CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 14, 1999

S. 507
Water Resources Development Act of 1999

As reported by the Senate Committee on Environment and Public Works on March 23, 1999

SUMMARY

S. 507 would authorize the appropriation of about $2.3 billion (in 1999 dollars) over the 2000-2009 period for the Secretary of Army, acting through the Army Corps of Engineers, to conduct studies and undertake specified projects and programs for flood control, port development, inland navigation, storm damage reduction, and environmental restoration. Adjusting for anticipated inflation, CBO estimates that implementing the bill would require appropriations of $2.5 billion over that period. The bill also would authorize:

- prepayment or waiver of amounts owed to the federal government;
- spending a portion of the fees collected at Corps recreation sites;
- free use of sand, gravel, and shell resources from the outer continental shelf (OCS) at eligible projects by state and local governments; and
- sale of specified federal lands in Washington and Oklahoma.

CBO estimates that implementing S. 507 would result in additional outlays of about $1.9 billion over the 2000-2004 period, assuming the appropriation of the necessary amounts. The remaining amounts authorized by the bill would be spent after 2004. Enacting the bill would affect direct spending; therefore, pay-as-you-go procedures would apply. CBO estimates that enacting S. 507 would reduce direct spending by $18 million in 2000 and would result in a net increase in direct spending of $6 million over the 2000-2004 period.

S. 507 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). State and local governments would likely incur some costs as a result of the bill's enactment, but these costs would be voluntary.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 507 is shown in the following table. For constructing, operating, and maintaining projects that are already authorized, CBO estimates that the Corps will need about $4 billion annually over the 2000-2004 period (roughly the level appropriated in 1999). The table shows the estimates of additional spending necessary to implement the bill. The costs of this legislation fall primarily within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	478	558	485	321	185
Estimated Outlays	239	446	510	414	278
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	-18	6	6	6	6
Estimated Outlays	-18	6	6	6	6

BASIS OF ESTIMATE

For the purpose of this estimate, CBO assumes that S. 507 will be enacted by the end of fiscal year 1999 and that all amounts estimated to be authorized by the bill will be appropriated for each fiscal year.

Spending Subject to Appropriation

Estimates of annual budget authority needed to meet design and construction schedules were provided by the Corps. CBO adjusted the estimates to reflect the impact of anticipated inflation during the time between authorization and appropriation. Estimated outlays are based on historical spending rates for activities of the Corps.

Direct Spending

Prepayments and Waivers of Payments. S. 507 would authorize the state of Oklahoma to pay the present value of its outstanding obligation to the United States for water supply. CBO estimates that, if the bill is enacted, a prepayment of about $20 million would be made in 2000 and that payments forgone would be about $2 million a year over the 2000-2033 period. The bill would authorize the Corps to waive payments from the Waurika Project Master Conservancy District and the cities of Chesapeake, Virginia, and Moorefield, West Virginia, for other projects. CBO estimates that, under current law, payments from these entities would total less than $500,000 annually over the 2000-2031 period.

Spending of Recreation Fees. S. 507 would authorize the Corps to retain and spend each year any recreation fees in excess of $34 million. At present, all recreation fees are deposited as offsetting receipts in the Treasury and are unavailable for spending unless appropriated. By allowing the Corps to spend receipts in excess of $34 million, this provision creates the possibility of new direct spending. CBO's baseline projection of receipts is $36 million a year. Allowing for the possibilities that receipts could be either more or less than that projected level, we estimate that the expected value of additional spending from enacting this provision is about $3 million a year.

Using Outer Continental Shelf Sand and Gravel. S. 507 would amend the Outer Continental Shelf Lands Act to allow nonfederal entities to use—without charge—sand, gravel, and shell resources from the outer continental shelf for shore restoration and protection programs and certain other construction projects if such projects are subject to an agreement with the Corps. Under current law, the Department of the Interior (DOI) cannot charge other federal agencies for the use of these OCS resources. Section 211 would extend free use of the resources to nonfederal interests, including state and local governments, for the type of projects specified in the bill. Based on information from DOI, CBO estimates that exempting these projects from fees for OCS sand, gravel, and shell resources would result in forgone receipts of about $1 million each year. Proceeds from the sale of this material are recorded as offsetting receipts to the Treasury; thus a loss of these receipts would increase direct spending.

Sales of Land. S. 507 would direct the Corps to sell at fair market value land that was acquired for the Candy Lake Project in Osage County, Oklahoma. The land was acquired in the mid 1970s at a total cost of about $2 million. Accounting for inflation, CBO estimates the current value of the land at about $4 million. CBO anticipates that the lands could be sold in fiscal year 2000. Annual lease payments and other revenues accruing to the federal government from these lands are not significant.

CBO anticipates that sale proceeds would be counted for pay-as-you-go purposes. Under the Balanced Budget Act, proceeds from nonroutine asset sales (sales that are not authorized under current law) may be counted for pay-as-you-go scorekeeping only if the sale would entail no financial cost to the government.

S. 507 also would direct the Corps to transfer lands located in Clarkston, Washington, to the Port of Clarkston. The Port would not be required to pay for the lands as long as they are used for recreation purposes. The fair market value of the lands are estimated at slightly less than $2 million. Based on information provided by the Corps, CBO anticipates that the lands would continue to be used for recreation purposes after conveyance and that no consideration would be required. The Port currently leases the lands from the United States without cost.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. (The bill would not affect governmental receipts.) For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	-18	6	6	6	6	6	6	6	6	6
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 507 contains no intergovernmental mandates as defined in UMRA. State and local governments that choose to participate in water resources development projects and programs carried out by the Corps would incur costs as described below. In addition, some state and local governments would benefit from provisions in this bill that would alter their obligations to make payments to the federal government and order transfers of land.

Authorizations of New Projects

CBO estimates that nonfederal entities (primarily state and local governments) that choose to participate in the projects authorized by this bill would spend about $1.3 billion during fiscal years 2000 through 2011 to help construct these projects. These estimates are based on information provided by the Corps. In addition to these costs, nonfederal entities would pay for the operation and maintenance of many of the projects after they are constructed.

Changes in Cost-Sharing Policies

S. 507 would make a number of changes to federal laws that specify the share of water resources project costs borne by state and local governments. Section 202 would increase the nonfederal share of recurring costs associated with new coastal shore protection projects from 35 percent to 50 percent. This change would not affect the construction of these projects. Some state and local governments would find it easier to satisfy matching requirements for specific projects as a result of provisions in S. 507 that would allow additional in-kind contributions or expand the range of expenditures counted towards the required match. Other provisions in the bill would expand the opportunities for state and local governments to participate in water resources projects.

S. 507 includes several provisions that would alter the repayment obligations of specific state and local governments, either by allowing the prepayment of amounts owed or by waiving amounts owed under current law.

New Programs

S. 507 would authorize several new programs that would assist state and local governments. Specifically, the bill would authorize total appropriations of $75 million for fiscal years 2000 and 2001 for a program to reduce flood hazards and $30 million for the same period for activities to protect and enhance fish and wildlife habitat of the Missouri River and the middle Mississippi River. State and local governments choosing to participate in these programs would have to provide 35 percent of the initial cost of any funded project and all the subsequent operation and maintenance costs. The bill also would authorize a program of technical assistance for the purpose of developing and evaluating measures to keep fish from entering irrigation systems. State and local participants in this program would be required to contribute 50 percent of the cost of such assistance.

State and local governments would benefit from a provision in S. 507 that would allow them to negotiate agreements with DOI to use sand, gravel, and shell resources from the outer continental shelf for eligible projects at no charge.

Conveyances

S. 507 would allow the state of Oklahoma and the Port of Clarkston, Washington, to take title to land and facilities now owned by the federal government. Both could be required to pay the costs necessary to complete these conveyances, should they choose to take the property. The conveyances would be voluntary on the part of these governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no new private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: OCS receipts—Victoria Heid Hall
All other costs—Gary Brown

Impact on State, Local, and Tribal Governments: Marjorie Miller

ESTIMATE APPROVED BY:

Paul N. Van de Water
Assistant Director for Budget Analysis