



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 17, 2005

### **S. 728**

### **Water Resources Development Act of 2005**

*As reported by the Senate Committee on Environment and Public Works  
on April 26, 2005*

#### **SUMMARY**

S. 728 would authorize the Army Corps of Engineers (Corps) to conduct water resource studies and undertake specified projects and programs for flood control, inland navigation, shoreline protection, and environmental restoration. The bill would authorize the agency to conduct studies on water resource needs, to complete feasibility studies for specified projects, and to convey ownership of certain federal properties. Finally, the bill would extend, terminate, or modify existing authorizations for various water projects and would authorize new programs to develop water resources and protect the environment.

Assuming appropriation of the necessary amounts, including adjustments for increases in anticipated inflation, CBO estimates that implementing S. 728 would cost about \$4.1 billion over the 2006-2010 period and an additional \$7.6 billion over the 10 years after 2010. (Some construction costs and operations and maintenance would continue or occur after this period.)

S. 728 would allow the Corps to spend any proceeds that it collects from grazing fees, shoreline management permit fees, municipal and industrial water supply fees, recreational fees, and leases. In addition, the bill would allow the federal government's power marketing administrations (PMAs) to use proceeds from power sales to fund Corps expenses related to hydropower. S. 728 also would convey parcels of land to various nonfederal entities and would forgive the obligation of some local government agencies to pay certain project costs. Finally, the bill would allow the Corps to collect and spend fees collected for training courses and permit processing. CBO estimates that enacting those provisions would increase direct spending by \$212 million in 2006, \$1.1 billion over the 2006-2010 period, and \$2.3 billion over the 2006-2015 period. Pursuant to section 407 of H. Con. Res. 95 (the Concurrent Resolution on the Budget, Fiscal Year 2006), CBO estimates that enacting S. 728 would cause an increase in direct spending greater than \$5 billion in the 10-year period beginning in 2046. Enacting the bill would not affect revenues.

S. 728 contains no intergovernmental or private-sector mandates as defined in UMRA. Federal participation in water resources projects and programs authorized by this bill would benefit state, local, and tribal governments, and any costs to those governments to comply with the conditions of this federal assistance would be incurred voluntarily. The bill also would benefit those governments by authorizing additional funds or reducing matching requirements for some specific projects.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 728 is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and the environment) and 270 (energy).

**TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 728 OVER THE 2006-2010 PERIOD**

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	902	864	861	857	884
Estimated Outlays	632	866	853	849	867
<b>CHANGES IN DIRECT SPENDING</b>					
Estimated Budget Authority	232	222	224	219	227
Estimated Outlays	212	218	223	219	227

## BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 728 will be enacted near the beginning of fiscal year 2006 and that the necessary amounts will be appropriated for each fiscal year.

### Spending Subject to Appropriation

S. 728 would authorize new projects related to environmental restoration, shoreline protection, and navigation. This bill also would modify many existing Corps projects and programs by increasing the amounts authorized to be appropriated to construct or maintain

them or by increasing the federal share of project costs. Assuming appropriation of the necessary funds, CBO estimates that implementing this bill would cost \$4.1 billion over the 2006-2010 period and an additional \$7.6 billion over the 10 years after 2010. For ongoing construction costs of previously authorized projects, the Corps received a 2005 appropriation of about \$1.8 billion, including funds from the Inland Waterway Trust Fund.

For new water projects specified in the bill, the Corps provided CBO with estimates of annual budget authority needed to meet design and construction schedules. CBO adjusted those estimates to reflect the impact of anticipated inflation during the time between project authorization and appropriation of construction costs. Estimated outlays are based on historical spending rates for Corps projects.

**Significant New Authorizations.** S. 728 would authorize the Army Corps of Engineers to conduct water resource studies and undertake specified projects and programs for flood control, inland navigation, shoreline protection, and environmental restoration. For example, the bill includes authorizations for enhanced navigation improvements on the Upper Mississippi River at an estimated federal cost of \$1.8 billion and an ecosystem restoration project, also on the Upper Mississippi River, at an estimated federal cost of \$1.6 billion. Another large project authorized by this bill is the Indian River Lagoon project in the Florida Everglades at an estimated federal cost of \$605 million. Construction of those projects would likely take more than 15 years.

**Deauthorizations.** Title VI would withdraw the authority for the Corps to build 58 projects authorized in previous legislation. Based on information from the Corps, however, CBO does not expect that the agency would begin any work (under current law) for most of those projects over the next five years. Some of those projects do not have a local sponsor to pay nonfederal costs, others do not pass certain tests for economic viability, and still others do not pass certain tests for environmental protection. Consequently, CBO estimates that cancelling the authority to build those projects would provide no significant savings over the next several years.

**Future Corps Appropriations for Operations and Maintenance.** As discussed below under “Direct Spending,” sections 2019 and 2020 would make about \$175 million a year available for operations and maintenance at Corps facilities without further appropriation. In fiscal year 2005, the Corps received an appropriation of about \$2 billion for operations and maintenance costs, including funds from the Harbor Maintenance Trust Fund. Enacting this bill could result in a reduction in future appropriations if the Congress chose to reduce total Corps spending below the level appropriated in 2005. In lieu of a reduction, however, the Congress could choose to continue Corps funding at current levels to provide funds for the backlog of the agency’s maintenance needs. For this estimate, CBO assumes that future Corps appropriations would continue at current levels and that new spending authorized by the bill would be in addition to the current level of agency funding.

## **Direct Spending**

Based on information from affected agencies, CBO estimates that enacting S. 728 would increase direct spending by about \$212 million in 2006 and \$2.3 billion over the 2006-2015 period. Table 2 presents the direct-spending components of the bill. Most of the direct spending under the bill would stem from provisions to allow for the spending of existing power revenues associated with Corps projects for facility planning, operation, maintenance, and upgrades without further appropriation. Under current law, those and other fees that would be made available for spending are deposited (as offsetting receipts) to the general fund of the Treasury.

**Improvement of Water Management at Corps of Engineers Reservoirs.** Section 2019 would allow the Corps to spend any proceeds collected from grazing fees, shoreline management permit fees, and municipal and industrial water supply fees. Under the bill, the Corps could spend such funds for operations and maintenance at its facilities. Based on information from the agency, CBO estimates that spending of such receipts would total \$21 million in 2006 and \$288 million over the 2006-2015 period.

**Direct Funding of Corps Operations and Maintenance for Hydropower.** Section 2020 would allow the federal power marketing administrations to use proceeds from the sale of electricity to fund Corps expenses related to hydropower functions. Based on information from the PMAs, CBO expects that such direct funding would cost \$142 million in 2006 and \$1.5 billion over the 2006-2015 period, with additional costs after 2015. Currently, receipts collected by the PMAs for the sale of electricity and related services are deposited in the Treasury. Once such expenditures are directly funded, annual appropriations for the Corps could be reduced by a similar amount, or those funds could be spent on other unfunded Corps priorities.

The PMAs are required to set electricity rates at a level that recoups federal costs. Such costs include expenses specific to maintaining hydropower facilities at Corps projects in addition to joint costs or those allocated between all functions at a project (recreation, environmental, flood control, etc.). This bill would specify that only costs allocated exclusively to electricity production could be funded with sales revenues.

**Recreational Areas and Project Sites.** Section 2004 would authorize spending of receipts from leases and fees at Corps recreational areas for operations and maintenance at recreation areas and project sites. Based on information from the Corps, CBO estimates that enacting this section would cost \$41 million in 2006 and \$507 million over the 2006-2015 period.

**TABLE 2. CHANGES IN DIRECT SPENDING UNDER S. 728**

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>CHANGES IN DIRECT SPENDING</b>										
Improvement of Water Management at Corps Reservoirs										
Estimated Budget Authority	30	30	30	30	30	30	30	30	30	30
Estimated Outlays	21	27	30	30	30	30	30	30	30	30
Direct Funding of Operations and Maintenance for Hydropower										
Estimated Budget Authority	142	140	142	144	145	148	149	152	154	159
Estimated Outlays	142	140	142	144	145	148	149	152	154	159
Spending of Lease Receipts										
Estimated Budget Authority	10	10	10	10	10	10	10	10	10	10
Estimated Outlays	8	10	10	10	10	10	10	10	10	10
Recreation Fees										
Estimated Budget Authority	42	42	42	42	42	42	42	42	42	42
Estimated Outlays	33	41	41	42	42	42	42	42	42	42
Land Conveyances and Other Direct Spending										
Estimated Budget Authority	8	*	*	-7	*	*	*	*	*	*
Estimated Outlays	8	*	*	-7	*	*	*	*	*	*
Total Changes										
Estimated Budget Authority	232	222	224	219	227	230	231	234	236	241
Estimated Outlays	212	218	223	219	227	230	231	234	236	241

NOTE: \* = less than \$500,000.

*Spending of Corps Lease Receipts.* This section would allow the Corps to spend money it collects from leases at recreational areas and project sites without further appropriation on operations and maintenance. Based on information from the Corps, CBO estimates that enacting this section would cost \$8 million in 2006 and \$98 million over the 2006-2015 period.

*Spending of Recreation Fees.* This section would direct the Corps to establish a new system of recreation fees, including charges for admission to Corps recreation sites and for the use

of recreation facilities, visitor centers, equipment, and services. Under the bill, the new fees (which would be based on the value of the admission or service purchased) would replace charges authorized under more restrictive, existing laws. CBO estimates that, once the broader fee authority that would be provided by this section has been fully implemented, Corps offsetting receipts would increase by \$12 million a year from the current annual level of about \$42 million. (We expect that increases would initially be less because of delays in determining the market value of similar local recreation opportunities and establishing appropriate fee schedules for some recreation sites.) Because all amounts collected under the fee system would be available to the Corps without further appropriation, however, CBO estimates that enacting this provision would have a net cost of \$33 million in 2006 and nearly \$200 million over the 2006-2010 period. Over the 2006-2015, the total increase in net direct spending would be just over \$400 million.

**Various Land Conveyances.** S. 728 would authorize the Corps to convey at fair market value 13 acres of land and the structures on the land, including a loading dock with mooring facilities, in Alabama. In addition, S. 728 would authorize the conveyance at fair market value 650 acres of federal land at the Richard B. Russell Lake in South Carolina to the state. Based on information from the Corps, CBO estimates that the federal government would receive about \$7 million in 2008 from those sales.

The bill also would convey certain federal land in Alabama, Pennsylvania, Georgia, Oregon, Kansas, and Missouri. CBO estimates that those conveyances would have no significant impact on the federal budget.

**Arcadia Lake, Oklahoma.** Section 3071 would eliminate the obligation of the city of Edmond, Oklahoma, to pay outstanding interest due on its water storage contract with the Corps. CBO estimates that this provision would result in a loss of receipts of about \$8 million in 2006.

**Waurika Lake Project.** Section 3073 would eliminate the obligation of the Waurika Project Master Conservancy District in Oklahoma to pay its outstanding debt related to the construction of a water conveyance project. Because of an accounting error, the Corps inadvertently undercharged the district for costs associated with a land purchase related to the water project in the early 1980s. Under terms of the construction contract, the district is required to pay all costs associated with building the project, including the full cost of the land purchases. CBO estimates that enacting this section would cost less than \$200,000 a year over the 2006-2015 period.

**Funding to Process Permits.** Section 2017 would make permanent the Corps' current authority to accept and spend funds contributed by private firms to expedite the evaluation of permit applications submitted to the Corps. CBO estimates that the Corps would accept

and spend less than \$500,000 during each year of this extension and that the net budgetary impact of this provision would be negligible.

**Training Funds.** Section 2003 would allow the Corps to collect and spend fees collected from the private sector for training courses. CBO estimates that the Corps would accept and spend less than \$500,000 annually and that the net budgetary impact would be negligible.

## **ESTIMATED LONG-TERM DIRECT SPENDING EFFECTS**

Pursuant to section 407 of H. Con. Res. 95 (the Concurrent Resolution on the Budget, Fiscal Year 2006), CBO estimates that enacting S. 728 would cause an increase in direct spending greater than \$5 billion in the 10-year period beginning in 2046. That estimate assumes that the bill's estimated direct spending cost of \$241 million in 2015 would continue to increase over the next 40 years. Specifically, CBO assumes that the Corps' costs for operations and maintenance at PMA projects would increase at the rate of inflation projected for 2015 for this activity—about 2.9 percent a year. That inflator reflects a weighted average of pay and nonpay components of Corps operations and maintenance activities. In addition, we assume that Corps collections from grazing, permit, water-use fees, and proceeds from the use of recreation sites would increase more slowly, near the observed historical rates of growth for such collections.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 728 contains no intergovernmental or private-sector mandates as defined in UMRA. Federal participation in water resources projects and programs authorized by this bill would benefit state, local, and tribal governments, and any costs to those governments to comply with the conditions of this federal assistance would be incurred voluntarily. The bill also would benefit those governments by authorizing additional funds or reducing matching requirements for some specific projects.

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