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Testimony



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Observations on the Corps of Engineers'
Draft General Design Memorandum for the
Proposed Atlantic Coast of Maryland
Hurricane Protection Project

Statement of
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Before the
Environment, Energy, and
Natural Resources Subcommittee
Committee on Government Operations
House of Representatives



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to provide our observations on the Corps of Engineers' draft General Design Memorandum for the proposed Atlantic Coast of Maryland Hurricane Protection Project for Ocean City. Our observations are being made in response to your March 27, 1989, request that we review the memorandum relative to the potential financial commitment of the federal government on this project. Consistent with your request, we restricted our review to the material contained in the memorandum and did not discuss our work with the Corps or its nonfederal sponsor, the State of Maryland.

My testimony will be directed to the two specific questions you asked us to address:

- Is it reasonable to add the federal share of the cost of periodic nourishment of the beach sand in calculating the federal government's total commitment on the project?

- Is there a potential additional cost to the federal government for major rehabilitation on the project?

First, let me briefly give some background on the project which, according to the memorandum, will provide storm protection and erosion control for Ocean City, Maryland.

PROJECT DESCRIPTION

The project was authorized by the ~~Water~~ Resources Development Act of 1986 (P.L. 99-662). The State of Maryland agreed to construct the recreation portion of this project, which was accomplished in the spring and summer of 1988. The state, with Worcester County and the Town of Ocean City, constructed a recreation beach by placing about 2.4 million cubic yards of sand along 8.25 miles of the Ocean City coastline. The contract was completed in September 1988 for about \$12 million. According to the memorandum, no federal funds were expended for this effort.

The Corps' Hurricane Protection Project consists primarily of constructing a steel bulkhead and placing about 3.8 million cubic yards of sand along the Ocean City coastline. These costs are estimated at about \$57 million, with the federal share (65 percent of eligible costs) at about \$36 million (in October 1988 constant dollars). The project includes widening and raising the beach for 8.5 miles from 4th Street in Ocean City to the Maryland-Delaware state line, including a 0.3 mile transition into Delaware, constructing a steel bulkhead along the boardwalk from 4th Street to 27th Street, and constructing a vegetated sand dune for 6.9 miles from 27th Street to just beyond the Maryland-Delaware state line.

The project also includes periodic nourishment of the beach sand. That is, additional sand will be placed on the beach at 4-year intervals over the 50-year life of the project in order to maintain the design level of protection. The total amount of sand needed for periodic nourishment is estimated at 8.75 million cubic yards.

STATUS OF THE PROJECT

The memorandum represents the results of the study phases of the project that were authorized by resolutions of the House and Senate Public Works Committees. At the end of fiscal year 1989, the Corps will have spent about \$2.6 million on pre-construction engineering and design studies. According to the memorandum, the project was expected to be ready for construction by the end of fiscal year 1989; however, the project was not included in the Corps' fiscal year 1990 budget.

PERIODIC NOURISHMENT COSTS

The Corps considers the cost of periodic nourishment as a deferred construction cost that must be incurred over the life of the project and as the most effective form of damage protection. In constant October 1988 dollars, the Corps estimates that periodic nourishment, over the 50-year life of the project, will amount to about \$153 million, with the federal share at about \$99 million.

According to Corps regulations, periodic nourishment is considered "construction" for cost sharing purposes when in the opinion of the Chief of Engineers, such periodic nourishment is found to be a more economical erosion protection measure than retaining structures such as groins or when the nourishment is expected to be of benefit to shores beyond the project limits. Therefore, we believe that such costs are clearly part of the total project costs and that the 65 percent federal share of these costs are part of the total federal commitment to this project.

When the cost of periodic nourishment is added to the initial construction costs, the federal commitment to the project is about \$135 million in constant October 1988 dollars.

MAJOR REHABILITATION

The memorandum provides for major rehabilitation of the project for repairs over and above periodic nourishment. Such rehabilitation would be needed in the event of severe storm damage. According to the memorandum, major rehabilitation costs are a nonfederal responsibility. Under a Local Cooperation Agreement with the local sponsor, which will set forth the obligations of the federal government and the sponsor, the sponsor will operate, maintain, replace and rehabilitate the project without cost to the federal government.

In addition, the local sponsor will be required to submit a Statement of Financial Capability that demonstrates its capacity to meet the financial obligations for the project. The Corps estimated the average annual major rehabilitation costs at slightly more than \$1 million, or about \$52 million over the life of the project (in constant October 1988 dollars).

While it appears clear on the surface that the local sponsor will be responsible for major rehabilitation costs, the Corps, in a footnote to the schedule displaying the major rehabilitation costs in the memorandum, called attention to Public Law 84-99, which authorizes the Corps to perform major rehabilitation to hurricane protection projects. This raises the question: Could the federal government incur additional costs on the project under this law?

The simple answer is yes, but with certain qualifications. Under Public Law 84-99, as amended (33 U.S.C. 701n), an emergency fund may be used for the repair or restoration of flood-damaged flood control projects and for repair or restoration of any federally authorized hurricane or shore protective structure damaged or destroyed by extraordinary wind, wave, or water action. The law gives the Corps discretion to determine when such repair or restoration is warranted.

Since expenditures from the fund are made at the discretion of the Corps, the fund could be used for this project but only to the

extent that funds are available and if this project is given a higher priority than other eligible projects. Nationwide, the Corps used about \$7.1 million from the fund in fiscal year 1988 for major rehabilitation and expects to spend an estimated \$8.6 million from the fund in fiscal year 1989 for major rehabilitation. No funds were requested in fiscal year 1990 since the carryover funds from fiscal year 1989 are considered to be adequate for financial operations for that year. In the event of a major coastal emergency, additional appropriations would be needed.¹

In our view, the public law represents a potential federal cost for major rehabilitation work. However, if the local sponsor's cooperation agreement and financial capability statement as provided for in the memorandum are agreed to by the various parties, the federal government would appear to be in a position of provider of last resort.

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Mr. Chairman, that concludes my testimony. We would be pleased to respond to any questions.

¹According to the Appendix to the Federal Budget for Fiscal Year 1990.