



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 21, 2013

H.R. 3080 **Water Resources Reform and Development Act of 2013**

*As ordered reported by the House Committee on Transportation and Infrastructure
on September 19, 2013*

SUMMARY

H.R. 3080 would authorize the U.S. Army Corps of Engineers (Corps) to construct water projects for mitigating storm and hurricane damage, restoring ecosystems, and improving flood management. The legislation also would authorize the agency to assist states and local governments with levee safety programs and to assist Indian tribes with planning and technical assistance for water resources projects. Finally, H.R. 3080 would direct the Corps to implement a pilot program to enter agreements with nonfederal partners to manage and construct certain projects. Those agreements would be subject to appropriation of all federal costs.

Assuming appropriation of the necessary amounts, including adjustments for anticipated inflation, CBO estimates that implementing H.R. 3080 would cost about \$3.5 billion over 2014-2018 period. Spending would continue for authorized projects after 2018, and CBO estimates that such spending would total \$4.7 billion over the 2019-2023 period.

Pay-as-you-go procedures do not apply because enacting the bill would not affect direct spending or revenues.

H.R. 3080 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3080 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					2014-2018
	2014	2015	2016	2017	2018	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Title I						
Program Reforms and Streamlining						
Estimated Authorization Level	78	78	76	86	90	408
Estimated Outlays	33	57	66	76	81	314
Title IV						
Water Resources Infrastructure						
Estimated Authorization Level	787	803	820	838	857	4,105
Estimated Outlays	315	557	687	780	798	3,137
Other Provisions						
Estimated Authorization Level	5	1	*	*	1	9
Estimated Outlays	3	3	1	*	1	8
Total Changes ^a						
Estimated Authorization Level	870	882	897	925	949	4,522
Estimated Outlays	351	617	754	857	880	3,459

Note: Components may not sum to totals because of rounding. * = less than \$500,000.

a. CBO estimates that spending on authorized projects would continue after 2018 and total \$4.7 billion over the 2019-2023 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3080 will be enacted early in 2014 and that the necessary amounts will be appropriated for each fiscal year. Estimates of amounts necessary to implement the bill are based on information from the Corps of Engineers, and outlays are estimated based on historical spending patterns for similar projects.

Title I – Program Reforms and Streamlining

CBO estimates that implementing title I would cost \$314 million over the 2014-2018 period, assuming appropriation of the necessary amounts.

Title I would direct the Corps to establish a pilot program to enter into partnerships with nonfederal entities to construct 15 water infrastructure projects. Those projects would be selected by the Corps to improve coastal harbors and navigation; to reduce hurricane, storm, and flood damage; and to restore aquatic ecosystems. Under the partnerships, nonfederal entities would manage the construction, financing, and design of those projects

according to plans approved by the Corps. However, under title I, the Corps could not enter into any such partnerships until the necessary amounts to complete those projects have been appropriated. Based on information provided by the Corps on the cost of projects that could meet the selection criteria in the bill, CBO estimates that federal costs would total \$50 million over the 2014-2018 period, assuming appropriation of necessary amounts.

Title I also would direct the Corps to establish federal guidelines for ensuring the safety of levees and would authorize the Corps, upon request, to enter into agreements with the state or local governments to provide planning assistance and technical expertise to improve levee safety. Based on information provided by the Corps on federal costs to develop guidelines and provide such assistance and assuming appropriation of necessary amounts, CBO estimates that the program would cost \$61 million over the 2014-2018 period.

Title I would increase discretionary costs because it would expand and clarify the Corps' existing authorities to carry out certain activities. CBO estimates that those costs would total \$193 million over the 2014-2018 period. Those activities include:

- Controlling aquatic invasive species in the nation's navigable waters;
- Improving fish habitat in areas where the Corps' projects are near fish hatcheries;
- Streamlining environmental reviews and coordinating with other federal agencies to quickly resolve environmental issues that affect water resources projects;
- Crediting nonfederal project sponsors with in-kind contributions above their cost-share requirement or prior to finalizing a project cooperation agreement; and
- Renewing the Corps' authority to assist Indian tribes with planning and technical expertise for constructing water resources projects.

Finally, title I also would cost \$10 million to implement a variety of specified studies and management initiations.

Title IV – Water Resources Infrastructure

CBO estimates that implementing title IV would cost about \$3.1 billion over the 2014-2018 period, assuming appropriation of the necessary amounts.

Title IV would authorize the Corps to construct 23 new projects that are designed to improve the nation's navigation system, strengthen flood-risk management, and restore the environment.

The six largest projects would have a total estimated cost of \$8.8 billion, with the federal share of those costs totaling about \$5.3 billion. CBO estimates that \$2.1 billion of those costs would be incurred over the 2014-2018 period. Those projects are:

- Mid-Chesapeake Bay Island Ecosystem Restoration Project to restore wetlands in Maryland;
- Louisiana Coastal Area Ecosystem Restoration, including six separable elements to restore shoreline and swamp ecosystems and reduce marsh degradation;
- American River Watershed Common Features project to reduce risk from floods in the Natomas Basin near Sacramento, California;
- Mississippi Coastal Improvement Program to reduce risks from hurricanes, storms, and floods;
- Fargo-Moorhead Metropolitan area in Minnesota and North Dakota to reduce risks from floods; and
- Sabine Neches Waterway in southwest Texas and southeast Louisiana to improve navigation.

Based on information from the Corps, CBO estimates that construction costs for the other 17 projects would total about \$1 billion over the next five years.

Other Provisions

H.R. 3080 would direct the Corps to implement changes to navigation projects on the Inland Waterway system aimed at improving delivery times and reducing cost overruns. The bill also would require the Corps to evaluate the efficiency of fuel tax collections on the nation's waterways that are deposited into the Inland Waterways Trust Fund (IWTF), evaluate alternative approaches for increasing collections to the fund, and study the use of tax-exempt bonds to fund inland waterways projects. Based on information from the Corps, CBO estimates that implementing those provisions would cost \$7 million over the 2014-2018 period.

H.R. 3080 also would aim to clear project backlogs by directing the Corps to identify and publish in the *Federal Register* inactive projects authorized prior to enactment of the Water Resources Development Act of 2007. The bill defines projects as inactive if construction has not commenced or if funds were not provided for a project in the five years prior to July 1, 2013. Six months after being listed in the *Federal Register*, those projects would be automatically deauthorized unless a nonfederal sponsor provides funding to complete the

project. Also, to prevent future backlogs, projects authorized in H.R. 3080 would be automatically deauthorized if no funds have been appropriated for those projects after seven years. Based on information from the Corps, CBO estimates that the provision would cost around \$500,000 to implement over the 2014-2018 period.

The bill would withdraw the authorization for 13 Corps projects originally authorized before 1964. Information from the Corps indicates that those projects are complete and no additional construction is planned; therefore, CBO expects that deauthorizing them would not have a budget impact.

Finally, H.R. 3080 would direct the Corps to prioritize navigation projects funded with appropriations from the Harbor Maintenance Trust Fund (HMTF) based on regional and national needs associated with the nation's harbors. The bill also would establish targets for appropriations that would be equal to an increasing percentage of annual revenues and interest credited to the fund. Over the past five years, appropriations from the HMTF have averaged around \$800 million a year—or about \$700 million a year less than the revenues and interest credited to the fund. However, because current law authorizes the appropriation of whatever sums as are necessary from the HMTF, CBO estimates that this provision would not increase the amounts authorized to be appropriated from the HMTF.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3080 contains no intergovernmental or private-sector mandates as defined in UMRA. Several provisions, including those that allow nonfederal partners more flexibility and authority to complete water projects and those that authorize the Cherokee Nation to build hydroelectric facilities, would benefit state, local, and tribal governments. Those new authorities could result in increased spending by public entities, but those expenditures would be the result of voluntary actions and not intergovernmental mandates.

PREVIOUS CBO ESTIMATE

On April 17, 2013, CBO transmitted a cost estimate for a version of S. 601, the Water Resources Development Act of 2013, that was provided to CBO by the Senate Committee on Environment and Public Works on April 12, 2013.

CBO estimated that implementing S. 601 would cost \$5.7 billion over the 2014-2018 period. Significant differences between H.R. 3080 and S. 601 are highlighted below:

- H.R. 3080 would authorize four new projects that would not be authorized by S. 601.
- Both H.R. 3080 and S. 601 would authorize the appropriation of more than \$1 billion for the Olmsted navigation project in Illinois and Kentucky. The cost estimate for S. 601 that CBO prepared in April 2013 included the cost of this authorization. However, on October 17, 2013, an increase in the authorized cost for the Olmsted project was enacted by Public Law 113-46. As a result, CBO did not include any additional authorization cost for the Olmsted project in the cost estimate for H.R. 3080.
- S. 601 would authorize the Corps to establish grant programs to assist local and state governments with levee safety; CBO estimates that program would cost \$230 million over the 2014-2018 period. H.R. 3080 would authorize the Corps to provide technical and planning assistance but does not include grants to provide financial assistance to state and local governments. CBO estimates that this provision would cost \$50 million over the 2014-2018 period.
- S. 601 includes a loan guarantee program for state and local governments and certain nongovernmental entities to complete water infrastructure projects that is not included in H.R. 3080. CBO estimates that loan guarantee program would cost \$40 million over the 2014-2018 period.

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