

Corps of Engineers Budget Process

Operations Project Manager PROSPECT Course
7-11 August 2006

OBJECTIVES

- ◆ Students will have general knowledge of:
 - Authorization vs. Appropriation
 - Congressional add process
 - Differences in Appropriations
 - Savings and Slippage
 - ◆ % cut in FY 06
 - District Budget process
 - Business line budgeting
 - Functional budget vs. Operating Budget
 - P2 Impacts on Budgeting

REMEMBER!

OPMs are working on executing or planning for three different FY budgets at any one time!

Right now:

- FY 06 Actual execution
- FY 07 Operating Budget and Committee and Conference amounts
- FY 08 Budget submission

Authorization vs. Appropriation

- ◆ Authorization occurs through the authorizing committees in Congress
 - Output is Water Resources Development Act (WRDA)
 - ◆ WRDA just passed the Senate
 - Authorizes project
 - Sometimes authorizes a ceiling amount for the project
 - Does not have any funds (appropriations) associated with this effort
 - Occurs every two years usually
- ◆ Appropriations occur when Congress passes the Energy and Water Appropriation bill
 - Occurs annually

Authorization vs. Appropriations

- ◆ WRDA does not provide funding
- ◆ WRDA put together by authorizing committees
- ◆ Energy & Water bill provides appropriations (funds)
- ◆ Energy & Water bill put together by appropriating committees
- ◆ Congressional adds occur during final preparation of the Energy & Water bill
- ◆ Good idea to know who the members are on these committees
 - <http://thomas.loc.gov>
 - ◆ Government Resources
 - ◆ Committee Home Pages
 - ◆ Pick desired committee (Appropriations)
 - ◆ Look for appropriate sub-committees (Senate E&W, House E&W Development)

Congressional Adds

- ◆ Added during final stages of the Appropriation bill process
 - Added by House and Senate committees
 - ◆ House and Senate reports
 - Conference report is “negotiated” amount between the two
- ◆ Authorization can occur at this stage of the Appropriation process, but is not the preferred method
- ◆ Added for specific activities
- ◆ Some are “earmarked”
- ◆ Total funding does not usually increase with adds
 - Just a redistribution of the funds
 - Savings and Slippage

Congress

- ◆ They like us
- ◆ We are how they get things to their public
- ◆ House – majority rule
- ◆ Senate – Majority can not always win
- ◆ We need to visit w/staffers and congressman

Savings and Slippage (% cut now)

- ◆ Essentially two components of S&S
- ◆ HQ funds “un-funded mandates”
 - Smaller portion
- ◆ Mostly funding to cover Congressional Adds
 - 2.0Billion Appropriation (with Cong. Adds)
 - 100M Congressional Adds (No funding added)
 - S&S = $100,000,000 / 2,000,000,000$ or 5%
- ◆ Reduce all other budgeted amounts to cover unfunded requirements

10% Cut in FY 06

- ◆ Congress did not like being blamed for savings and slippage
- ◆ Easier to just take 10% across the board to pay for congressional adds
- ◆ Didn't look like it even got appropriated
- ◆ Some projects didn't have to take the cut
 - Omaha district Garrison and Ft. Peck – strong members
 - Other districts: Johnston, PA; No projects in Tennessee; Kanawha River locks and dams, WV
- ◆ HQ still struggling with funding their unfunded mandates
 - Water safety program, security efforts, etc

Different Appropriations

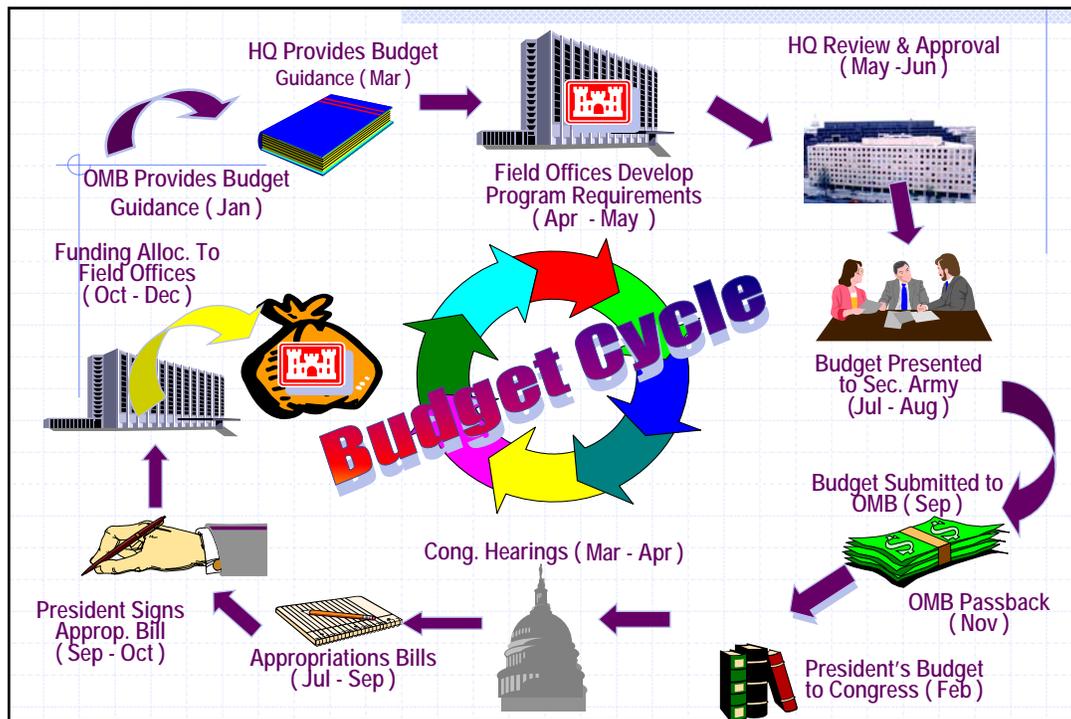
- ◆ Civil Operations and Maintenance (O&M)
 - Routine O&M of project authorized purposes
 - ◆ Recreation, Hydropower, etc
 - O&M for the life of the project
 - Less congressional adds
- ◆ Construction General (CG)
 - Very specific projects
 - ◆ Build a flood control project, Build a lock, etc
 - More defined beginning and end
 - Usually highly visible efforts
 - Most congressional adds occur here
 - Dam Safety "wedge"

Different Appropriations

- ◆ Maintenance and Operations (M&O)
- ◆ Mississippi River and Tributaries (MR&T)
- ◆ Regulatory
- ◆ Flood Control and Coastal Emergencies
 - Emergency Management
- ◆ General Investigations
- ◆ General Expense – RBC and HQ

CoE O&M Budget Process

- ◆ Districts formulate budget submission by business lines
- ◆ Submit budget to Regional Business Center (RBC) (Division) for review and ranking
- ◆ RBC submit budgets by business lines with all Districts included to Headquarters(HQ)
- ◆ HQ ranks and submits budget to Office of Management and Budget (OMB) for inclusion in Presidents Budget submittal
 - CoE is part of Executive branch
 - Passback may occur at this time
- ◆ Presidents budget submitted to Congress
- ◆ Congress enacts the Energy & Water bill
 - Congressional power of the purse



President's Management Agenda

- ◆ Get a copy and read it (only 21 pages)
 - On Gateway
- ◆ We are the executive branch of Federal Government
- ◆ Sets overall direction
- ◆ Six Initiatives
 - Competitive Sourcing
 - Strategic Management of Human Capital
 - Performance and Budget Integration
 - Expanded Electronic Government
 - Improved Financial Management
 - Improved Real Property Asset Management

CoE Civil Works Strategic Plan

- ◆ Get a copy and read it – It's on Gateway
- ◆ Emphasis is on Navigation, Flood Damage Reduction and Environmental Restoration/Stewardship
 - "Navigation, flood protection and environmental protection remain our three primary Civil Works programs"
- ◆ Does mention other business lines
 - "We accomplish the other six (including SFO) programs in conjunction with these three primary programs"
- ◆ Table 1 lists Civil Works strategic goals and objectives and program objectives
 - This is where the other business lines are discussed

CoE Civil Works Strategic Plan

- ◆ Five Strategic goals
 1. Provide sustainable development and integrated management of the Nation's water resources
 2. Repair past environment degradation and prevent future environmental losses
 3. Ensure that operating projects perform to meet authorized purposes and evolving conditions
 4. Reduce vulnerabilities and losses to the Nation and the Army from natural and man-made disasters, including terrorism
 5. Be a world-class public engineering organization

Watershed Budgets

- ◆ What is that?
- ◆ Budgeting by business line for the entire river basin
- ◆ Can use funds within a business line anywhere within the basin?
- ◆ Will it fly?
 - House liked it
 - Senate hates it
- ◆ Could make it hard to get conference amount

Business Line Budgeting

- ◆ Taking Budgeting from subjective to objective
- ◆ Performance based budgeting
- ◆ Performance measures used to rank
- ◆ 8 business lines
 - Navigation, Flood and Coastal Storm Damage Reduction, Hydropower, Environmental Stewardship and Restoration, Recreation, Regulatory, Emergency Management, and Water Supply
 - President's Management Agenda has 9 – it includes Support for Others (SFO)

Business Line Budgeting

- ◆ Business Line Managers
 - HQ
 - RBC
 - District
 - Budgetary or technical experts?
- ◆ Each business line has a HQ funding ceiling - ?
 - Districts do not know their ceilings
- ◆ Within a business line guidance is given
 - Each business line has different guidance
- ◆ Each business line has performance measures

Performance Measures

- ◆ Some do not fit the O&M program very well
- ◆ Some business lines use computer program for development of budget
 - RecBest, ESBest
 - Many like these systems
- ◆ Sometimes very hard to compare across appropriations
 - Routine O&M(salaries) vs. Construction General project

Performance Measures

- ◆ Navigation – 61 columns in spreadsheet
 - 5-yr average commercial tonnage
 - 5-yr average system ton miles
 - % time available
 - BCR and RBRCR
 - Risk and Reliability index
- ◆ Flood Damage Reduction
 - Wedge for dam safety items in CG
 - Increment 1: "Bare bones operations costs may not be full 24-hr operation on site"
 - % time available
 - Average Annual Benefits
 - Average Annual Costs
 - Cumulative damages prevented
 - B/C ratio (CG)

Performance Measures

- ◆ Hydropower
 - Initial 75% of FY 07 PRBudget
 - Changed increments from FY 07
 - Required to avoid forced facility closure
 - Req. to avoid public/workplace safety
 - Req. to avoid legal mandate, Treaty or ESA violation
- ◆ Environmental Stewardship
 - Used ESBest – it ranked projects
 - % acres with completed natural resources inventories
 - % of projects requiring Master plans
 - Mitigation activity
 - Cultural Resources

Performance Measures

◆ Recreation

- Used RecBest program
- Recreation User Day Availability (RUDA),
- Facility Condition Index
- NED benefits
- Customer Satisfaction

◆ Water Supply

- Acre-ft under contract vs. acre-ft available
- % of costs covered by revenues returned to Treasury

Performance Measures

◆ Regulatory (8 performance measures)

- Used 5 funding levels
- Processing general permits
 - ◆ 90% of time for level 1
 - ◆ None required level 2
- Processing individual permits
 - ◆ 65% of time for level 1
 - ◆ 75% of time for level 2
- FTE's are output measures

◆ Emergency Management (FCCE)

- Planning Response Team readiness index
- PL 84-99 Response Team readiness index

Civil Works 5 Year Development Plan

- ◆ FY 07 is base year
- ◆ Five year funding stream by project
- ◆ Ceiling program i.e. 3% increase per year
- ◆ Recommended program i.e. 10% inc. for FY 08 and 3% per year after that
- ◆ Capability program i.e. 06 amount adapted from recommended
- ◆ Risk and Reliability factor of project not meeting project purposes
 - 1=80-100%, 2= 60-80%, 3=40-60%, 4=20-40%, 5=0-20%
 - 1 means project will fail with that level of funding
 - 5 means project is good with that level of funding

District O&M Budget Submission

- ◆ Overall budget guidance provided by HQ – Budget EC
- ◆ Corporate priorities reviewed and general guidance given to District elements
- ◆ Input from all parts of the district
 - Engineering, Real Estate, etc
- ◆ Operations Managers rank project priorities ****
- ◆ OPM's have PDT for budget preparation
- ◆ District meets to assure appropriately balanced program
- ◆ District Engineer and senior staff are briefed
- ◆ Budget submitted to RBC in June/July

Funding Levels in FY 08

◆ Level 1

- 75% of budgeted amount in FY 07
 - ◆ 75% of the ave. lowest of 3 of the last 4 years - NWD
- Recreation was funding to support 75% of visitation
- Hydropower critical operations and maintenance

◆ Level 2

- Different for each business line
- Recreation included funding to support 75 – 100% visitation
- Hydropower 75% -100% of minimum funding

◆ Levels 3 – 7

- Different for each business line

OPM Role

- ◆ OPM is KEY to success of budget submission
- ◆ Need quality PgMP for Project ****
- ◆ PDT for project will have members of all organizations which expend funds
- ◆ All PDT members buy-in to process
- ◆ Team decisions are key strengthener for process
- ◆ Has responsibility to articulate the status of infrastructure
 - If we don't, it won't happen

Program Management Plan (PgMP)

- ◆ Similar to Project Management Plan
- ◆ Includes information from OMP and Master Plan
- ◆ Very important for budgeting
- ◆ The more detail in plan, the easier it is to budget into future
- ◆ Agreement between organizations in regards to support for a given FY

RBC O&M Budget Submission

- ◆ Strategic initiatives are reviewed by subject matter experts for adequate budget coverage
- ◆ RBC meets with all Districts to discuss and apply Division budget ceiling
- ◆ District budgets are reviewed for coverage of all strategic initiatives
- ◆ Overall rank finalized at ranking meeting or VTC
- ◆ RBC budget submitted to HQ in July

Operating Budget

- ◆ Technical indirect account
 - Overhead expenses
 - Very defined set of expenditures
 - Discretionary and Fixed costs
 - ◆ Discretionary (examples)
 - Labor, Awards, Office Furniture, PCS, VSIP, Training, etc
 - ◆ Fixed (examples)
 - Rent(SLUC), LAN, CASU, Help desk, Phone, etc
- ◆ Less flexibility
 - Rate set by dividing total expenses by total direct labor
- ◆ Once rate set, income starts generating to cover anticipated expenses
- ◆ Heavy emphasis in nominal balance

P2 Role in Future

- ◆ Was used for FY 08 Budget submission
 - WBS in old project or new project?
- ◆ Uploaded into Prism
- ◆ Oracle Financial Analyzer (OFA) will be (?) the tool used to submit budget for FY 09
 - Team working to develop module
 - Training has started



QUESTIONS????