



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108

MAY 04 2007

Honorable Nancy Pelosi
Speaker of the House
of Representatives
U.S. Capitol Building, Room H-232
Washington, D.C. 20515-0001

Dear Madam Speaker:

The U. S. Army Corps of Engineers has completed its investigation of opportunities to address near-term water resources needs for coastal Mississippi resulting from the hurricane season of 2005. A project consisting of 15 elements is described in the report of the Chief of Engineers, dated December 31, 2006. The Mississippi Coastal Interim Report, Hancock, Harrison, and Jackson Counties, dated August 2006 (revised November 2006), which includes other pertinent documents, provides supporting information for the recommendation. The views of the State of Mississippi and the Department of the Interior are set forth in the enclosed report. The report of the Chief of Engineers is a partial response to the authority provided in the Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006 (P.L. 109-148). A comprehensive report containing the final recommendations related to the consequences of the 2005 hurricanes in Mississippi will be the subject of a future report of the Chief of Engineers.

Seven Corps of Engineers recommended project elements are located in Hancock County, three in Harrison County, and five in Jackson County. These project elements address priority work in the Coastal Mississippi area and include both structural and non-structural measures. Structural measures include protecting existing seawalls from continuing erosion, building protective breakwater structures, replacing storm drainage culverts, restoring protective beach and dune systems, reconstructing damaged seawalls, re-establishing tidal exchange between the Gulf and tidal wetlands, and removing storm debris from coastal streams and canals. Non-structural measures include removing residential structures from highly vulnerable floodplains.

The 15 recommended one-time Federal assistance project elements for near-term improvements were developed within the constraints imposed by the six-month time frame cited in P.L. 109-148. In accordance with the directives of this Act, the Army Corps of Engineers did not select the recommended project elements based on traditional benefit-cost analysis or by examining net economic development benefits. Instead, the Corps evaluated each project element on the basis of its quantitative and qualitative contribution to the system of four accounts defined in the *Economic and Environmental Principles for Water and Related Land Resources Implementation*



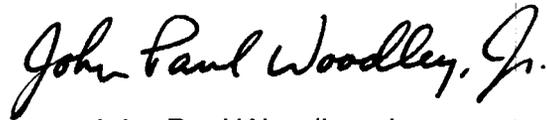
Studies. These four accounts include national economic development (NED), environmental quality (EQ), regional economic development (RED), and other social effects (OSE). On the basis of the assessments of the near-term project contributions to the 4 accounts, the Corps found each of the 15 project elements to be a cost-effective improvement in accordance with the directives of P.L. 109-148. All of the recommended project elements would function as a component of a larger Comprehensive Plan to provide hurricane storm damage reduction along Coastal Mississippi. The detailed Comprehensive Plan for Coastal Mississippi is currently being developed.

Based on the October 2006 price level, the total cost of the 15 project elements is estimated at \$107,700,000. All costs of the proposed project elements are allocated to ecosystem restoration, hurricane and storm damage reduction, structural flood damage reduction, or non-structural flood damage reduction. In accordance with provisions of the Water Resources Development Act of 1986, as amended, cost sharing for project elements with costs allocated to ecosystem restoration, hurricane and storm damage reduction, or non-structural flood damage reduction, would generally be 65 percent Federal and 35 percent non-Federal. Cost sharing for project elements with costs allocated to structural flood damage reduction requires a minimum non-Federal share of 35 percent, and a maximum share not to exceed 50 percent of those costs, including a minimum cash contribution of 5 percent of those costs to be paid during construction. For each of these purposes, the value of creditable lands, easements, rights-of-way, relocations, and disposal areas would be applied towards the non-Federal share. The estimated Federal share of the total project cost is \$70,000,000 and the non-Federal share is estimated at \$37,700,000. Beach renourishment is not included in any of the shore protection projects. Significant monetary and non-monetary benefits would accrue from implementation of the 15 project elements. The State of Mississippi has indicated that it has the capability to be the non-Federal project sponsor which has the responsibility to cost share project construction and to undertake responsibility for the estimated \$1.5 million average annual operation, maintenance, rehabilitation, repair, and replacement costs.

The Office of Management and Budget (OMB) advises that there is no objection to the submission of the report to Congress; however, OMB has determined that because of the lack of information on the net national benefits of the 15 elements in this project, the Administration cannot ensure that the recommended project yields a high economic and environmental return to the Nation and, therefore cannot support its authorization for Federal construction based on the information available. OMB also requested that the Corps evaluate the applicability of existing authorities available through the Federal Emergency Management Agency's Hazard Mitigation Grant Program and the reasons for the increase in real estate costs for the Franklin Creek Floodway element. A copy of the OMB April 23, 2007 letter is enclosed. I am providing a copy of this transmittal and the OMB letter to the House Subcommittees on Energy

and Water Development, and Water Resources and Environment in accordance with the requirements of the Fiscal Year 2006 Energy and Water Development Appropriations Act (P.L. 109-103).

Very truly yours,

A handwritten signature in black ink that reads "John Paul Woodley, Jr." in a cursive script.

John Paul Woodley, Jr.
Assistant Secretary of the Army
(Civil Works)

Enclosures



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108

MAY 04 2007

Honorable Richard Cheney
President of the Senate
U.S. Capitol Building, Room S-212
Washington, D.C. 20510-0012

Dear Mr. President:

The U. S. Army Corps of Engineers has completed its investigation of opportunities to address near-term water resources needs for coastal Mississippi resulting from the hurricane season of 2005. A project consisting of 15 elements is described in the report of the Chief of Engineers, dated December 31, 2006. The Mississippi Coastal Interim Report, Hancock, Harrison, and Jackson Counties, dated August 2006 (revised November 2006), which includes other pertinent documents, provides supporting information for the recommendation. The views of the State of Mississippi and the Department of the Interior are set forth in the enclosed report. The report of the Chief of Engineers is a partial response to the authority provided in the Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006 (P.L. 109-148). A comprehensive report containing the final recommendations related to the consequences of the 2005 hurricanes in Mississippi will be the subject of a future report of the Chief of Engineers.

Seven Corps of Engineers recommended project elements are located in Hancock County, three in Harrison County, and five in Jackson County. These project elements address priority work in the Coastal Mississippi area and include both structural and non-structural measures. Structural measures include protecting existing seawalls from continuing erosion, building protective breakwater structures, replacing storm drainage culverts, restoring protective beach and dune systems, reconstructing damaged seawalls, re-establishing tidal exchange between the Gulf and tidal wetlands, and removing storm debris from coastal streams and canals. Non-structural measures include removing residential structures from highly vulnerable floodplains.

The 15 recommended one-time Federal assistance project elements for near-term improvements were developed within the constraints imposed by the six-month time frame cited in P.L. 109-148. In accordance with the directives of this Act, the Army Corps of Engineers did not select the recommended project elements based on traditional benefit-cost analysis or by examining net economic development benefits. Instead, the Corps evaluated each project element on the basis of its quantitative and qualitative contribution to the system of four accounts defined in the *Economic and Environmental Principles for Water and Related Land Resources Implementation Studies*. These four accounts include national economic development (NED),



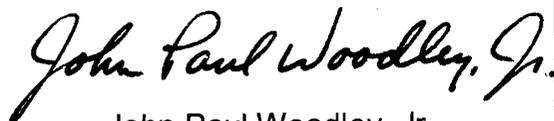
environmental quality (EQ), regional economic development (RED), and other social effects (OSE). On the basis of the assessments of the near-term project contributions to the 4 accounts, the Corps found each of the 15 project elements to be a cost-effective improvement in accordance with the directives of P.L. 109-148. All of the recommended project elements would function as a component of a larger Comprehensive Plan to provide hurricane storm damage reduction along Coastal Mississippi. The detailed Comprehensive Plan for Coastal Mississippi is currently being developed.

Based on the October 2006 price level, the total cost of the 15 project elements is estimated at \$107,700,000. All costs of the proposed project elements are allocated to ecosystem restoration, hurricane and storm damage reduction, structural flood damage reduction, or non-structural flood damage reduction. In accordance with provisions of the Water Resources Development Act of 1986, as amended, cost sharing for project elements with costs allocated to ecosystem restoration, hurricane and storm damage reduction, or non-structural flood damage reduction, would generally be 65 percent Federal and 35 percent non-Federal. Cost sharing for project elements with costs allocated to structural flood damage reduction requires a minimum non-Federal share of 35 percent, and a maximum share not to exceed 50 percent of those costs, including a minimum cash contribution of 5 percent of those costs to be paid during construction. For each of these purposes, the value of creditable lands, easements, rights-of-way, relocations, and disposal areas would be applied towards the non-Federal share. The estimated Federal share of the total project cost is \$70,000,000 and the non-Federal share is estimated at \$37,700,000. Beach renourishment is not included in any of the shore protection projects. Significant monetary and non-monetary benefits would accrue from implementation of the 15 project elements. The State of Mississippi has indicated that it has the capability to be the non-Federal project sponsor which has the responsibility to cost share project construction and to undertake responsibility for the estimated \$1.5 million average annual operation, maintenance, rehabilitation, repair, and replacement costs.

The Office of Management and Budget (OMB) advises that there is no objection to the submission of the report to Congress; however, OMB has determined that because of the lack of information on the net national benefits of the 15 elements in this project, the Administration cannot ensure that the recommended project yields a high economic and environmental return to the Nation and, therefore cannot support its authorization for Federal construction based on the information available. OMB also requested that the Corps evaluate the applicability of existing authorities available through the Federal Emergency Management Agency's Hazard Mitigation Grant Program and the reasons for the increase in real estate costs for the Franklin Creek Floodway element. A copy of the OMB April 23, 2007 letter is enclosed. I am providing a copy of this transmittal and the OMB letter to the Senate Subcommittees on Energy

and Water, and Transportation and Infrastructure in accordance with the requirements of the Fiscal Year 2006 Energy and Water Development Appropriations Act (P.L. 109-103).

Very truly yours,

A handwritten signature in black ink that reads "John Paul Woodley, Jr." in a cursive script.

John Paul Woodley, Jr.
Assistant Secretary of the Army
(Civil Works)

Enclosures