

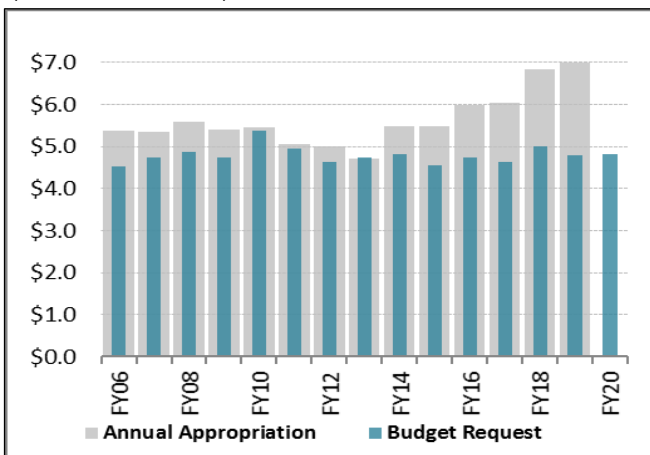


March 15, 2019

Army Corps of Engineers: FY2020 Appropriations

Congress generally funds the civil works activities of the U.S. Army Corps of Engineers (USACE) in an annual Energy and Water Development appropriations act. These activities include the planning and construction of water resource projects and the operations and maintenance of infrastructure and navigation improvements managed by USACE (e.g., navigation channels). For USACE civil works, President Trump requested \$4.8 billion for FY2020. As shown in **Figure 1**, Congress typically funds USACE above the President’s request for the year (e.g., \$7.0 billion for FY2019). This In Focus provides a primer on the USACE appropriations process for FY2020. For more information on USACE funding, see CRS Report R45326, *Army Corps of Engineers Annual and Supplemental Appropriations: Issues for Congress*.

Figure 1. Annual USACE Funding, FY2006-FY2020
(nominal \$ in billions)



Source: Congressional Research Service (CRS).

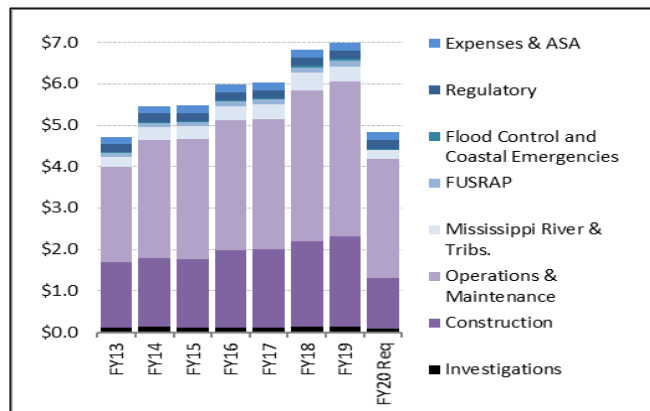
USACE Funding and FY2020 Request

Unlike federal agencies that distribute funds by formula or through competitive grant programs, USACE directly engages in project planning and construction. It uses most of its appropriations to work on specific studies and projects authorized by Congress. These activities are often cost shared with nonfederal project sponsors or users.

The FY2020 request prioritizes maintaining performance of existing infrastructure, as reflected by the share of funds requested for operations and maintenance (O&M; see **Figure 2**). It would initiate no new studies or construction projects (referred to as *new starts*). In response to similar requests in recent years, Congress has required USACE to start a specified number of new construction projects and new studies (e.g., five new construction projects and six new studies in FY2019). The FY2020 request also seeks to limit funding to ongoing navigation and flood risk reduction construction projects with benefit-cost ratios (BCRs)

greater than 2.5 to 1 (i.e., project benefits are at least two and a half times project costs) or projects that address safety concerns. Many congressionally authorized USACE projects do not have BCRs that meet the Administration’s 2.5 BCR budget development threshold.

Figure 2. USACE Account Funding, FY2013-FY2020
(nominal \$ in billions)



Source: CRS.

Notes: Req = Budget request. ASA = Assistant Secretary of the Army. Regulatory = Permit program for nonfederal activities affecting regulated waters and wetlands. FUSRAP = Formerly Utilized Sites Remedial Action Program. FY2020 request proposes to transfer FUSRAP to Department of Energy. FY2020 request renews an FY2019 proposal to create two new navigation-related accounts; the figure shows funding for FY2020 in traditional USACE accounts.

Since the 112th Congress, earmark moratorium policies have limited congressional funding for site-specific projects (i.e., *congressionally directed spending* or *earmarks*). In lieu of adding or increasing funding for specific USACE projects, Congress has provided *additional funding* for categories of USACE work. For example, in FY2019, Congress provided \$2.0 billion in additional funding for 25 categories of USACE activities. After Congress enacts the agency’s appropriations, the Administration develops a USACE work plan for the fiscal year. In the work plan, the Administration identifies the authorized USACE activities and projects receiving the additional funding.

Selected FY2020 Topics of Deliberation

Navigation Funding

Receipts from federal taxes on navigation interests are deposited into two trust funds—the Harbor Maintenance Trust Fund (HMTF) and the Inland Waterways Trust Fund (IWTF). The trust funds are used in the discretionary appropriations process to pay for some USACE navigation activities. In FY2019, USACE funding for its navigation-related activities is expected to reach \$3.3 billion; the

FY2020 request is for \$2.3 billion. The FY2020 request proposed establishing a USACE budget account for the HMTF and IWTF to fund USACE projects directly (rather than the current practice of having USACE be reimbursed for eligible HMTF and IWTF expenses).

The HMTF receives receipts from the Harbor Maintenance Tax (HMT), which is imposed on importers and domestic shippers using coastal and Great Lakes ports. Harbor O&M appropriations have not kept pace with HMT collections, resulting in a \$9 billion HMTF balance. The Water Resources Reform and Development Act of 2014 (WRRDA 2014; P.L. 113-121) adopted spending targets for harbor maintenance based on a percentage of HMT receipts. Stakeholders and policymakers continue to discuss options and proposals for how to manage the HMTF balance and more closely align HMT collections and HMTF spending. The FY2020 USACE request proposes to use almost \$1.0 billion in HMTF funds; the WRRDA 2014 target for FY2020 is estimated at roughly \$1.2 billion.

For inland waterways, the federal government pays for most O&M. Most inland waterway construction and major rehabilitation costs are shared by the federal government (50%) and commercial users through the IWTF (50%). Availability of IWTF funds has at times constrained spending on waterway construction. IWTF monies derive primarily from a fuel tax on commercial vessels on designated federal waterways. In P.L. 113-295, Congress authorized a \$0.09 per gallon increase in the fuel tax; this change increased collections above \$100 million (e.g., \$115 million was collected in FY2018). The FY2020 request is for \$55.5 million in IWTF spending for waterway construction. In the FY2020 request, the Administration also proposes applying an annual user fee on inland waterway commercial vessels to be used for waterway construction and for 10% of waterway O&M.

Ecosystem Restoration and Flood Risk Reduction

For FY2020, the President requested \$187 million for USACE aquatic ecosystem restoration efforts, including \$62 million for Everglades restoration. The FY2019 work plan provides that \$448 million of the FY2019 annual appropriations be used on USACE ecosystem restoration, including \$104 million for Everglades.

Recently, Congress has provided more funding for USACE's flood risk reduction projects through supplemental appropriations than through annual appropriations. That is, the Bipartisan Budget Act of 2018 (P.L. 115-123) provided \$15 billion in emergency supplemental appropriations (which are available until expended) for construction of USACE flood risk reduction projects in qualifying states and territories. Of the FY2019 annual appropriations provided by Congress, USACE is using \$2.0 billion for flood risk reduction activities, of which \$1.0 billion is for construction activities. The FY2020 request for flood risk reduction is \$1.0 billion, of which \$0.2 billion would be for construction.

Continuing Authorities Programs

Congress has consistently funded eight Continuing Authorities Programs (CAPs) for USACE to plan and

construct projects of limited scope and cost (e.g., \$66 million in FY2019). The President's FY2020 budget request proposes \$4 million in aggregate for four CAPs, with no funding requested for four of the commonly appropriated CAPs (see CRS In Focus IF11106, *Army Corps of Engineers: Continuing Authorities Programs*).

Construction Backlog and Upcoming Projects

A persistent challenge for USACE is how to manage its construction backlog—the \$98 billion in USACE construction activities that are eligible for federal appropriations (according to USACE in March 2019). A question for policymakers is whether—and, if so, how—to advance projects in the backlog. The future backlog is determined in part by the level of appropriations and in part by additional project authorizations. USACE is currently planning multiple projects that may cost billions to construct. For example, in the draft feasibility study for the Coastal Texas Protection and Restoration project, USACE estimates the project's construction cost to be between \$23 billion and \$32 billion. Other ongoing studies of large-scale projects include the Great Lakes and Mississippi River Interbasin Study to control aquatic nuisance species in the Midwest (principally the Asian carp) and the New York/New Jersey Harbor and Tributaries study to reduce coastal storm risk in and near New York City. The scale of the investments required to accomplish the authorized projects and the projects being studied may further challenge the current approach to federal funding and participation in water resource projects. Policymakers and project sponsors are exploring options for project financing and contracting and for sharing costs and responsibilities among project sponsors and beneficiaries.

Alternative Financing and Delivery

Recent Congresses have authorized enhanced nonfederal and private participation in USACE projects. Congress has expanded the agency's authorities to reimburse or credit nonfederal project sponsors for nonfederal work completed on authorized projects. In addition to post-construction reimbursement, Congress in Section 1043 of WRRDA 2014 authorized the transfer of federal funds to nonfederal entities to use for the construction of authorized USACE projects; the FY2020 request proposes to transfer \$150 million to these entities. It also proposes to accelerate project construction by applying \$150 million in federal funds in conjunction with excess or advanced funding by nonfederal entities. Similar to recent years, the FY2020 request does not propose USACE funding for water resource projects financed under the Water Infrastructure Finance and Innovation Act (WIFIA), authorized by Congress in WRRDA 2014. Congress has directed the agency to develop the structure for the program; however, it is not yet operational. The 116th Congress's consideration of water resource project financing and delivery may occur during deliberations on USACE appropriations and authorization legislation as well as during discussions of broader infrastructure initiatives.

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