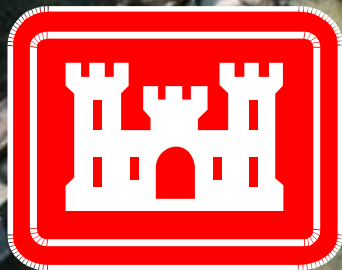


Inland Waterways Trust Fund: Choices

***Inland Waterways Users Board
Meeting No. 58
July 31, 2008***

***By Gary Loew
Chief, Programs Integration Division
Corps of Engineers***





Presentation Topics

- **Revenue Projections**
- **Case Studies**
- **Choices for Path Forward**



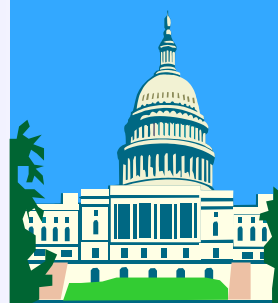
Inland Waterways Users Board Charter

P.L. 99-662, Section 302(b) DUTIES. "--to develop and make recommendations to the Secretary regarding construction and rehabilitation priorities and spending levels on the commercial navigation features and components of the inland waterways and inland harbors... Any advice or recommendations made by the Users Board to the Secretary shall reflect the independent judgment of the Users Board. The Users Board shall... annually thereafter file such recommendations with the Secretary and with the Congress."



Inland Waterways Trust Fund

Legislative Background

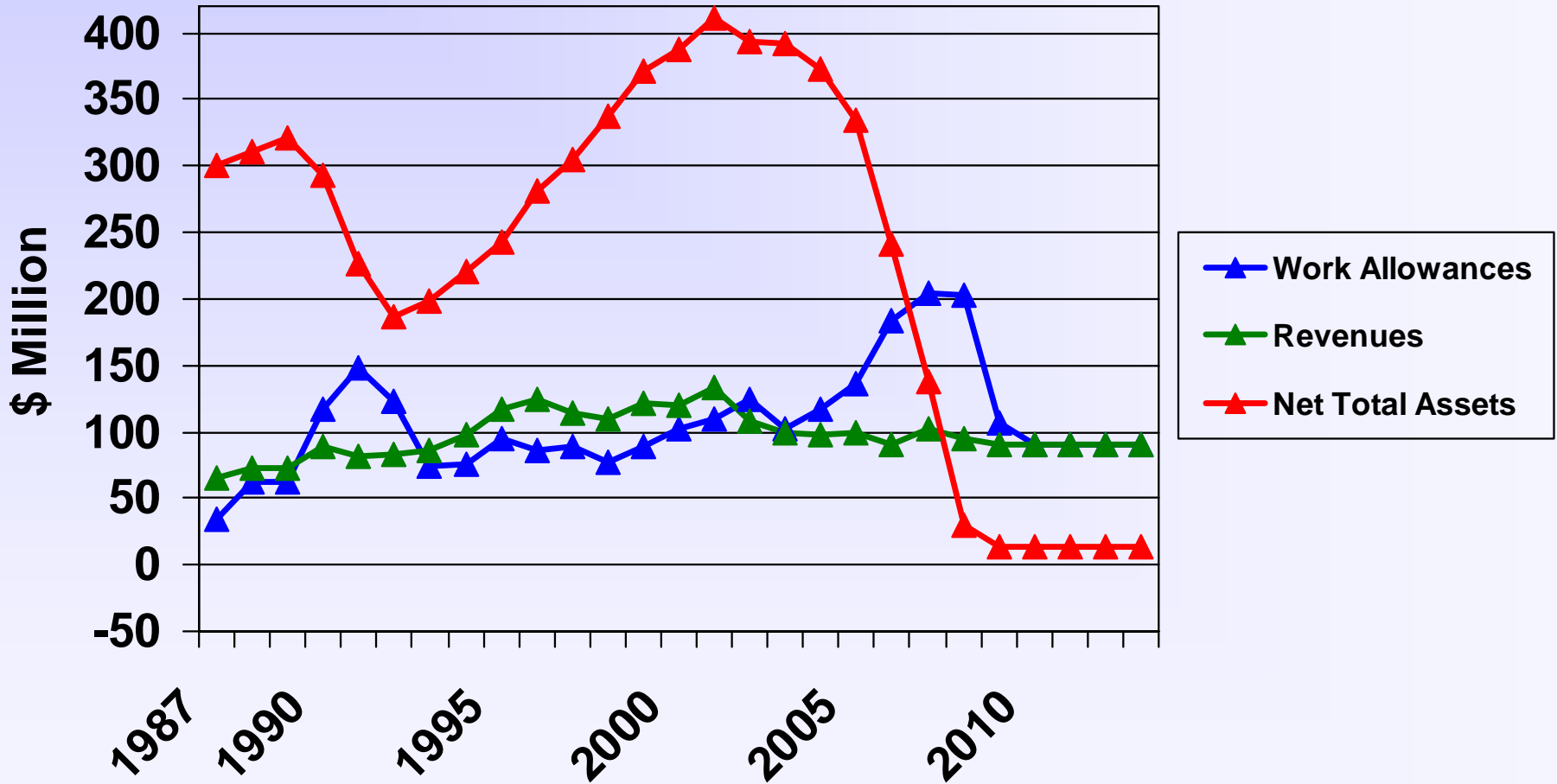


- **Inland Waterways Revenue Act of 1978**
 - Created fuel tax at 4 cents per gallon
 - Designated 26 shallow draft waterways on which the tax would apply (27 with WRDA 86)
- **Water Resources Development Act of 1986**
 - Established Users Board
 - Authorized expenditures from fund for 8 lock & dam projects
 - **Precedent for 50/50 cost-sharing**
 - Increase tax to 20 cents by 1995
- **WRDA 92**
 - Criteria for “major rehab”



Trust Fund History / Projection

1987 - 2013



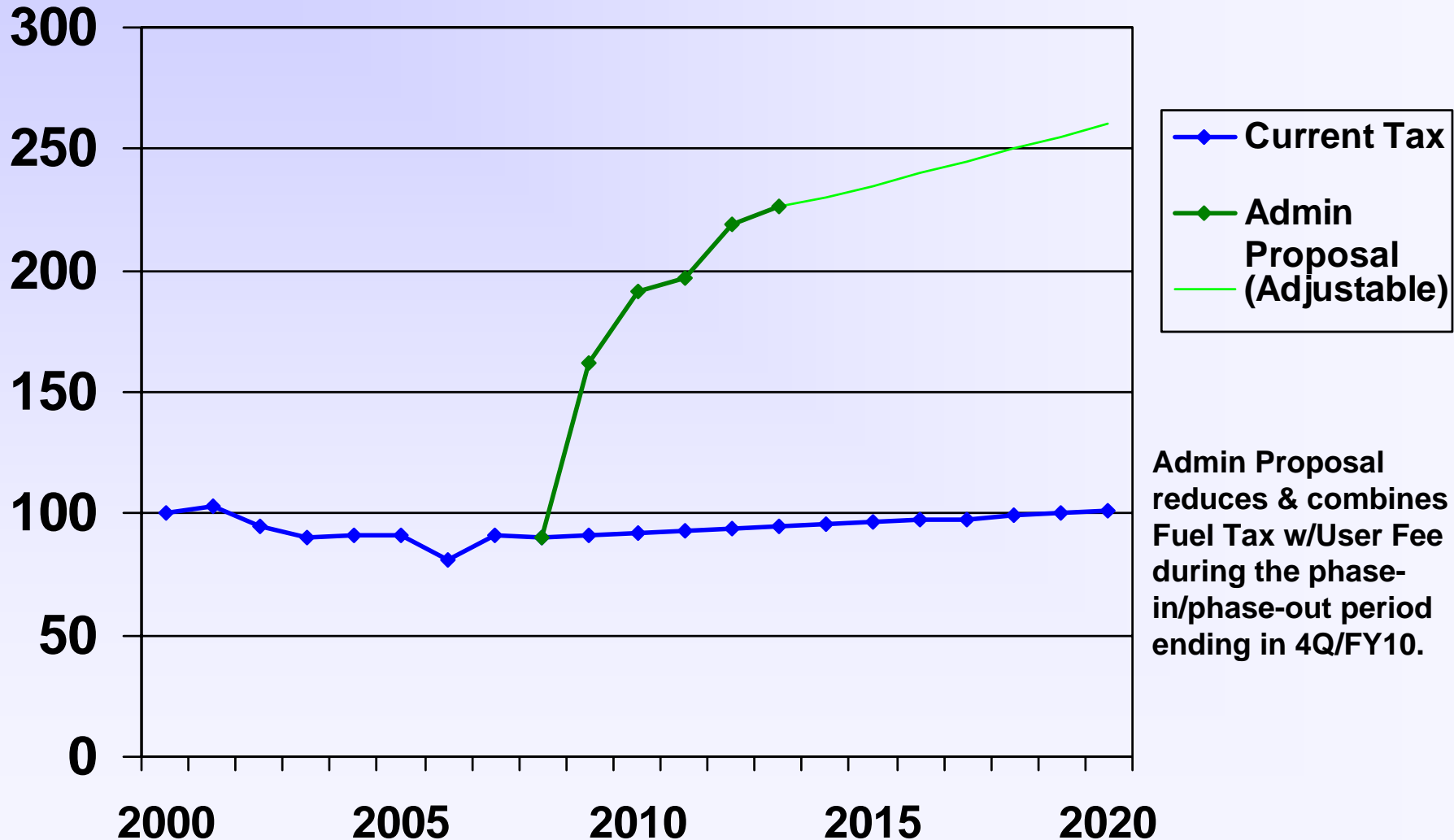


Funding Plan w/ Current Revenues

	FY09	FY10	FY11	FY12	FY13
Carry In	28	14	14	14	14
Estimated Tax Revenues	90	90	90	90	90
Estimated Interest	1	0	0	0	0
Available	119	104	104	104	104
Potential Distributions	-105	-90	-90	-90	-90
Carry Out (\$4M available too late for distribution & \$10M C/O for low revenues in 1 st Qtr)	14	14	14	14	14



IWTF Revenue Projections





Selected Case Studies – Findings

- Cost Increases**

	Auth.	Cur.	Diff.	% Inc.
Marmet	\$360	\$426	\$67	18%
Lower Mon	\$844	\$1,206	\$361	43%
Olmsted	\$1,255	\$1,991	\$736	59%



Selected Case Studies – Findings

- **Normal Engineering & Construction (E&C) activities accounted for 61% to 69% of cost increases**
- **Funding accounted for up to 32% of cost increases**

	Marmet	Lower Mon	Olmsted
Funding	0%	32%	31%
CCC	33%	7%	0%
Changes	26%	44%	30%
Differ Site	37%	6%	4%
Omissions	<u>4%</u>	<u>11%</u>	<u>35%</u>
(E&C sub-total	67%	61%	69%)

CCC = Continuing Contract Clause



Selected Case Studies – E&C Management Lessons Learned

Lesson: Use risk-based activity analysis, risk-based cost and schedule analysis, and risk management during E&C

Lesson: Improved project management during design and construction to ensure efficient uninterrupted construction start to finish.



Selected Case Studies – Funding Lessons Learned

Lesson: Waterways should be planned and managed as systems to prioritize work, fund priority work efficiently, and maximize system benefits within funds provided.

Lesson: Project acquisition plan should be based on efficient project funding once a project commitment is made.

Lesson: Realistic risk-based estimates of project costs and schedules at completion of feasibility reports.



Path Forward

- **Uncertainties**
 - **Revenues (how much and when)**
 - **Future cost sharing treatment of rehab projects**
 - **Ability to award Continuing Contracts**



Path Forward: Three Paths

- **Path 1: “As Is” (continue construction & rehabs with current revenue stream; exemption for rehabs FY 2009 only)**
- **Path 2: 2009 Rehab Treatment (continue Committees’ exemption for rehabs, 100% Fed funded)**
- **Path 3: Construction & Rehabs with Enhanced Revenue (annual revenue stream of \$250 million for program)**



Path Forward 1: Current Funding

	FY 08	FY09	FY10	FY11	FY12	FY13
Major Replacement Projects	306	200	155	151	157	180
Major Rehabs	84	74	3	32	26	0
Project Closeouts	2	2	0	0	0	0
TOTAL	392	276	158	183	183	180



Path Forward 2: FY09 House Report

	FY 08	FY09	FY10	FY11	FY12	FY13
Major Replacement Projects	306	208	180	180	180	180
Major Rehabs	84	74	76	49	52	24
Closeouts Projects	2	2	0	0	0	0
TOTAL	392	284	256	229	232	204



Path Forward 3: Enhanced Revenue

	FY 08	FY09	FY10	FY11	FY12	FY13
Major Replacement Projects	306	208	189	291	313	394
Major Rehabs	84	74	86	66	72	44
Project Closeouts	2	2	0	0	0	0
TOTAL	392	283	275	357	385	438



Implications of Three Paths

- **Path 1**: Insufficient revenue to meet recapitalization & rehab needs
- **Path 2**: Funds more rehabs but little difference on major recapitalization projects
- **Path 3**: Enhanced revenue to fund known recapitalization and rehabs over 20 years



Benefits of Optimum Funding - Estimated Completion Dates

	Scenario 1	Scenario 3
Chickamauga	2020+	2014
Mon L&D 2,3,4	2020+	2017
Olmsted	2018	2018
Kentucky	2020+	2016
McAlpine	2009	2009
Marmet	2009	2009



Discussion

- **IW Users Board recommendations on funding levels and priorities**

An aerial photograph of a large dam with multiple spillways. The water is a deep blue, and the surrounding landscape is green. The text "Questions?" is overlaid in a large, bold, yellow font with a blue outline, positioned in the lower right quadrant of the image.

Questions?