

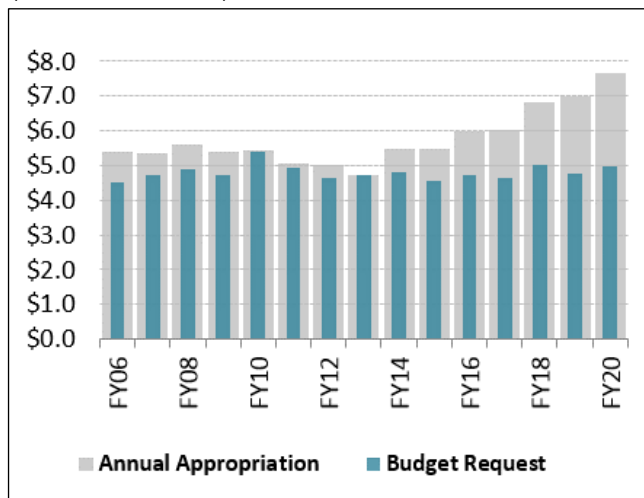


Updated December 23, 2019

Army Corps of Engineers: FY2020 Appropriations

Congress generally funds the civil works activities of the U.S. Army Corps of Engineers (USACE) in annual Energy and Water Development appropriations acts. These activities include planning and construction of water resource projects and operation and maintenance of navigation improvements and certain multipurpose and flood control works (e.g., dams). For USACE civil works in FY2020, President Trump requested \$4.96 billion, inclusive of a May 13, 2019, amendment to the original request. As shown in **Figure 1**, Congress typically funds USACE above the President’s request. For FY2020, Congress provided \$7.65 billion (54% above the FY2020 request and 9% above FY2019 enacted) in Division C, Title I of H.R. 1865, Further Consolidated Appropriations Act, 2020, as signed by the President on December 20, 2019.

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



Source: Congressional Research Service (CRS) using President’s budget requests and congressional appropriations documents.

USACE Funding and FY2020 Request

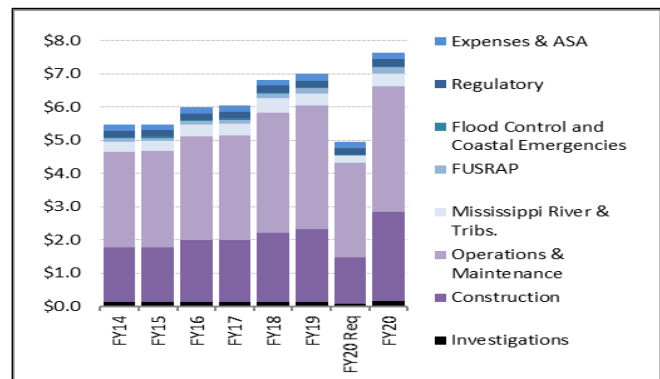
Unlike federal agencies that distribute funds by formula or through competitive grant programs, USACE directly engages in project planning and construction. It uses most of its appropriations for work on specific studies and projects authorized by Congress. These activities are often cost shared with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

The FY2020 request prioritized maintaining performance of existing infrastructure, as reflected by the shares of funds requested for construction and operations and maintenance (O&M; see **Figure 2**). The request would have initiated 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., six projects and six studies using FY2020 appropriations).

Since the 112th Congress, earmark moratorium policies have limited congressional direction of funding of site-specific projects (i.e., *congressionally directed spending* or *earmarks*). Beginning in FY2012, Congress has provided *additional funding* for categories of USACE work. In FY2020, Congress provided \$2.53 billion in additional funding for 26 categories of USACE activities. After Congress enacts USACE’s appropriations, the Administration develops a work plan for the fiscal year. In the work plan, the Administration identifies the authorized USACE projects receiving the additional funding.

Figure 2. USACE Account Funding, FY2014-FY2020
(nominal \$ in billions)



Source: CRS using congressional appropriations documents and President’s FY2020 budget request.

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. Congress did not adopt the request’s proposal to create new USACE navigation-related accounts and did not transfer FUSRAP to the Department of Energy as requested. The figure shows the FY2020 request using traditional USACE accounts.

Selected FY2020 Topics of Deliberation

Navigation Funding

In FY2019, total USACE funding for navigation-related activities from various USACE budget accounts was roughly \$3.3 billion. The FY2020 request was \$2.3 billion. The FY2020 work plan will determine FY2020 navigation funding. Congress provided \$378 million in FY2020 construction funds for a multiyear regional dredge demonstration program for deep-draft navigation in the Gulf of Mexico. Congress directed that the program explore innovative means of executing dredging through combining work across multiple projects and construction and O&M.

Receipts from federal taxes on navigation interests are deposited in 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. The HMTF receives receipts from the Harbor Maintenance Tax (HMT) 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 an HMTF balance of more than \$9 billion. 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.

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 \$0.29 per gallon fuel tax on commercial vessels on designated federal waterways. IWTF receipts and interest in FY2019 were \$121 million. The FY2020 request was for \$56 million from the IWTF. For FY2020, Congress provided for \$131 million from the IWTF and included language reducing the IWTF contribution for the Chickamauga Lock construction in Tennessee to 35%. Congress did not adopt the Administration's proposal to apply 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

The May 2019 amendment to the FY2020 request sought increased restoration funding for the Everglades from \$69 million to \$205 million. The amendment brought the request's FY2020 total for USACE aquatic ecosystem restoration efforts to \$324 million. The FY2020 work plan will determine which restoration activities receive additional funding and the total restoration funding for the year.

Recently, Congress has provided more funding for USACE's flood risk reduction projects through supplemental appropriations than through annual appropriations. Together, P.L. 115-123 and P.L. 116-20 provided almost \$16 billion in emergency supplemental appropriations for construction of USACE flood risk reduction projects in qualifying states and territories. The FY2020 request for flood risk reduction was \$1.0 billion, of which \$209 million would have been for construction. The FY2020 work plan will determine the total FY2020 flood risk reduction funding.

Continuing Authorities Programs

Congress consistently has funded multiple USACE Continuing Authorities Programs (CAPs) to plan and construct projects of limited scope and cost. The FY2020 budget request proposed \$4 million in aggregate for four CAPs. Congress provided almost \$72 million for nine CAP authorities for FY2020. (See CRS In Focus IF11106, *Army Corps of Engineers: Continuing Authorities Programs*.)

Construction Backlog and Upcoming Projects

The FY2020 request sought to fund only ongoing navigation and flood risk reduction construction projects with benefit-cost ratios (BCRs) greater than 2.5 to 1 (i.e., benefits at least two and a half times project costs) or projects that addressed safety concerns. Many congressionally authorized USACE projects do not have BCRs that meet the Administration's 2.5 BCR threshold for budget development. A persistent challenge for USACE and decisionmakers is how to address the agency's backlog of \$98 billion in authorized USACE construction activities, including those projects with BCRs below the 2.5 threshold. A question for policymakers is whether—and, if so, how—to advance projects in the backlog. The size of the backlog is determined in part by the level of appropriations and in part by additional project authorizations. USACE is currently planning various projects that each may cost multiple billions of dollars to construct. The scale of the investments required to accomplish the authorized projects and the projects being studied may further challenge the current approach to federal participation in water resource projects. Nonfederal project sponsors and federal policymakers are exploring options for project financing 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 the Water Resources Reform and Development Act 2014 (WRRDA 2014; P.L. 113-121) authorized the transfer of federal funds to nonfederal entities to use for the construction of authorized USACE projects. The FY2020 request proposed to transfer \$150 million to these entities. It also proposed to accelerate project construction by applying \$150 million in federal funds in conjunction with excess or advanced funding by nonfederal entities. Congress adopted neither proposal. Projects using alternative delivery approaches remain eligible for the additional funds provided by Congress.

For FY2020, neither the Administration nor Congress funded USACE's implementation of the Water Infrastructure Finance and Innovation Act (WIFIA), authorized in WRRDA 2014. The U.S. Environmental Protection Agency (EPA) has an operating WIFIA program, which issued its first loan in 2018. In P.L. 115-270, Congress authorized EPA to enter into interagency agreements to administer WIFIA programs for other agencies. Congress's consideration of water resource project financing and delivery may continue during deliberations on future USACE appropriations and authorizations on broader infrastructure initiatives. For more information on USACE funding, see CRS Report R45326, *Army Corps of Engineers Annual and Supplemental Appropriations: Issues for Congress*.

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