

Background

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The Army Corps of Engineers: Reallocating Its Spending to Offset Reconstruction Costs in New Orleans

Ronald D. Utt, Ph.D.

In the aftermath of Hurricane Katrina, the public's attention focused first on the immediate relief effort and how much it would cost. With most of the evacuees now in more adequate forms of shelter, attention is shifting to the cost of repair and reconstruction and the question of who will pay for it. Although current estimates vary widely and most are without much foundation in fact, the relief, repair, and reconstruction costs of Hurricanes Katrina and Rita will total well into the tens of billions of dollars in public and private spending.

To pay for the federal share of the recovery costs, many have suggested finding spending offsets in wasteful and poorly conceived federal programs, particularly in the stunningly wasteful highway bill that the President signed into law on August 10, 2005.¹ Tens of billions of dollars could also be saved by cutting or eliminating other, low-priority federal spending programs.² After several weeks of intense public pressure to enact such offsets, leaders in the House of Representatives finally relented and agreed on October 6 to seek spending cuts totaling \$50 billion, plus additional reductions through an across-the-board cut in discretionary spending.³

Largely ignored in the discussion of federal budget offsets is the opportunity to redeploy the budget of the U.S. Army Corps of Engineers to repair damage to New Orleans' levees and flood control system. As the federal agency chiefly responsible for flood control, its recent estimates (\$4.1 billion to \$5.1 billion) suggest that

Talking Points

- Spending on flood and storm control accounts for a minor part of the Army Corps of Engineers' annual budget.
- There is reason to believe that many Corps projects are bought and sold in a market-place controlled by Members of Congress, lobbyists, and clients, who work together to divert taxpayer dollars to pet projects.
- Many of these projects are funded at the expense of projects that could add to the security of Americans living in regions that are vulnerable to storms and flooding.
- The Corps' budget should be reallocated to shift spending priorities to the repair and upgrade of New Orleans' levees.
- The Corps has estimated that the cost of rebuilding and enhancing the levees to withstand a Category 5 hurricane would cost between \$4.1 billion and \$5.1 billion. This could be done by devoting just 10 percent of current Corps spending to the project over the next 10 years.

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redeploying just 8 percent to 10 percent of the Corps' budget over 10 years would be sufficient to rebuild and improve the levees and flood control system to withstand a Category 5 storm.

Small Fraction for Flood Protection

In addition to the apparent lack of interest in finding spending offsets and reallocations in the Corps' budget to fund flood control upgrades in the damaged areas of the Gulf states, Congress has devoted surprisingly little attention to investigating how the Army Corps of Engineers, the federal agency responsible for building the levees protecting New Orleans, has its annual budget allocated among competing purposes and projects.

Furthermore, there has been little discussion about how to adjust existing Corps spending patterns to meet new and urgent priorities. Indeed, a case could be made that a history of congressional and presidential misallocation of the financial resources of the Army Corps of Engineers to expensive projects unrelated to flood and storm control—including many questionable earmarks sought and earned by lobbyists—may have been a contributing factor in the scope of the disaster.

Table 1 provides an approximation of how the Bush Administration proposed to allocate the Corps' \$4.3 billion budget for fiscal year (FY) 2006.⁴ This table is only an approximation because neither the

Purpose	Proposed Budget (\$millions)
Ports and Harbors	\$921
Inland Waterways	\$932
Flood Damage Reduction	\$390
Storm Damage Reduction	\$54
Aquatic Ecosystems	\$510
Recreation	\$268
Other*	\$557
Unlisted	\$693
Total	\$4,325

*Includes General Investigations, Regulatory Program, Formerly Used Sites Remedial Action Program, and General Expenses.

Source: Compiled from Office of Management and Budget, "Corps of Engineers—Civil Works," at www.whitehouse.gov/omb/budget/fy2006/corps.html (October 24, 2005), and U.S. Department of the Army, Office of the Assistant Secretary of the Army (Civil Works), *Civil Works Budget for the U.S. Army Corps of Engineers*, February 2005, at www.usace.army.mil/civilworks/cecwb/budget/budget.pdf (October 24, 2005).

Corps nor Congress publishes a complete Corps budget that relates planned spending to specific objectives. Instead, spending is reported by "processes." None of the Corps' summary budget presentations provides information on the total amount that it spends each year on ecosystem restoration, ports and harbors, or its "beach nourishment" program, a series of projects that dredge and pump sand from nearby oceans and bays onto eroded resort beaches to protect vacation homes and a small segment of the seasonal resort industry.⁵

What is immediately apparent from Table 1 is that flood and storm control are a relatively modest part of the President's FY 2006 budget proposal for

1. Ronald D. Utt, Ph.D., "The Katrina Relief Effort: Congress Should Redirect Highway Earmarks Funding to a Higher Purpose," Heritage Foundation *WebMemo* No 832, September 2, 2005, at www.heritage.org/Research/SmartGrowth/wm832a.cfm.
2. Brian M. Riedl, "A 'Victory' over Wasteful Spending? Hardly," Heritage Foundation *WebMemo* No. 839, September 14, 2005, at www.heritage.org/Research/Budget/wm839.cfm, and Robert E. Moffit, Ph.D., "Paying for Katrina Relief: Cancel or Delay the Medicare Drug Benefit," Heritage Foundation *WebMemo* No. 857, September 22, 2005, at www.heritage.org/Research/Health-Care/wm857.cfm.
3. However, on October 18, the House Republican leaders backed away from their plan for an across-the-board cut in discretionary spending.
4. The Senate proposes to spend \$5.3 billion in FY 2006, while the House wants to spend \$4.7 billion.

the Corps, accounting for just 12 percent of the proposed budget. For Corps spending in Louisiana, the distribution has been only slightly more favorable toward flood and storm control: From 2001 through 2005, Louisiana received \$1.9 billion in Corps spending for all projects, but just 20 percent (\$380.4 million) was allocated to flood control projects related to New Orleans on Lake Pontchartrain, the West Bank and Vicinity, and Southeast Louisiana.⁶

Congressional Earmarks Misallocate Corps Money

To put New Orleans flood control spending in better perspective, flood control spending for the three areas related to New Orleans totaled \$72.2 million in FY 2005.⁷ Yet during the same period, Senator Mary Landrieu (D-LA) used her influence to require, by way of the Iraq emergency spending bill, the Corps to reconsider its earlier analysis that led it to reject a \$194 million project to deepen the Port of Iberia, 70 miles due west of New Orleans on the Intracoastal Waterway.⁸ Senator Landrieu also succeeded in getting a down payment of \$750,000 for the New Iberia project in the FY 2006 Energy and Water Appropriations bill.⁹

Senator Landrieu is not the only member of the Louisiana delegation who has successfully lured Corps projects to the state, although most of the projects were unrelated to levee rebuilding or strengthening. Among such projects funded was a new lock costing \$748 million on the underuti-

lized Industrial Canal in New Orleans (one of the canal's levees was breached by Katrina's storm surge), but the project had nothing to do with flood protection or levee improvement. The Corps' staff had determined that this project would be a waste of money, but the project was ultimately approved when "a barrage of 'Herculean' lobbying (according to a port memo) by the Louisiana delegation persuaded the Clinton Administration to reduce the port's cost share from \$90 million to \$27 million. The project was justified by predictions of increasing ship traffic. But traffic has rapidly declined ever since."¹⁰

During the first five years of the Bush Administration, Louisiana received more Corps spending than any other state: \$1.9 billion compared to \$1.4 billion for California, the second-place recipient. Unlike most other federal spending programs, the vast majority (roughly 85 percent) of the spending is earmarked by the Corps (and the White House) and the Congress for location-specific projects. In addition, unlike most other federal programs, which are structured as categorical grants to state and local governments that determine how to best spend the money, the Corps undertakes specific projects directly and budgets accordingly. Nonetheless, politics and lobbying, not merit, seem to account for many of the Corps' spending projects.

The Role of Lobbyists

Although what share of the Corps' projects is due to such influence is unknown, there is reason to

5. The Corps budget available to the public categorizes spending by type of activity rather than by program purpose. As published, the budget's two major accounts are titled "Construction" and "Operations and Maintenance." Defined as such, the construction account would include all Corps spending on locks, dams, levees, boat ramps, etc., making it impossible to determine how it is allocated for flood control, recreation, etc.
6. Nicole T. Carter, "New Orleans Levees and Floodwalls: Hurricane Damage Protection," Congressional Research Service Report for Congress, updated October 12, 2005, p. 6.
7. *Ibid.*, p. 5.
8. Michael Grunwald, "Money Flowed to Questionable Projects: State Still Leads in Army Corps Spending, But Millions Had Nothing to Do With Floods," *The Washington Post*, September 8, 2005, p. A1, at www.washingtonpost.com/wp-dyn/content/article/2005/09/07/AR2005090702462.html (October 24, 2005).
9. Press release, "Senators Landrieu and Vitter Announce Energy and Water Funding," Office of Senator Mary L. Landrieu, June 14, 2005, at landrieu.senate.gov/~landrieu/releases/05/2005708E54.html (October 24, 2005).
10. Michael Grunwald and Susan B. Glasser, "The Slow Drowning of New Orleans," *The Washington Post*, October 9, 2005, p. A1, at www.washingtonpost.com/wp-dyn/content/article/2005/10/08/AR2005100801458.html (October 24, 2005).

believe that many of its projects are bought and sold in a marketplace controlled by Members of Congress, lobbyists, and clients, who work together to divert taxpayer dollars to pet projects. Many of the projects have little or no economic or safety value and are funded at the expense of projects that could add to the security of Americans living in regions that are vulnerable to storms and flooding.

The evidence suggests that the market for Army Corps of Engineers earmarks is fairly well organized, and a U.S. Senate Web site provides a well-documented trail of earmark transaction prices that is every bit as informative as are the financial pages of the morning newspaper in providing the closing prices for stocks and bonds traded on major exchanges. In this case, however, the “exchange floor” is mostly in the better restaurants of Washington, D.C., and the downtown offices of the city’s leading lobbying firms. The “financial pages” for the earmark transactions are provided by the Secretary of the Senate and are publicly available on the Internet.¹¹ This record is a list of all contracts between registered lobbyists and their clients seeking some favor or earmark in the Corps’ budget, which Congress writes and passes each year.

At present, the Web site lists the reports of more than 2,000 such contracts that were signed between clients and lobbyists seeking earmarks or regulatory assistance from the Corps between 1999 and 2004. In fairness to the Corps, the earmarks for the most part are forced on it by congressional staff and the Senators and Representatives serving on the committees that are responsible for determining the Corps’ budget each year.¹²

A sampling of reported contracts from the Secretary of the Senate’s list shows that the lobbying firm of Alcalde and Fay charged Kinder Morgan Bulk

Terminals, Inc., \$40,000 to “[s]ecure funding for improvements to Port Sutton Channel” and that the City of Deerfield Beach, Florida, paid the firm \$40,000 “[s]eeking an appropriation for beach replenishment.” The lobbyist Morgan Rees was paid almost \$10,000 to help the Georgia Port Authority obtain an “Authorization for Navigation Channel Improvements,” while the Accord Group earned a similar amount from Ducks Unlimited for “Wetland Restoration activities conducted by the U.S. Army Corps of Engineers with a focus on projects in Saginaw, MI.”

Notwithstanding the commitment of Louisiana’s congressional delegation to fight for the interests of their constituents, the Secretary of the Senate’s Web site is replete with instances of the state’s cities, parishes, and water authorities having to hire lobbyists to get it done. Typical are the Palmer Group, which received \$10,800 from the West Jefferson Levee District to get “funding for West Bank hurricane protection project,” and the North St. Charles County Missouri Levee District, which paid Gary Elmestad & Associates \$20,000 to get the Corps to conduct design, planning, and study initiatives. These two firms are among dozens that provide solicitation services for flood control funding to Louisiana’s local governments and authorities for a fee.

Of particular interest in the national market for Corps earmarks is the lobbying practice of Marlowe & Co. in Washington, D.C. The Senate site abounds with contract reports between Marlowe and many beach resort communities seeking money from the Corps for “beach nourishment” projects. As noted earlier, this is one of the many services the Corps offers, but it does not provide a breakout in its budget of how much it spends in total each year for this recreational purpose, which

11. For lobbyist reports for the Senate, see U.S. Senate, Office of Public Records, “US Lobby Registration & Disclosure Page,” Web page, at sopr.senate.gov/cgi-win/m_opr_viewer.exe?DoFn=0 (October 24, 2005). For a list of lobbyists and clients seeking some favor or earmark in the Corps’ budget, select “Government Entity Contacted” (and click “GO!”), and then select “Army, Dept. of (Corps of Engineers)” (and click “GO!”). Lobbyist reports for the House are not available on the Internet, but most Senate reports indicate that they were also filed with the House.

12. The responsible committees in the House are the Subcommittee on Energy and Water Development, and Related Agencies (Committee on Appropriations) and the Committee on Energy and Commerce. The responsible committees in the Senate are the Subcommittee on Energy and Water (Committee on Appropriations) and the Committee on Environment and Public Works.

serves largely to enhance the value of the vacation homes owned by America's wealthier citizens. For example, the Senate site shows that the City of Solana Beach, California, paid the firm \$20,000 for "beach restoration funding" and that the "American Shore and Beach Preservation Association" paid almost \$10,000 for similar services, including advocacy before the Office and Management and Budget "to ensure that shore protection is not a low budget priority."

In a 2004 interview with *The Hill*, firm owner Howard Marlowe bragged: "We know beaches!" The article went on to note that the company earned more than \$700,000 in 2003 and estimates that it has won more than \$100 million in beach projects since it has been in the business.¹³ Even more revealing is Marlowe & Co.'s Web site, which promotes its services by providing prospective clients with its success stories. In its beach nourishment practice, the firm provides 13 pages listing the 170 beach earmarks that it has secured for its clients since FY 1998.¹⁴

Assuming that Marlowe is describing his company's success accurately, one has to wonder exactly how his firm was allowed to participate so intimately in the congressional budgeting and appropriations process. At some point, some portion of each requested earmark becomes part of a House or Senate appropriations bill (or authorization bill). Once that bill is passed and signed into law, the money for the project is guaranteed, and the Members of Congress who endorsed the project respond by issuing press releases bragging about the money they have *brought* back to the district, while the lobbyists involved brag to current and prospective clients about the money that they have *bought* for their paying clients.

H. L. Mencken described this process of seeking favor when he wrote in 1936, "Government is a broker in pillage, and every election is a sort of advance auction sale of stolen goods."¹⁵ But however cynical the Sage of Baltimore may have been about government corruption during the New Deal, there is a much darker way of looking at this record of fiscal abuse by the current Congress. It raises profound questions about whether or not the congressional budget and appropriations process is still governed by the Constitution and Members of Congress.

In 2004, The Heritage Foundation uncovered an effort by a prominent lobbying firm offering to "sell" an earmark to a small town in Virginia. The firm approached the town manager and offered to secure a \$3.5 million federal grant for a planned recreational facility in return for an 18-month contract at \$5,000 per month. In effect, the lobbyist was offering to sell taxpayer money to the town for 2.6 cents on the dollar,¹⁶ revealing how little value Congress places on the taxpayers' hard-earned dollars.

From a more fundamental perspective, this lobbyist was proposing to sell something that was not his to sell, and the fact that he believed that he could deliver on the promise indicates that something is terribly wrong in Congress. The Constitution reserves to Congress the exclusive power to appropriate money from the U.S. Treasury.¹⁷ How, then, did these lobbyists come by the same privilege? If Congress has outsourced the budget and appropriations process to Washington's lobbying community, who authorized the sale? Who on the committees approves these projects? Who puts the beach replenishment earmarks into the bill? And what do they get in return?

13. Jim Snyder, "Marlowe & Co.: 'We Know Beaches' Howard Marlowe, Is K Street's Man on the Waterfront," *The Hill*, July 6, 2004, at www.hillnews.com/business/070604_profile.aspx (October 24, 2005).

14. For a list of these earmarks, see Marlowe & Company, "Summary of the Federal Coastal Accomplishments of Marlowe & Company," revised June 2005, at [www.marloweco.com/files/MCo_coastal_accomplishments_\(2\).pdf](http://www.marloweco.com/files/MCo_coastal_accomplishments_(2).pdf) (October 24, 2005).

15. H. L. Mencken, *A Carnival of Buncombe: Writings on Politics* (Chicago: University of Chicago Press, 1984), p. 325.

16. For details on this offer, see Ronald D. Utt, Ph.D., "Is Pork Barrel Spending Ready to Explode? The Anatomy of an Earmark," Heritage Foundation *WebMemo* No. 608, November 10, 2004, at www.heritage.org/Research/Budget/wm608.cfm.

17. U.S. Constitution, Article I, Section 9, Clause 7.

Congress Adds Its Influence to the Fray

The beach replenishment program is not the only low-priority Corps program that competes with more vital flood and storm control projects for scarce funding. As Table 1 notes, the Corps proposes to spend \$268 million on recreational projects in FY 2006. Despite more pressing safety concerns, these and other low-priority projects are apparently quite popular with Members of Congress.

- In early July 2005, Senators Olympia Snowe (R–ME) and Susan Collins (R–ME) announced that the Corps would spend \$150,000 to protect Camp Ellis beaches and \$100,000 for a reconnaissance study of the anadromous fisheries in the Penobscot River.
- At about the same time, Senators Lindsey Graham (R–SC) and Jim DeMint (R–SC) announced that they had secured a \$2.2 million earmark to repair the 129-year-old Morris Island Lighthouse.
- Senators Mark Pryor (D–AR) and Blanche Lincoln (D–AR) took credit for a \$10 million irrigation project to facilitate rice production in their state.
- Senators Christopher Bond (R–MO) and James Talent (R–MO) announced that they had secured from the Corps' budget \$60 million to improve fish and wildlife habitat on the Missouri River, \$1.75 million for middle Mississippi habitat protection, \$1 million for a riverfront "enhancement" for Kansas City, and \$300,000 for the Confluence State Park.

As a result of congressional pork-barrel earmarks and the projects sold by the many lobbyists who specialize in redirecting Corps spending to paying clients, the FY 2006 Senate appropriations bill included 618 earmarks costing \$1.3 billion—about one-fourth of the Corps' proposed budget of \$5.3 billion.¹⁸

Retooling the Corps for a Post-Katrina Environment

On September 22, 2005, the Louisiana congressional delegation, led by Senator Landrieu and Senator David Vitter (R–LA), introduced the Hurricane Katrina Disaster Relief and Economic Recovery Act, a legislative proposal that would require the federal government to spend \$250 billion to rebuild Louisiana. One of the sponsors freely admitted on national television that the proposal was partly written by Washington lobbyists.¹⁹

One provision of the act proposed that the Army Corps of Engineers spend \$40 billion to upgrade the levees in the New Orleans area to Category 5 strength. Apparently, the Louisiana congressional delegation was unaware that the Corps had recently estimated that the cost of rebuilding the city's existing levees and floodwalls to its former Category 3 level of protection would cost \$1.6 billion and that upgrading them to withstand a Category 5 storm would cost an additional \$2.5 billion to \$3.5 billion. This comes to a total cost of \$4.1 billion to \$5.1 billion—less than 13 percent of what the Louisiana delegation proposed to spend.²⁰

Given the many low-priority projects and wasteful earmarks that Congress has put in the Corps' budget, the New Orleans levee upgrade could easily be accommodated without increasing overall spending simply by redeploying existing Corps financial resources to the higher priority of protecting American citizens from death and destruction. The levee upgrade could be accomplished in 10 years by postponing \$410 million to \$510 million per year of low-priority Corps projects. For FY 2006, this would amount to only 8 percent to 10 percent of the Corps' \$5.3 billion budget as proposed by the Senate.

Senators could easily find sufficient offsets by delaying many of the earmarks and other low-prior-

18. Press release, "Pork Alert: Senate Energy and Water Appropriations Bill," Citizens Against Government Waste, June 30, 2005, at www.cagw.org/site/News2?page=NewsArticle&id=9046 (October 24, 2005).

19. Senator David Vitter (R–LA), interviewed on *Hannity & Colmes*, Fox News Network, transcript 092803cb.253, September 28, 2005.

20. Nicole T. Carter, "New Orleans Levees and Floodwalls: Hurricane Damage Protection," Congressional Research Service Report for Congress, updated October 12, 2005, p. 6.

ity Corps spending for several years. For example, the \$510 million per year to upgrade the levees is the same as the amount the Corps would spend in FY 2006 on aquatic ecosystems, 40 percent more than it would spend on recreation, and just two-thirds of the \$750 million cost of building the underutilized lock on the Industrial Canal in New Orleans.

—*Ronald D. Utt, Ph.D., is Herbert and Joyce Morgan Senior Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation. Heritage Research Assistant Michelle Muccio provided valuable assistance in the preparation of this report.*