



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 24, 2007

H.R. 1495 **Water Resources Development Act of 2007**

*Conference Report filed on July 31, 2007, and
passed by the House of Representatives on August 1, 2007*

SUMMARY

H.R. 1495 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 legislation 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, H.R. 1495 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 this conference agreement for H.R. 1495 would result in discretionary outlays of about \$11.2 billion over the 2008-2012 period and an additional \$12.0 billion over the 10 years after 2012. (Some construction costs and operations and maintenance would continue or commence after those first 15 years.)

H.R. 1495 would convey parcels of land to various nonfederal entities and would allow certain municipalities in the states of Oklahoma and Texas to restructure water storage repayment contracts. The legislation also would allow the Corps to collect and spend fees for training courses and for processing certain permits issued by the Corps. CBO estimates that enacting those provisions would increase net offsetting receipts (a credit against direct spending) by \$1 million in 2008, by \$6 million over the 2008-2012 period, and by \$5 million over the 2008-2017 period, as expenditure of those fees typically lags behind the collection of those amounts. Enacting H.R. 1495 would not affect revenues.

H.R. 1495 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Federal participation in water resources projects and programs authorized by this act would benefit state, local, and tribal governments, and

any costs incurred by those governments to comply with the conditions of this federal assistance would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1495 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Billions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	2.7	2.7	2.5	2.4	2.3
Estimated Outlays	1.5	2.3	2.6	2.5	2.4
CHANGES IN DIRECT SPENDING ^a					
Estimated Budget Authority	*	*	**	**	**
Estimated Outlays	*	*	**	**	**

Note: * = between -\$50 million and zero; ** = less than \$500,000.

a. The estimated change in direct spending for 2008 is -\$1 million, and the estimated change for 2009 is -\$6 million.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1495 will be enacted near the start of fiscal year 2008 and that the necessary amounts will be appropriated for each fiscal year.

Spending Subject to Appropriation

H.R. 1495 would authorize new projects related to environmental restoration, shoreline protection, and navigation. The act 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 H.R. 1495 would cost \$11.2 billion over the 2008-2012 period and an additional \$12.0 billion over the 10 years after 2012.

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

Significant New Authorizations. H.R. 1495 would authorize the Corps to conduct water resource studies and undertake specified projects and programs for flood control, inland navigation, shoreline protection, and environmental restoration. For example, the act would authorize the construction of enhanced navigation improvements for the Upper Mississippi River at an estimated federal cost of \$1.9 billion and an ecosystem restoration project, also on the Upper Mississippi River, at an estimated federal cost of \$1.7 billion. Another large project that would be authorized by this act is the Indian River Lagoon project in the Florida Everglades at an estimated federal cost of about \$0.7 billion. Construction of those projects would likely take more than 15 years. Section 5158 would provide an authorization of \$1.8 billion for several water-related, environmental infrastructure projects.

Hurricane Damage. Several provisions in titles I, III, V, and VII would authorize coastal restoration projects and water control infrastructure in Louisiana and Mississippi that are needed to mitigate hurricane damage. For example, the Morganza to the Gulf of Mexico Hurricane Protection Project would seek to reduce hurricane and flood damages across 1,700 square miles of coastal Louisiana at an estimated federal cost of \$0.6 billion. Other projects would improve flood protection infrastructure within New Orleans and its vicinity. The cost of those provisions would approach \$7 billion. CBO expects that most of those projects would be built over the next 10 years. Improvements resulting from the completion of those projects could reduce the costs of damages from future storms and the amount of federal funds needed for recovery from such events.

Federal Share of Project Costs. Section 2003 would allow local interests that have provided in-kind contributions for the construction of water resources projects to have the value of such contributions credited toward the local share of the total construction cost of such projects. Under the legislation, the Corps would be authorized to credit in-kind contributions of local participants on projects that were commenced on or after November 16, 1986. Based on information from the Corps, CBO expects that any credit toward in-kind contributions may not affect the federal share of total project costs.

Deauthorizations. H.R. 1495 would withdraw the authority for the Corps to build about 50 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 (or possibly even much later). 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.

Direct Spending

CBO estimates that enacting H.R. 1495 would decrease net direct spending by \$1 million in 2008, by \$6 million over the 2008-2012 period, and by \$5 million total over the 2008-2017 period. Components of those net effects are described below.

Various Land Conveyances. H.R. 1495 would authorize the conveyance at fair market value of 650 acres of federal land at the Richard B. Russell Lake in South Carolina to the state. The act also would authorize the conveyance at fair market value of 900 acres of federal land located in Grayson County, Texas, to the town of Denison, Texas. Further, land along the Oakland Harbor Canal in California would be conveyed to certain adjacent private land owners for fair market value. Based on information from the Corps, CBO estimates that the federal government would receive about \$6 million in each of the fiscal years 2008 and 2009 from those sales.

H.R. 1495 also would convey certain federal land in Arkansas, Missouri, Georgia, California, Kansas, Oregon, South Carolina, and Minnesota. CBO estimates that those conveyances would have no significant impact on the federal budget.

Pat Mayse Lake. Under the legislation, the federal government would receive \$3 million in a one-time payment by the city of Paris, Texas, for its future water supply storage costs at Pat Mayse Lake in Texas. As a result of that payment, the federal government would forgo annual water supply storage cost payments after such payment. CBO estimates that the loss of those annual receipts would have a negligible impact on the federal budget over the 2008-2017 period.

Arcadia Lake, Oklahoma. Section 3131 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 \$9 million in 2008. The city would have no further obligations to pay the federal government under this storage contract after 2008.

Waurika Lake Project. Section 3137 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. The section would eliminate the requirement for the district to pay the difference between the full cost of the property and the initial (undercharged) amounts. CBO estimates that enacting this section would cost less than \$200,000 a year over the 2008-2017 period.

Fees for Training and Processing Permits. Title II would allow the Corps to accept and spend fees collected in conjunction with its training courses. Title II also 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 collect and spend less than \$500,000 during each year under those provisions and that the net budgetary impact would be negligible.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1495 contains no intergovernmental or private-sector mandates as defined in UMRA. Federal participation in water resources projects and programs authorized by this act would benefit state, local, and tribal governments. Governments that choose to participate in those projects would incur costs to comply with the conditions of the federal assistance, including cost-sharing requirements, but such costs would be incurred voluntarily. In addition, some state and local governments participating in ongoing water resources projects would benefit from provisions in the act that would alter existing cost-sharing obligations. Many of those provisions would make it easier for nonfederal participants to meet their obligations by giving them credit for expenses they have already incurred or by expanding the types of expenditures counted towards the nonfederal share.

PREVIOUS CBO ESTIMATES

On March 29, 2007, CBO transmitted a cost estimate for H.R. 1495 as ordered reported by the House Committee on Transportation and Infrastructure on March 15, 2007. Assuming appropriation of the necessary amounts, CBO estimated that implementing the committee-approved version of H.R. 1495 would have discretionary costs of about \$6.7 billion over the 2008-2012 period and an additional \$6.5 billion over the 10 years after 2012. In addition, CBO estimated that enacting that version of H.R. 1495 would decrease net direct spending by \$6 million in 2008, \$9 million over the 2008-2012 period, and \$8 million over the 2008-2017 period.

On April 30, 2007, CBO transmitted a cost estimate for S. 1248, the Water Resources Development Act of 2007, as ordered reported by the Senate Committee on Environment and Public Works on March 29, 2007. CBO estimated that implementing that version of S. 1248 would have discretionary costs of about \$5.5 billion over the 2008-2012 period and an additional \$26 billion over the 10 years after 2012. In addition, CBO estimated that enacting S. 1248 would increase net direct spending by \$6 million in 2008, \$4 million over the 2008-2012 period, and \$5 million over the 2008-2017 period.

On May 8, 2007, CBO transmitted a cost estimate for a proposed amendment in the nature of a substitute to S. 1248, as provided to CBO on May 7, 2007. CBO estimated that implementing S. 1248 with the proposed amendment would incur discretionary costs of \$7.1 billion over the 2008-2012 period and an additional \$6.8 billion over the 10 years after 2012. (That amendment would not change the direct spending effects of S. 1248 as approved by the Committee on Environment and Public Works.)

On May 11, 2007, CBO transmitted a cost estimate for H.R. 1495 as passed by the House of Representatives on April 19, 2007. CBO estimated that implementing H.R. 1495 would incur discretionary costs of \$8.1 billion over the 2008-2012 period and an additional \$6.8 billion over the 10 years after 2012. Furthermore, CBO estimated that enacting that version of H.R. 1495 would decrease net direct spending by \$6 million in 2008, \$9 million over the 2008-2012 period, and \$8 million over the 2008-2017 period.

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