

Corps of Engineers Budget Process

Operations Project Manager PROSPECT Course
21-25 July 2008

OBJECTIVES

- ◆ Students will have general knowledge of:
 - Authorization vs. Appropriation
 - Congressional add process
 - Differences in Appropriations
 - District Budget process
 - Business line budgeting
 - Functional budget vs. Operating Budget
 - P2 – It's our budgeting tool

REMEMBER!

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

Right now:

- FY 08 Actual execution
- FY 09 Operating Budget and Committee and Conference amounts
- FY 10 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
 - Used to fund with 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

Percent Cuts on Project Budgets

(Used to be Savings and Slippage)

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

Project Budget Cuts

- ◆ Congress did not like being blamed for savings and slippage
- ◆ Tried Across the board cuts – not all projects
 - Strong congressional members might not take cuts
- ◆ Didn't look like it even got appropriated
- ◆ HQ still struggling with funding their unfunded mandates
 - Water safety program, security efforts, etc, NRRM
- ◆ Appears as tax to project funding

Different Appropriations

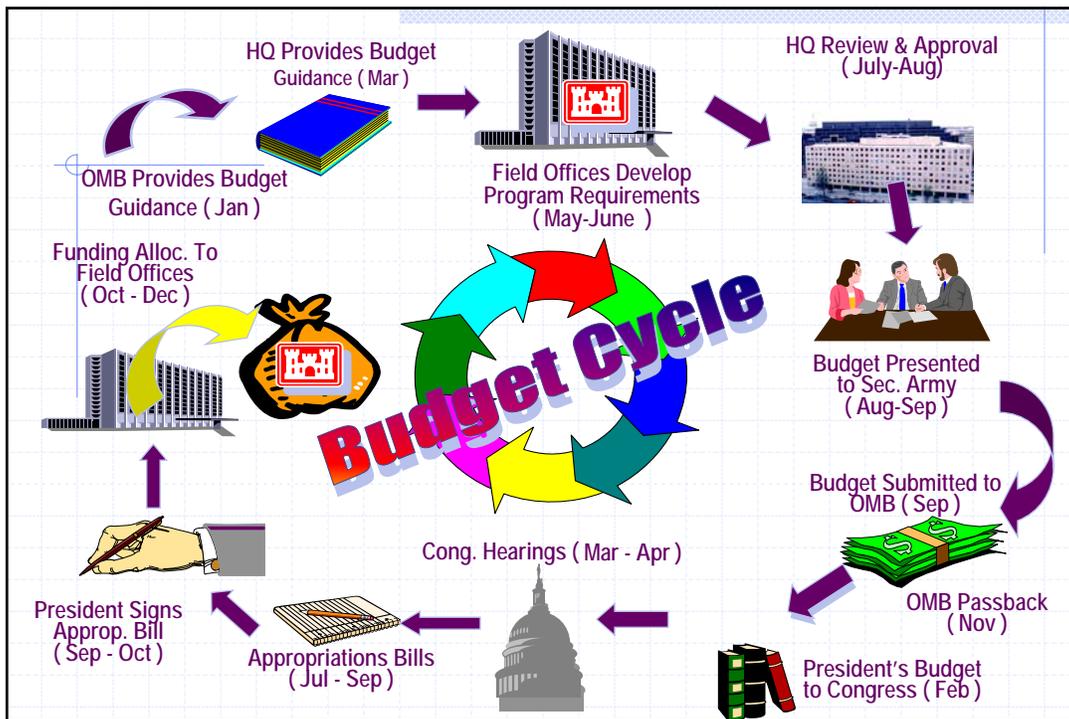
- ◆ Civil Operations and Maintenance (O&M)
 - Routine O&M of project authorized purposes
 - ◆ Recreation, Hydropower, etc
 - O&M for the life of the project
 - Less congressional adds
- ◆ Construction General (CG)
 - Very specific projects
 - ◆ Build a flood control project, Build a lock, etc
 - More 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

(Will be new Administration in Jan. 09)

- ◆ 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

Program Assessment Rating Tool (PART)

- ◆ Tool used by OMB to rate different government programs in a systematic, consistent, and transparent manner.
- ◆ Corps rated by business line:
 - Inland Nav, FDR, Coastal Storm Damage, Aquatic Ecosystem restoration - Results not Demonstrated
 - Recreation, Coastal and Port harbors, Emergency Management, Regulatory, water supply – Moderately effective
 - Hydropower and Environmental Stewardship – Adequate
- ◆ Expectmore.gov website

CoE Civil Works Strategic Plan

(This won't change as quick)

- ◆ 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 ever really take hold?

- House liked it – at least they passed it
- Senate doesn't really like it

◆ Make's 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
 - Project
 - 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

FY 10 Funding Increments

- ◆ Increment 1 – Critical Routine
- ◆ Increment 2 – Critical Non Routine Activities
 - Combination of 1 and 2 no more than 75% of the average of the last 5 years district budgets.
- ◆ Increment 3- Routine and Non-Routine to sustain the expected future benefits of the project
 - No more than 100% of ave. last 5 years ???
- ◆ Increment 4 – O&M activities, both routine and non-routine, above the 100% level
- ◆ Increment 5 Capability or enhanced: Activities that have a high expected return on investment that enable greater levels of performance in future years.
- ◆ Major Maintenance – Any O&M work item costing \$3M or more that is not an element of rehabilitation

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 – many columns in spreadsheet
 - 5-yr average commercial tonnage
 - 5-yr average system ton miles
 - % time available
 - Risk and Reliability index
- ◆ Flood Damage Reduction
 - Wedge for dam safety items in CG
 - % time available
 - Average Annual Benefits
 - Average Annual Costs
 - Cumulative damages prevented
 - B/C ratio (CG)

Performance Measures

- ◆ Hydropower
 - 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
 - ◆ 75% of time for level 1
 - ◆ 90% of time for level 2
- Processing individual permits
 - ◆ 50% of time for level 1
 - ◆ 75% of time for level 2
- FTE's are output measures

Performance Measures

- ◆ Emergency Management (FCCE)
 - 15-17 Program areas/activities
 - ◆ New Plans
 - ◆ PRT Management
 - ◆ etc
 - 13 Performance Measures
 - ◆ Planning Response Team readiness index
 - ◆ PL 84-99 Response Team readiness index
 - ◆ etc

Risk and Reliability Matrices

- ◆ New for FY 10 submission
- ◆ Navigation, Flood Damage and Hydropower
- ◆ Incorporating Risk into budgeting decisions
- ◆ Utilized matrix for ranking items
- ◆ High risk gets high ranking???
- ◆ Still somewhat subjective, but getting better

Civil Works 5 Year Development Plan

- ◆ FY 08 and FY 09 included in submission
- ◆ Five year funding stream by project, by business line
- ◆ Not sure how information will be used
- ◆ Somewhat sketchy guidance – late
- ◆ Will be very important in future
- ◆ FY 10 used as base year, 3% increase per year
- ◆ 4 Funding Levels included
- ◆ Initial = Increment 1 and 2
- ◆ Recommended 1 = A share of Increment 3
- ◆ Recommended 2 = Remaining of Increment 3
- ◆ Capability = Increment

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

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
- ◆ Regional Rates

P2 – It's our budgeting tool

- ◆ Used for last couple years Budget submission
- ◆ Oracle Financial Analyzer (OFA) the tool used
- ◆ Getting better – still very slow

QUESTIONS????