

April 7, 2015

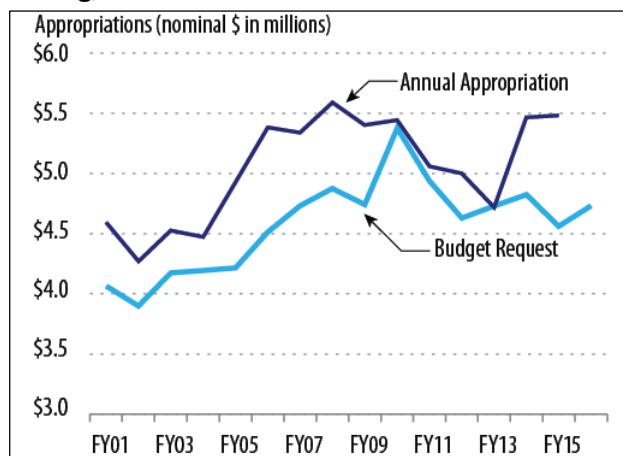
Army Corps of Engineers: FY2016 Appropriations

Overview

The Energy and Water Development bill provides funding for the civil program of the U.S. Army Corps of Engineers (Corps), an agency in the Department of Defense with both military and civilian responsibilities. Under its civil works program, the Corps plans, builds, operates, and maintains a wide range of water resources facilities. The Corps attracts congressional attention in part because its projects can have significant local and regional economic benefits and environmental effects, in addition to their water resource development purposes. Corps appropriations generally are authorized in water resources development acts. Most recently, Congress enacted a new water resources development act in June 2014, the Water Resources Reform and Development Act of 2014 (WRRDA 2014).

In most years, the President's budget request for the Corps is below the agency's enacted appropriation. For FY2015, Congress appropriated \$5.5 billion for the Corps, almost \$1 billion more than the requested amount. The President's FY2016 request for the Corps is \$4.7 billion. Recent trends in budgeted and enacted amounts are shown below in Figure 1.

Figure 1. Trends in Proposed and Appropriated Funding, FY2001-FY2016

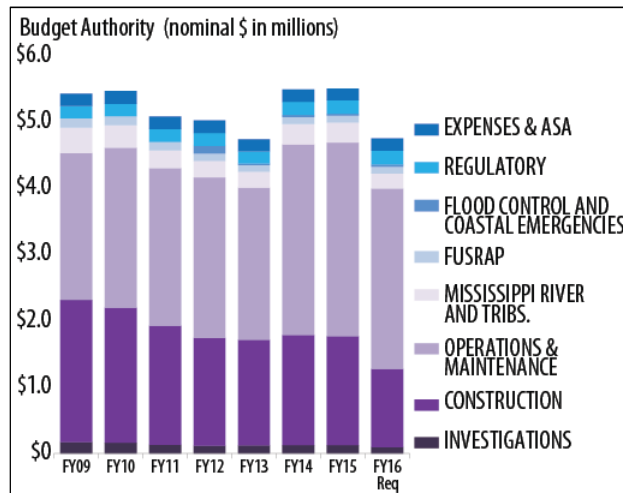


Source: Congressional Research Services, with data from the Army Corps of Engineers.

Corps Budget Request Structure

Corps funding typically is requested at the account level, with the two largest accounts being Operations and Maintenance and Construction. The Corps also sometimes depicts its request by business lines (e.g., navigation, flood control, etc.). Figure 2 shows recent enacted funding levels at the account level.

Figure 2. Recent Corps Funding by Account



Source: Congressional Research Services, with data from the Army Corps of Engineers.

Earmarks and the Corps of Engineers

Corps funding is part of the debate over congressionally directed spending, or earmarks. Unlike highways and municipal water infrastructure, federal funds for the Corps are not distributed to states or projects based on a formula or competitive grants. About 85% of appropriations for Corps civil works activities are for specific projects.

In addition to specific projects identified for funding in the President's budget, for decades Congress annually identified during the discretionary appropriations process additional Corps projects to receive funding. In the 112th Congress, site-specific project line items added by Congress (i.e., earmarks) became subject to House and Senate earmark moratorium policies. As a result, Congress generally has not added funding at the project level since that time. In lieu of the traditional project-based increases, Congress has included "additional funding" for select categories of Corps projects (e.g., "additional funding for ongoing navigation work") and provided direction and limitations on the use of these funds. Congress continued this practice in FY2015, providing \$974 million in "additional funding" for select categories of Corps projects in multiple accounts.

Key Policy Issues

Project Backlog and New Starts

The large number of authorized Corps studies and projects that have not received appropriations to date, or that have received funding but are incomplete, is often referred to as the *backlog* of authorized projects. Estimates of the construction backlog range from \$20 billion to more than

\$80 billion, depending on which projects are included. The backlog raises policy questions, such as which activities to fund among authorized activities. It also increases congressional attention on the budget for new Corps studies and new construction starts (also known as *new starts*).

Recent Administration budget requests proposed few new studies and construction starts, and enacted appropriations for FY2011-FY2013 barred any funding for new projects that had not received appropriations previously. FY2014 enacted appropriations allowed for up to nine new study starts and four new construction starts, and the FY2015 enacted bill provided for 10 new study starts and four new construction starts. The President's FY2016 budget requests funding for two new studies and four new construction projects.

Harbor Maintenance Trust Fund

In 1986, Congress enacted the Harbor Maintenance Tax to recover operation and maintenance (O&M) costs at U.S. coastal and Great Lakes harbors from maritime shippers. O&M is mostly the dredging of harbor channels to their authorized depths and widths. The tax (12.5 cents per \$100 of cargo value) is levied on importers and domestic shippers using coastal or Great Lakes ports. Tax revenues are deposited into the Harbor Maintenance Trust Fund (HMTF), from which Congress appropriates funds.

In recent years, HMTF expenditures have remained flat while Harbor Maintenance Tax collections have increased due to rising import volume. Consequently, a large surplus in the HMTF has developed. The maritime industry supports a "spending guarantee" to spend down the surplus and maintain channels at their authorized depth and width. Because spending from the HMTF requires an appropriation from Congress, spending more from the fund could reduce available funding for other Energy and Water Development activities under congressional budget caps.

WRRDA 2014 included changes to the Harbor maintenance activities that sought to increase HMTF spending to levels based on "targeted" percentages of HMTF collections (but only if this funding does not come at the expense of available funding for other Corps activities). In the enacted FY2015 bill, Congress provided the Corps with \$1.1 billion, or approximately \$200 million more than the President's FY2015 request level. For FY2016, the President's requested appropriation for the HMTF is once again \$915 million. The WRRDA targeted level for FY2016 is 69% of the total amount of taxes received in FY2015 (an estimated \$1.1 billion).

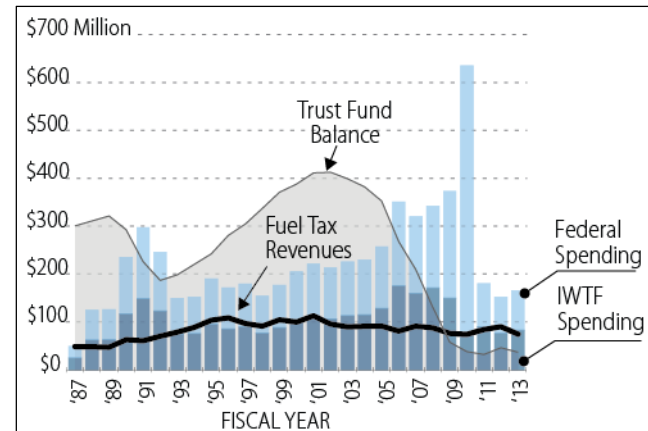
Inland Waterways Trust Fund

Since the 1980s, expenditures for construction and major rehabilitation projects on inland waterways have been cost shared on a 50-50 basis between the federal government and users through the Inland Waterways Trust Fund (IWTF). IWTF monies derive from a fuel tax on commercial vessels on designated waterways, plus investment interest on the balance. Since FY2009, there has been a shortfall in the IWTF (see **Figure 3**). In recent years,

Congress has taken measures to ensure temporary solvency of the IWTF, either by appropriating extra federal funds or by limiting IWTF expenditures to the amount available under current-year fuel tax revenues.

In the past, the Administration has proposed fees that would have increased IWTF revenues, but these fees have been opposed by users and rejected by Congress. In a 2011 plan, users proposed to increase the current fuel tax while also expanding federal cost-sharing responsibilities for inland waterways.

Figure 3. Relationship of IWTF Financing and Spending, FY1987-FY2013 (nominal dollars)



Source: Congressional Research Services, with data from the Army Corps of Engineers.

Note: IWTF = Inland Waterways Trust Fund.

WRRDA 2014 and subsequent 2014 legislation included changes for inland waterways, such as a reduction in the IWTF cost share required for the Olmsted Locks and Dam Project on the Ohio River from 50% to 15% (and a corresponding increase in the General Fund requirement from 50% to 85%) and an increase in the ceiling on rehabilitation projects that can be funded from the General Fund from \$8 million to \$20 million. P.L. 113-295, enacted on December 19, 2014, included among its provisions a \$0.09 per gallon increase in the inland waterways fuel tax on commercial barges. The increase had been requested by users. The change took effect on April 1, 2015, making the overall tax on barge fuel \$0.29 per gallon. The increase to the fuel tax does not guarantee increased expenditures on inland waterways, which remain subject to discretionary appropriations. Instead, it increases revenues accruing to the IWTF and thus increases future IWTF balances available for appropriation.

The President's FY2016 budget request for funding from the IWTF is \$53 million, which is significantly less than the FY2015 enacted level for IWTF spending. For more information, see CRS Report IF10020, *Inland Waterways Trust Fund*, by Charles V. Stern.

Charles V. Stern, csstern@crs.loc.gov, 7-7786