



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 23, 2007

The Honorable John Paul Woodley, Jr.
Assistant Secretary of the Army (Civil Works)
108 Army Pentagon
Washington D.C. 20310-0108

Dear Mr. Woodley:

As required by Executive Order 12322, the Office of Management and Budget has completed its review of your recommendation concerning the Interim Report for the Mississippi Coastal Improvements Program – Hancock, Harrison, and Jackson Counties, Mississippi.

The Corps developed this interim report in compliance with statutory direction by the Congress to analyze proposed projects in the report without the use of either net national economic development benefits or benefit-cost ratios. As you are aware, these two metrics are the basis for the Administration's formulation of projects under the "Economic and Environmental Principles and Guidelines for Water and Related Land Resources Implementation Studies" for planning water resources projects and prioritization of funding for the Corps' construction program. Within the constraints mandated by Congress' statutory direction, we understand that the Corps has worked diligently with interested parties to develop a suite of projects that address near-term water resource needs for coastal Mississippi in the aftermath of the 2005 hurricane season. Unfortunately, without critical information on net national economic development benefits or benefit-cost ratios, the Administration cannot assess either the value of these projects to the Nation or their priority relative to other new and ongoing projects.

Our review also raised specific concerns regarding the Franklin Creek Floodway project, particularly whether the Corps or the Federal Emergency Management Agency (FEMA) is the appropriate agency to consider this project. We ask that the Corps evaluate the existing authorities available in FEMA's Hazard Mitigation Grant Program to determine the correct purview for this project element. We also ask that the Corps evaluate the reasons for the increase in real estate costs for the Franklin Creek Floodway project.

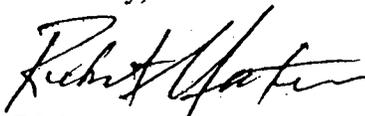
We concur with your recommendation that, consistent with current law, standard cost-share requirements should be applied to the proposed construction of projects in this program.

We do not object to you forwarding this report to Congress. However, when you do, please advise Congress that because of the lack of information on the net national benefits of projects in this program the Administration cannot ensure that this program yields a high

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economic and environmental return to the Nation and, therefore, cannot support its authorization for Federal construction based on the information available.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard A. Mertens". The signature is fluid and cursive, with a prominent initial "R" and "M".

Richard A. Mertens
Deputy Associate Director
Energy, Science and Water