

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

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(CIVIL WORKS)**

BEFORE

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES**

ON

**Implementation of
The American Recovery and Reinvestment Act of 2009**

JULY 31, 2009

Mr. Chairman and distinguished members of the Committee, I am Terrence Salt, Acting Assistant Secretary of the Army (Civil Works). Thank you for the opportunity to testify before the Committee today to discuss the Army's implementation of the Civil Works appropriation within the American Recovery and Reinvestment Act of 2009 (Recovery Act) .

OVERVIEW

The Recovery Act provides funds to meet the intent of the President and Congress to quickly put our fellow citizens to work and to help in the recovery of the Nation's economy. The accomplishment of Corps of Engineers Civil Works projects through Recovery Act funding has begun to contribute to the Nation's safety, economy, environment, and quality of life. The Act provides funding to: Preserve and create jobs and promote recovery; assist those most impacted by the recession; provide investment needed to increase economic efficiency by spurring technological advance in science and health; invest in transportation, environmental protection, and other infrastructure that will provide long term economic benefits; and stabilize State and local government budgets.

The Recovery Act provides funding to the Corps to accomplish these goals through the development and restoration of the Nation's water and related resources. There is also funding to support our permitting activities for protection of the Nation's regulated waters and wetlands and cleanup of sites contaminated as a result of the Nation's early efforts to develop atomic weapons.

Total discretionary funding for Civil Works in the Recovery Act is \$4.6 billion and is provided in six accounts. Within the total program, \$2.075 billion is for activities funded in the Operation and Maintenance account. The Recovery Act also provides \$2 billion in the Construction account; \$375 million in the Mississippi River and Tributaries account; \$25 million in the Investigations account; \$25 million in the Regulatory account; and \$100 million in the Formerly Used Sites Remedial Action Program account.

The Corps will follow the Recovery Act's general principle to manage and expend funds so as to achieve the Act's stated purposes, including commencing expenditures and activities as quickly as possible consistent with prudent management, and consistent with the President's direction provided in the Executive Memorandum of 20 March 2009 – Ensuring Responsible Spending of Recovery Act Funds. In that Memorandum, the President directed agencies to be sure that Recovery Act funds are spent responsibly and transparently and that projects are selected on merit-based principles.

Additional project selection criteria suggested in the Joint Explanatory Statement accompanying the Act states that projects, programs or activities (PPAs) accomplished with Recovery Act dollars will:

- Be obligated/executed quickly;
- Result in high, immediate employment;
- Have little schedule risk;
- Be executed by contract or direct hire of temporary labor; and
- Complete a project phase, a project, an element, or will provide a useful service that does not require additional funding.

Also as stipulated in the Recovery Act, no funds will be allocated for any PPA that, at the time of the allocation, had not previously received funds in Acts making appropriations available for Energy and Water Development. In other words, no new starts can receive Recovery Act funds.

Other statutory language includes:

- Recovery Act funds are not to be cost-shared with the Inland Waterways Trust Fund
- Not less than \$200 million for environmental infrastructure (wastewater treatment and municipal and industrial water supply treatment and distribution)

- Section 902 of the Water Resources Development Act of 1986, as amended (establishing a maximum authorized cost for a project and prohibiting expenditures in excess of this limit), does not apply in Fiscal Year 2009
- All unobligated funds (except for Engineering and Design (E&D), Supervision and Administration (S&A) and claims for Recovery Act-funded work) expire September 30, 2010.

STATUS OF RECOVERY ACT EXECUTION FOR CIVIL WORKS

Of the \$4.6 billion appropriated for Civil Works, approximately \$4.4 billion has been identified for Civil Works projects and activities, and, as of July 17, 2009, approximately \$3.5 billion has been distributed to the field offices, which will be executing this work, as of July 17, 2009. As of that date, financial obligations totaled \$694 million, of which \$648 million was for contracts, and outlays totaled \$84 million.

Nearly half of the available Recovery Act funds for Civil Works are scheduled for financial obligation from May through September 2009. During that same period over 1,000 contract actions are scheduled, such as the award of new contracts, options, and task orders. This brisk pace will continue through December 2009, by which time about two-thirds of Civil Works Recovery Act funds will have been obligated.

Through July 17, 2009, awards to small businesses total \$223 million, or 34 percent of the total obligated. Contract actions involving small businesses were 465, or 73 percent of the total of 638 contract actions. In addition, larger companies receiving Civil Works contracts are encouraged to hire local small business as their sub-contractors.

The Civil Works investments funded with Recovery Act funds were selected, in part, to achieve most of work through contracting, and to award the contracts in a short period of time. This approach maximizes private sector employment impacts. Stimulus effects begin with contract award, as that is when the contractor begins to hire workers, order materials and equipment, and take other steps to complete the work, creating ripples through the economy. As a result, stimulus impacts are more closely related to

obligation of Recovery Act funds, primarily through contract awards, rather than the subsequent outlays, which provide payments to contractors for work they already have completed or for supplies and equipment they already have purchased.

Overall, the investment of Civil Works Recovery Act funds will directly support approximately 50,000 jobs (though job impacts vary depending on the type of work). In addition to the direct job support, these investments will support numerous indirect jobs in industries supplying material and equipment. Finally, additional jobs will be supported as the direct and indirect income generates increased consumer spending.

Investments in Civil Works projects also create lasting positive economic impacts, long after the short-term effects of the funded construction and maintenance or repair activities have faded.

CONCLUSION

At \$4.6 billion, the Recovery Act provides resources for the Civil Works program to pursue investments that will create and preserve jobs and yield good returns for the Nation in the future.

Thank you, Mr. Chairman and Members of the Committee, for this opportunity to testify on the Recovery Act program for the U.S. Army Corps of Engineers Civil Works Program.