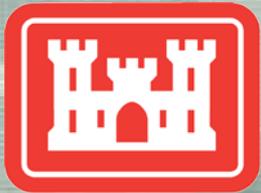


Galveston District Dredging Conference

“FY2012 Budget Outlook”

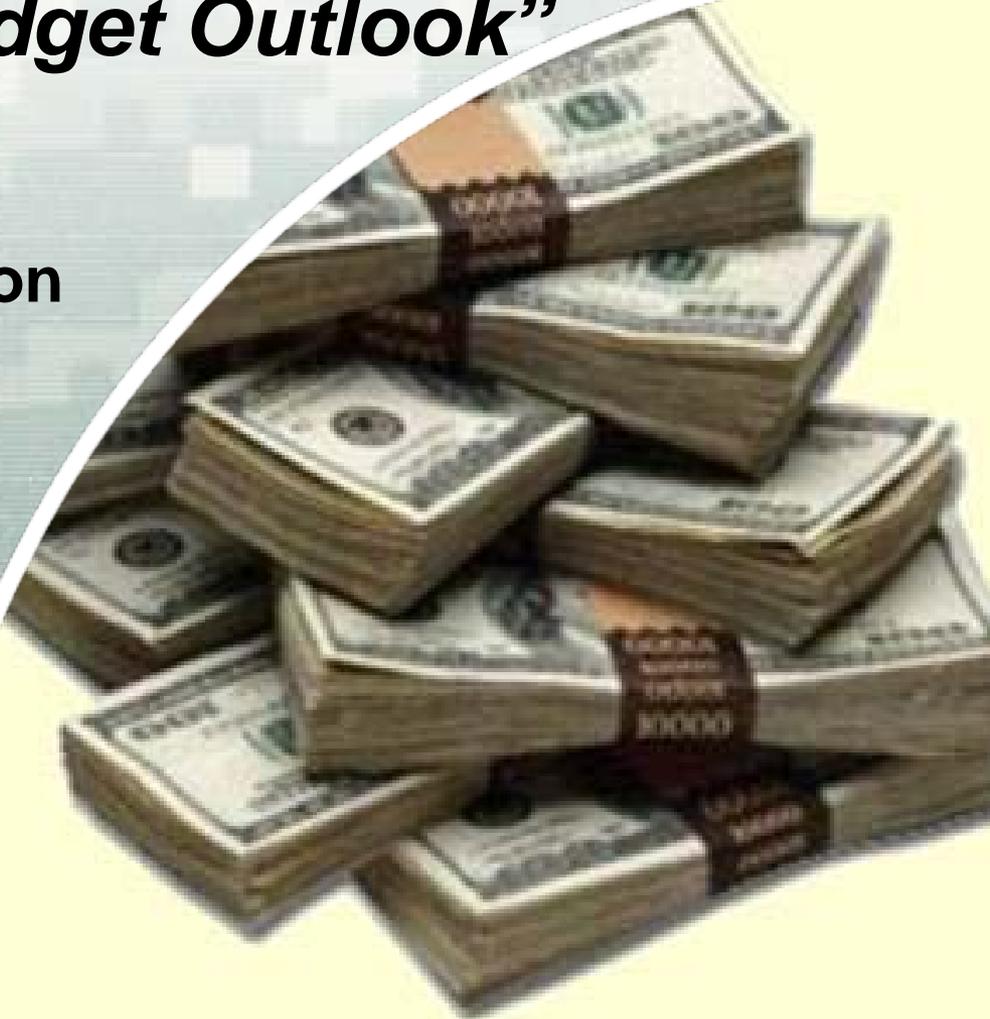
**Raymond Russo, P.E.
Chief, CW Integration Division
Southwestern Division**

28 October, 2010



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**US Army Corps of Engineers
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THE PAST & THE PRESENT



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Budgets & Appropriations

FY06 FY07 FY08 FY09 FY 10

\$ Millions

Investigations	95	94	90	91	100
Operations & Maintenance	1,979	2,258	2,471	2,475	2,504
Construction	1,637	1,555	1,523	1,402	1,718
Miss. River & Tributaries	270	278	260	240	248
Regulatory Program	160	173	180	180	190
Flood & Coastal Emergencies	70	81	40	40	41
F.U.S.R.A.P.	140	140	140	140	134
Expenses	162	164	177	177	184
<u>ASA(CW)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>
Total Budget Request	4,513	4,743	4,881	4,751	5,125
Appropriation	5,329	5,340	5,592	5,403	5,445
Increase from Budget	816	597	711	652	320



FY11 CIVIL WORKS PROGRAM **By BUSINESS LINE (\$ Millions)**

	<u>FY 10 Budget</u>	<u>FY 10 APPROPS</u>	<u>FY 11 BUDGET</u>
Navigation	1,766	1,796	77% { 1,658 1,543 582
Flood	1,628	1,865	
Aquatic Restoration	546	568	
FUSRAP	134	134	130
Stewardship	99	99	108
Hydropower	230	211	207
Recreation	283	284	280
Water Supply	4	5	4
Emergency Mgt	55	14	43
Regulatory	190	190	193
Exec Dir & Mgt	184	185	185
ASA(CW)	6	5	6
TOTAL	5,125	5,445*	4,939

*\$140 million for Environmental Infrastructure



Southwestern Division

CW Budgets and Energy & Water Development Appropriations

(\$ Millions)

	<i>FY09 Budget</i>	<i>FY09 Approp</i>	<i>FY10 Budget</i>	<i>FY10 Approp</i>	<i>FY 11 Budget</i>
Investigations	3	9	3	8	3
Construction	114	149	105	124	82
Operation & Maintenance	339	325	406	393	369
<u>Regulatory</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>
Sub - Total	469	496	527	538	467
Flood & Coastal Emergencies		50			
Supplemental Approps		319			
Recovery Act		672			
Total	469	1,537	527	538	467

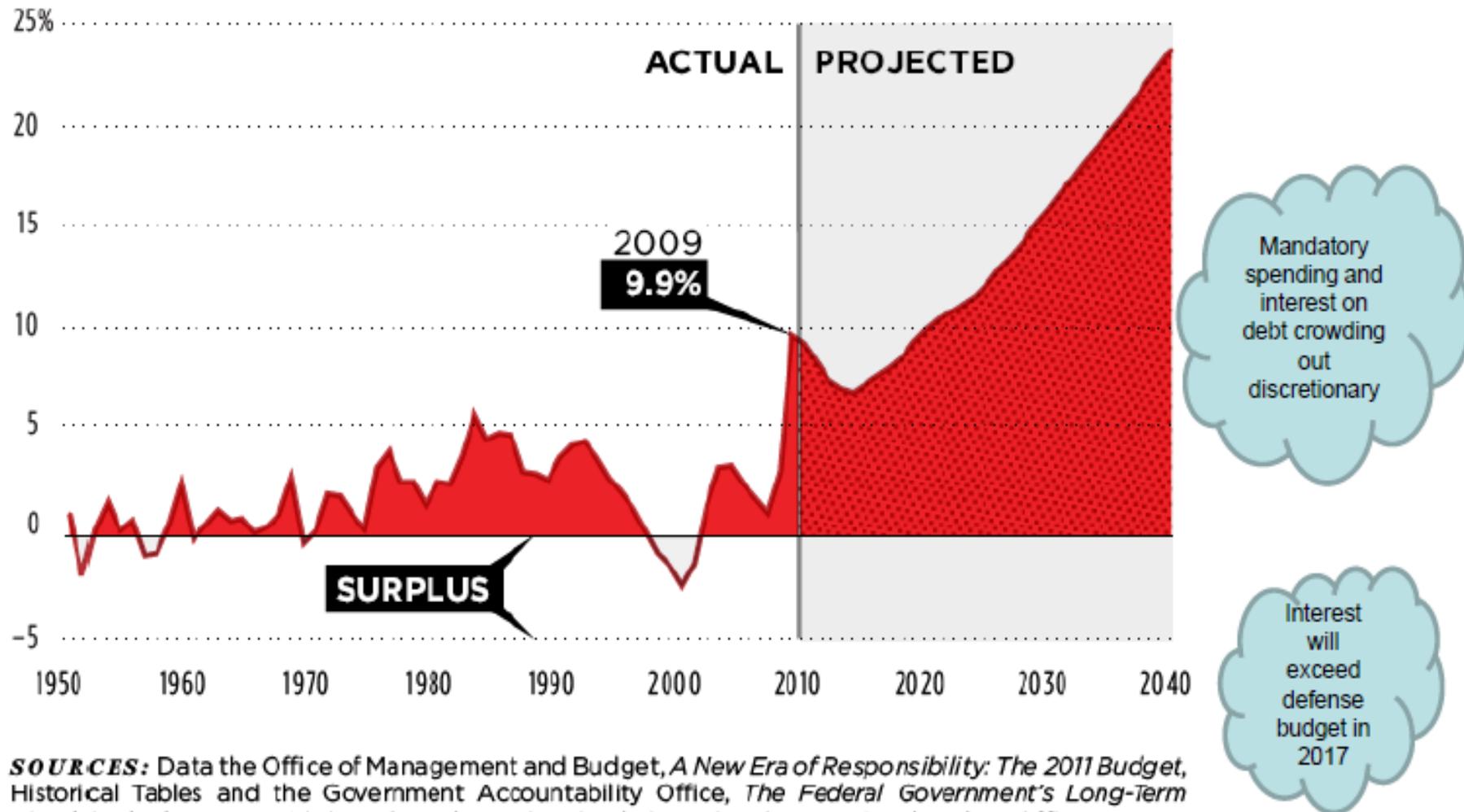


THE FUTURE



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Federal Deficits as Percentage of GDP



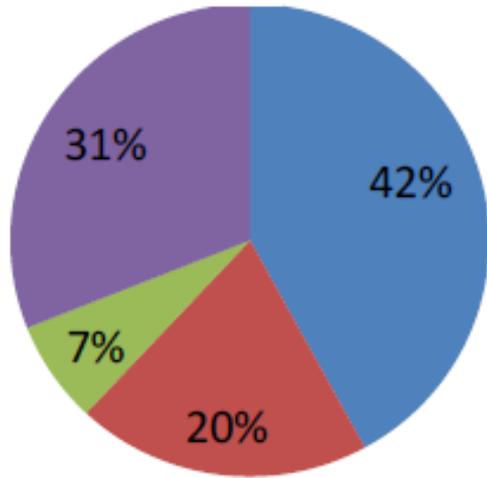
SOURCES: Data the Office of Management and Budget, *A New Era of Responsibility: The 2011 Budget*, Historical Tables and the Government Accountability Office, *The Federal Government's Long-Term Fiscal Outlook: January 2010 Update*, alternative simulation using Congressional Budget Office assumptions. Compiled by PGPF.

Source: Peterson Foundation *State of the Union's Finances – A Citizen's Guide* April 2010

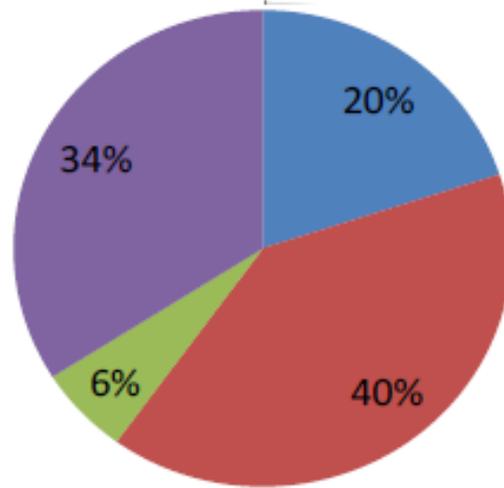
Discretionary and Mandatory Trends

Percent of Total in Constant 2009 \$

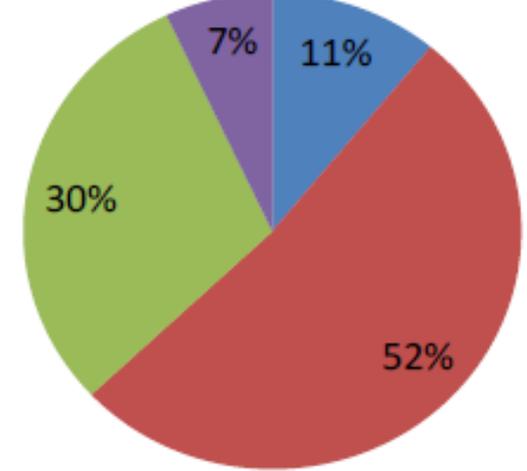
DoD's budget has an ever increased percentage of fixed obligations for personnel entitlements



1970 TOTAL SPENDING
\$900 BILLION



2010 TOTAL SPENDING
\$3.5 TRILLION



2040 TOTAL SPENDING
\$12.3 TRILLION

Defense



Other



Net Interest



Social Security, Medicare, and Medicaid



SOURCES: Data derived from the Office of Management and Budget, *A New Era of Responsibility: The 2011 Budget*, Historical Tables and the Congressional Budget Office, *Preliminary Analysis of the President's Budget*: March 2010. Calculated by PGPF.

Budget Forecast



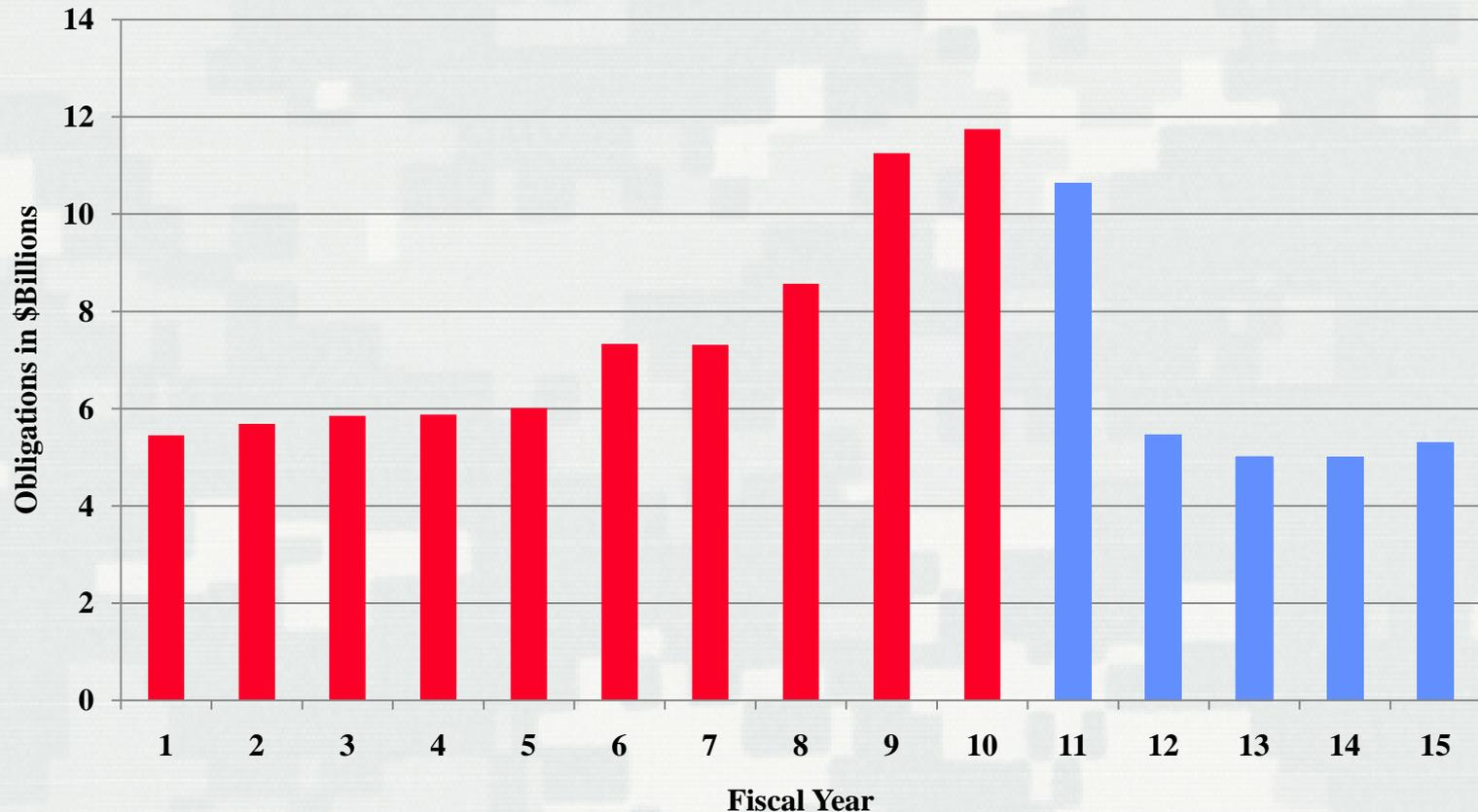
- **Growing National Debt is #1 political concern**
- **Administration federal, non-discretionary, non defense related agencies will be tightly controlled**
- **FY12 budget is expected to be reduced from FY10 enacted and frozen for 3 years**
- **Inflation likely to average 3%**
- **Bottom Line:**

Likelihood of constrained USACE budgets is very high!



HISTORICAL & PROJECTED OBLIGATIONS

Civil Works Obligations



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



Future Appropriations Without Change?

Administration Budget Ceilings	Projected Appropriations	Inflation Adjusted (3%)
•FY 10 - \$5.1	•FY 10 - \$5.4	•FY 10 - \$5.4
•FY 11 - \$4.9	•FY 11 - \$5.3	•FY 11 - \$5.6
•FY 12 - \$4.5	•FY 12 - \$5.3	•FY 12 - \$5.7
•FY 13 - \$4.5	•FY 13 - \$5.3	•FY 13 - \$5.9
•FY 14 - \$4.5	•FY 14 - \$5.3	•FY 14 - \$6.1
•FY 15 - \$4.8	•FY 15 - \$5.4	•FY 15 - \$6.4
** \$3.1 billion lost to inflation in 5 yrs!		



NEXT STEPS?



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Next Steps

- **Next WRDA**
 - **Financing Initiatives**
 - **IWTF**
 - **HMTF**
 - **Hydropower**
 - **Deauthorization**
- **Consider Adjusting our CW Budget**
STRATCOM



Observations of Existing CW Budget Process

- **Current Performance-Based/Account Based Program Development may result in inefficient funding practices**
- **We justify each project independently, based on performance metrics. Many are justified. Start too many projects because it is politically expedient. Fund many, especially large projects, inefficiently.**
- **Few completions; few benefits realized**
- **History of poor programs and project management, inefficient design, inefficient construction, time growth, cost growth, unrealized benefits**
- **Very unhappy stakeholders**

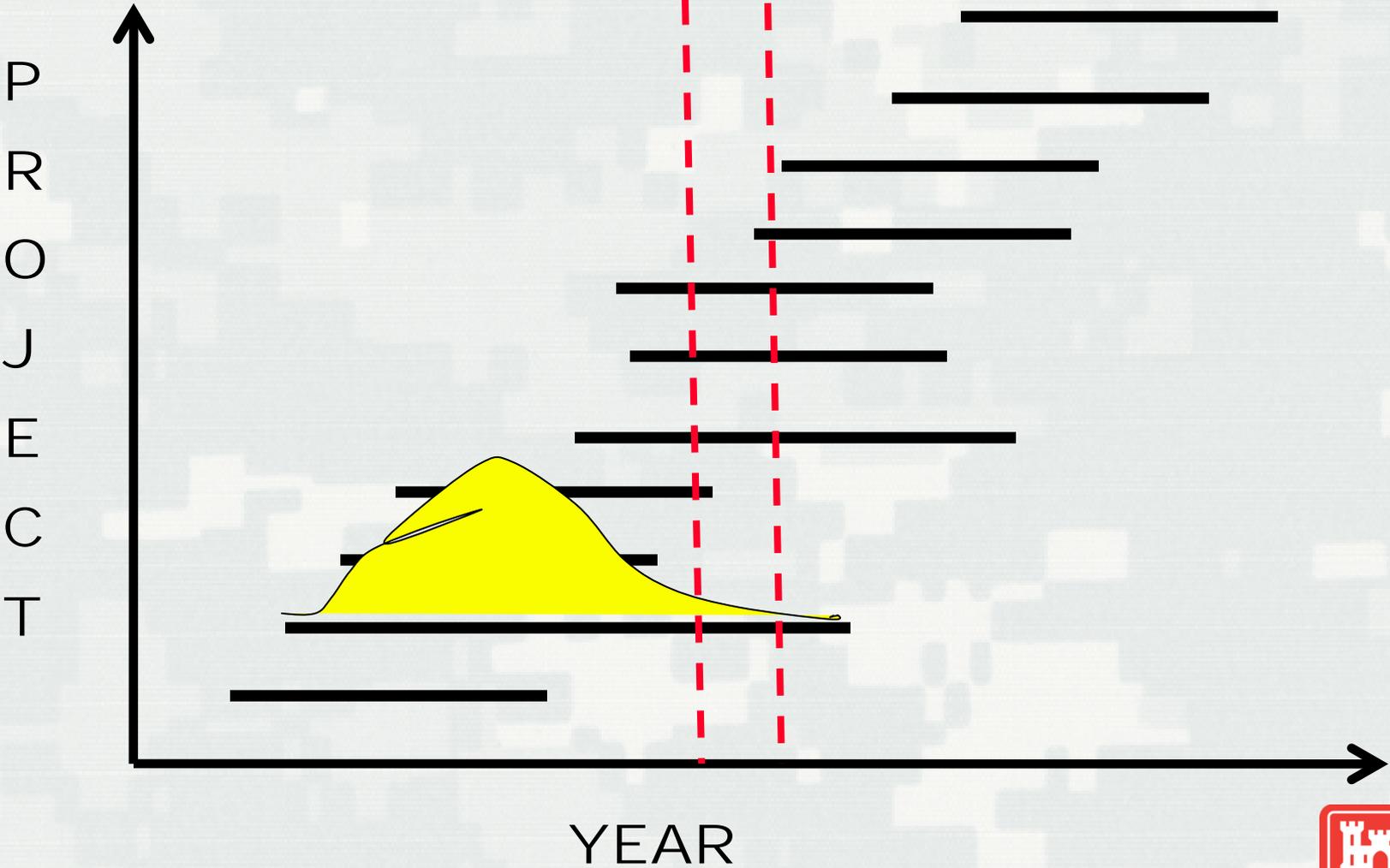


A New Business Model For Program Management & Oversight

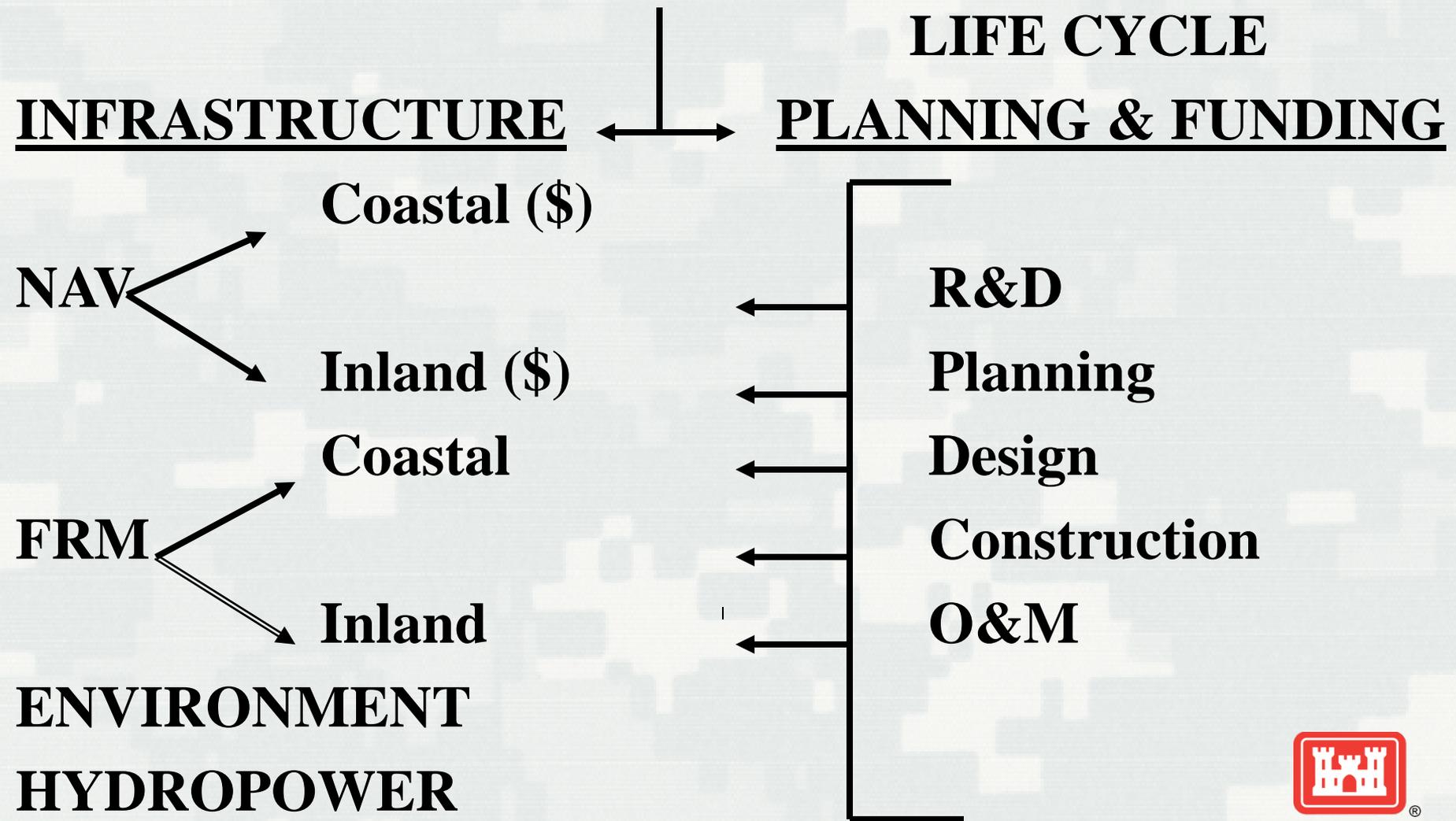
- **Program and budget for system efficiency**
- **Six Systems**
 - **Navigation: Inland and Coastal**
 - **Flood Risk Management: Inland and Coastal**
 - **Aquatic Ecosystem Restoration**
 - **Hydropower**
- **Multiple Year System Plans**
- **Budget to complete projects efficiently**
- **Execute on time, within budget**



EACH SYSTEM WITH A MULTI-YEAR PROGRAM



Support functions focus on how they support system goals



Systems Program Management Issues, Obstacles & Implications For Corps Culture

- The **new engineering problem** (or Business Model) is to design and build the highest priority projects in the **6 systems** for the next, say 20, years efficiently
- Systems extend across MSC/District boundaries
- USACE, ASA, OMB, Congress, Stakeholders all must accept responsibility to change
- USACE, Stakeholders, Congress do not have structure or processes in place for systems management

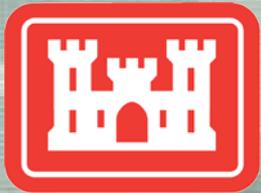


Next Steps

- Continue to work next WRDA
- Consider Adjusting our CW Budget STRATCOM
 - Modify Out-Year Development Plan
 - 6 Systems
 - Multiple year programs, efficiently funded, within ceiling constraints



Questions ?



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