CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 26, 1999

H.R. 1480
Water Resources Development Act of 1999

As ordered reported by the House Committee on Transportation and Infrastructure on March 23, 1999

SUMMARY

H.R. 1480 would authorize the appropriation of about \$3.6 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 about \$4 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 and extending a statutorily reduced price for visiting Raystown Lake, Pennsylvania;
- 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, South Carolina, and Oklahoma.

CBO estimates that implementing H.R. 1480 would result in additional outlays of about \$2.9 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 H.R. 1480 would reduce direct spending by \$17 million in 2000 and would result in a net increase in direct spending of \$11 million over the 2000-2004 period.

H.R. 1480 contains no intergovernmental 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 most of these costs would be voluntary.

H.R. 1480 would impose a new private-sector mandate on the Summerfield Cemetery Association, Oklahoma. CBO estimates that the cost of this mandate would be less than $50,000, falling well below the threshold ($100 million in 1996, adjusted for inflation) established in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1480 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	837	846	655	413	354
Estimated Outlays	419	716	749	563	420
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	-17	8	8	8	4
Estimated Outlays	-17	8	8	8	4

BASIS OF ESTIMATE

For the purpose of this estimate, CBO assumes that H.R. 1480 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. H.R. 1480 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 Recreation Fees. H.R. 1480 would authorize the Corps to retain and spend over the 2000-2003 period all recreation fees collected by the Corps at up to five of the agency's recreation projects, one of which must be the Mississippi River Headwaters Recreation Areas in Minnesota. At present, all recreation fees collected by the Corps (about $36 million annually) are deposited as offsetting receipts in the Treasury and are unavailable for spending unless appropriated. By allowing the Corps to spend some of these receipts, this provision would result in new direct spending. CBO estimates that authorizing the Corps to spend without further appropriation any receipts earned from five projects would increase outlays by about $4 million annually through 2003. For purposes of this estimate, CBO anticipates that the Corps would use the new authority at its four highest revenue-generating projects plus the specified areas in Minnesota.

Raystown Lake. Enacting H.R. 1480 would extend through 2003 the current price for an annual pass to recreation facilities at Raystown Lake, Pennsylvania. The Water Resources Development Act of 1996 directed the Corps to set the price of an annual pass at $10 through 1999. At the time, the cost of an annual pass was $25. CBO anticipates that, under current law, the Corps will raise the price for visiting Raystown Lake up to the previous level beginning in 2000. Based on historical purchases of annual passes, CBO estimates that preventing the fee increase will result in a loss of offsetting receipts to the Treasury of about $30,000 a year over the 2000-2003 period.

Increasing Receipts for Water Supply at Kannapolis Lake. Enacting H.R. 1480 would result in payments to the United States for water supply that would not occur under current law. The bill would direct the Corps to supply storage to the state of Kansas at a lower cost than is required under current law. The state has indicated that it would not contract with the Corps without such a discount. CBO estimates that, if H.R. 1480 is enacted, annual payments by the state would total about $160,000 a year over the 2000 through 2029 period. Payments would be recorded as offsetting receipts. This payment level is about one-sixth of the amount that the state would be required to pay at current prices.

Using Outer Continental Shelf Sand and Gravel. H.R. 1480 would amend the Outer Continental Shelf Lands Act to allow state and local governments to use—without charge—sand, gravel, and shell resources from the outer continental shelf for shore restoration and protection programs. Under current law, the Department of the Interior (DOI) cannot charge other federal agencies for the use of these OCS resources. Section 218 would extend free use of the resources to state and local government agencies. 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 $2 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. H.R. 1480 would direct the Corps to sell at fair market value land that was acquired for the Candy Lake Project in Osage County, Oklahoma, and land that was acquired for storing equipment in Charleston, South Carolina. The lands were acquired in the mid-1970s at a total cost of about $2.4 million. Accounting for inflation, CBO estimates the current value of these land at about $5 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.

H.R. 1480 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.

The bill also would direct the Corps to sell at fair market value lands in Choctaw and Marshall Counties, Oklahoma, to the Choctaw County Industrial Authority and the state of Oklahoma, respectively. Based on information from the Corps, CBO estimates that any receipts accruing to the United States from these lands under current law are insignificant; however, CBO and the Corps have not had sufficient time to evaluate all of the potential budgetary effects of selling these lands, including the amounts that would be paid to the United States for them.

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	-17	8	8	8	4	4	4	4	4	4
Changes in receipts	Not applicable										

The above estimates do not include any receipts for the sales of land in Choctaw and Marshall Counties, Oklahoma. CBO cannot estimate proceeds for these asset sales at this time.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1480 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.

CBO estimates that nonfederal entities (primarily state and local governments) that choose to participate in the projects authorized by this bill would spend about $1.6 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. The bill also would authorize several new programs that would assist state and local governments. Those governments choosing to participate in these programs generally would be required to provide funds equaling from 35 percent to 50 percent of the total costs.

H.R. 1480 would make a number of changes to federal laws governing cost sharing between the federal government and state and local governments. Some of these changes would affect all state and local governments participating in particular programs, while others would affect only specific projects. The bill also 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.

State and local governments would benefit from a provision in the bill that would allow them to use sand, gravel, and shell resources from the outer continental shelf for eligible projects at no charge. In addition, H.R. 1480 would authorize the transfer of certain land and facilities now owned by the federal government to state and local governments. In some cases, these governments would be required to pay the costs necessary to complete these conveyances, should they choose to take the property.

H.R. 1480 would authorize a number of water supply projects to benefit certain northern California counties that could reduce water supplies available to some other water users in the state, including public agencies. The bill would, however, authorize appropriations of $10 million for grants or other cooperative agreements with local water agencies for the purpose of reducing the adverse impacts of these projects. Further, the bill includes language intended to avoid any preemption of existing water rights in California.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1480 would impose a new private-sector mandate on the Summerfield Cemetery Association, Oklahoma. The Association would be responsible for the costs to the Federal Government of conveying land to the Association. Based on information provided by government sources, CBO estimates that the total cost of this new mandate would be less than $50,000 and therefore would not exceed the annual inflation-adjusted $100 million threshold, as defined in UMRA.

PREVIOUS CBO ESTIMATE

On April 14, 1999, CBO transmitted a cost estimate for S. 507, the Water Resources Development Act of 1999, as reported by the Senate Committee on Environment and Public Works on March 23, 1999. The differences in the estimates reflect differences between the two bills.

ESTIMATE PREPARED BY:

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