



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 29, 2007

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

*As reported by the House Committee on Transportation and Infrastructure
on March 15, 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 bill 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, the bill 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 H.R. 1495 would cost about \$6.7 billion over the 2008-2012 period and an additional \$6.5 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 the city of Paris, Texas, to make a lump-sum payment for its future water supply storage costs at Pat Mayse Lake in Texas. The bill also would allow the Corps to collect and spend fees collected for training courses and for processing certain permits issued by the Corps. CBO estimates that enacting those provisions would increase offsetting receipts (a credit against direct spending) by \$6 million in 2008, by \$9 million over the 2008-2012 period, and by \$8 million over the 2008-2017 period. Enacting the bill 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 bill 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 Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	1,654	1,619	1,527	1,445	1,375
Estimated Outlays	914	1,396	1,548	1,479	1,402
CHANGES IN DIRECT SPENDING ^a					
Estimated Budget Authority	-6	-3	*	*	*
Estimated Outlays	-6	-3	*	*	*

NOTE: * = less than \$500,000.

a. Changes in direct spending after 2012 would sum to less than \$500,000 a year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 1495 will be enacted before 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 bill 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 the bill would cost \$6.7 billion over the 2008-2012 period and an additional \$6.5 billion over the 10 years after 2012.

For newly authorized water projects specified in the bill, 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 bill would authorize the construction of enhanced navigation improvements for the Upper Mississippi River at an estimated federal cost of \$1.8 billion and an ecosystem restoration project, also on the Upper Mississippi River, at an estimated federal cost of \$1.6 billion. Another large project that would be authorized by this bill is the Indian River Lagoon project in the Florida Everglades at an estimated federal cost of \$683 million. Construction of those projects would likely take more than 15 years.

Hurricane Damage. Several provisions in titles II and VII would authorize coastal restoration projects and water control infrastructure in Louisiana and Mississippi that are needed to correct 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 \$576 million. Other projects would improve flood protection infrastructure within New Orleans and its vicinity. The cost of those provisions would approach \$3 billion. CBO expects that most of those projects would be built over the next five to 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. Two provisions of H.R. 1495 concern the federal share of ongoing and future Corps projects. Most projects undertaken by the Corps are required to have a specific portion of costs covered by local interests, and the remaining costs are considered the federal share of the total project cost.

Section 2002 would authorize an increase in the federal share of the construction of some deepwater navigation projects from 40 percent to 65 percent and from 50 percent to 100 percent for maintenance and operations of such projects. The Corps is currently working on a few such projects around the country, the largest is in the New York and New Jersey Harbor area. Based on information from the Corps, CBO estimates that this provision would increase federal costs by about \$400 million over the 2008-2012 period. This provision could add substantial federal costs to deepwater navigation projects that may be authorized in future years by future legislation.

Section 2009 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 bill, 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 would not necessarily affect the federal share of total project costs.

Deauthorizations. H.R. 1495 would withdraw the authority for the Corps to build 10 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 direct spending by \$6 million in 2008, by \$9 million over the 2008-2012 period, and by \$8 million total over the 2008-2017 period. Components of this estimate are described below.

Various Land Conveyances. H.R. 1495 would authorize the conveyance at fair market value 650 acres of federal land at the Richard B. Russell Lake in South Carolina to the state. The bill 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. Based on information from the Corps, CBO estimates that the federal government would receive about \$3 million in each of 2008 and 2009 from these sales.

The bill also would convey certain federal land in Arkansas, Missouri, Georgia, Kansas, Oregon, and Minnesota. CBO estimates that those conveyances would have no significant impact on the federal budget.

Pat Mayse Lake. Under the bill, a receipt of \$3 million would result from a one-time payment to the federal government from 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.

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 bill 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 bill 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.

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