

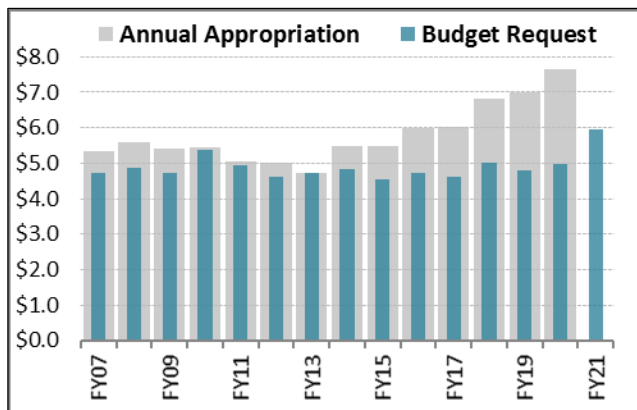


March 16, 2020

# Army Corps of Engineers: FY2021 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 the planning and construction of authorized water resource projects and the operation and maintenance of infrastructure and navigation improvements managed by USACE (e.g., navigation channels). For USACE civil works, President Trump requested \$5.97 billion for FY2021. As shown in **Figure 1**, Congress typically funds USACE above the President’s request. At times, Congress also provides USACE with supplemental appropriations, typically for flood response and recovery (see CRS In Focus IF11435, *Supplemental Appropriations for Army Corps Flood Response and Recovery*).

**Figure 1. Annual USACE Funding, FY2007-FY2021**  
(nominal \$, in billions)



Source: Congressional Research Service (CRS).

## USACE Funding and FY2021 Request

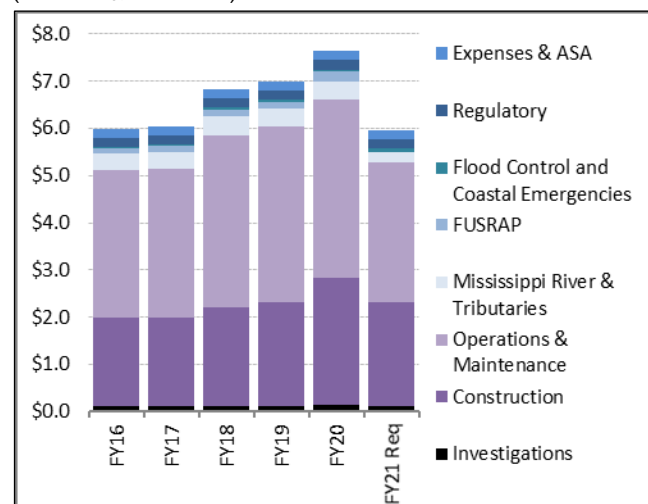
Unlike many of the federal agencies that support infrastructure investments by distributing federal funds to nonfederal entities by formula or through competitive grant programs, USACE directly commits funds for project planning and construction. It uses most of its appropriations for work on specific studies and projects authorized by Congress. These activities are often cost shared with nonfederal project sponsors or users.

The President’s FY2021 budget request prioritizes maintaining the performance of existing infrastructure, as reflected by the share of funds requested for operations and maintenance (i.e., the O&M account; see **Figure 2**), and completing ongoing construction projects (i.e., the Construction account). The request would initiate no new studies or construction projects (referred to as *new starts*). In response to budget requests with no new starts in recent years, Congress has required USACE to start a specified number of new construction projects and new studies. For example, in FY2020, Congress appropriated funds for six

new construction projects and six new studies. The FY2021 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., benefits are at least two and a half times project costs) or to projects that address safety concerns.

**Figure 2. USACE Account Funding, FY2016-FY2020 and FY2021 Request**

(nominal \$, in billions)



Source: CRS.

**Notes:** Req = Budget request. ASA = Assistant Secretary of the Army. Regulatory = Regulatory Program. FUSRAP = Formerly Utilized Sites Remedial Action Program. FY2021 request renews a proposal to transfer FUSRAP to the Department of Energy. FY2021 request renews a proposal to fund certain expenses directly from two navigation trust funds; the figure shows funding for FY2021 based on funding from traditional USACE accounts.

Since the 112<sup>th</sup> Congress, moratorium policies have limited congressionally directed funding of site-specific projects (i.e., *earmarks*). Prior to the 112<sup>th</sup> Congress, Congress would direct funds to specific projects not in the budget request or increase funds for certain projects. Each year since FY2011, Congress has appropriated *additional funding* for categories of USACE work without identifying specific projects. For example, in FY2020, Congress provided \$2.53 billion in additional funding for 26 categories of USACE activities (e.g., construction of flood and storm damage reduction). After congressional enactment of the appropriations legislation and accompanying report language on priorities and other guidance for use of the additional funding, the Administration develops a *work plan* that reports on (1) the selected new start studies and construction projects and (2) the specific projects receiving additional funds.

## Selected FY2021 Topics

### Inland Waterway Funding

The Inland Waterway Trust Fund (IWTF) receives collections from a \$0.29 per gallon fuel tax on commercial vessels on designated federal waterways. In FY2020, the IWTF is funding \$131 million of a roughly estimated \$1.0 billion in USACE inland waterway costs (see **Table 1**). Since 1986, Congress generally has required that construction and major rehabilitation for inland waterways be paid for 50% from the General Fund and 50% from the IWTF. Since FY2014, Congress has reduced the IWTF-required portion of funds for certain projects, thereby increasing the funds that come from the General Fund for inland waterway construction by more than \$400 million. Of the roughly \$1 billion of USACE work on waterway studies, construction, and O&M in FY2020, \$337 million is for construction, of which \$131 million is from the IWTF. The IWTF's balance is estimated to be \$55 million at the end of FY2020. IWTF receipts and interest in FY2021 are estimated at \$114 million. The FY2021 request includes a proposal to apply an annual user fee on inland waterway commercial vessels. The fee would collect an estimated \$180 million annually to be used for a portion of waterway construction and for 10% of waterway O&M. The FY2021 request did not include continued funding for ongoing waterway construction projects.

### Coastal Navigation Funding

The Harbor Maintenance Trust Fund (HMTF) receives the collections from the Harbor Maintenance Tax (HMT), which is applied principally to imported and domestic waterborne cargo at coastal and Great Lakes ports. Congress has authorized that HMTF monies pay for certain coastal navigation and harbor O&M activities. In FY2020, the HMTF is funding more than half of USACE coastal navigation costs (see **Table 1**). Individual ports also act as nonfederal sponsors for projects and contribute to the cost of constructing most navigation channel improvements. The HMTF is anticipated to have a \$10 billion balance at the end of FY2020. For most of the last 20 years, annual HMT collections and interest on the HMTF balance exceeded annual spending on HMTF-eligible activities. HMTF collections and interest in FY2021 are estimated at \$1.91 billion; therefore, HMTF revenues in FY2021 are almost \$0.9 billion above the President's request for FY2021 HMTF-eligible activities.

### Ecosystem Restoration and Flood Risk Reduction

USACE ecosystem restoration and flood risk reduction projects generally have their construction costs shared 65% federal and 35% nonfederal, and costs of O&M, routine repair, and rehabilitation are 100% nonfederal. For some projects, Congress has used different cost-sharing arrangements. For example, most Everglades restoration construction and O&M projects are cost shared 50%/50%. For FY2021, the President requests \$350 million for USACE aquatic ecosystem restoration efforts, of which \$260 million is for Everglades restoration (see **Table 1**). In FY2020, USACE's Everglades activities totaled \$249 million, around 40% of the total USACE restoration funding for FY2020. The FY2021 request for flood risk reduction is \$1.6 billion, of which \$0.8 billion is requested

for construction of eight riverine flood risk reduction projects.

**Table 1. Selected USACE Project Investments**

	FY2020	FY2021 Request
Inland Waterway	Est. \$1.0 B, of which \$131 M from IWTF	\$785 M, of which \$0 from IWTF
Coastal Navigation	Est. \$2.9 B, of which \$1.6 B from HMTF	\$1,624 B, of which \$1.015 B from HMTF
Ecosystem Restoration	Est. \$592 M, of which \$249 M for Everglades	\$350 M, of which \$260 M for Everglades
Flood Risk Reduction	Est. \$2.0 B	\$1.622 B

**Source:** CRS using information from various USACE sources and the FY2021 budget request. Amounts include funds from all USACE accounts. Amounts do not include supplemental appropriations. Some amounts are shown as estimates (Est.) because USACE has not released information on amounts by "business line" for FY2020.

**Notes:** B = billion. M = million. IWTF = Inland Waterway Trust Fund. HMTF = Harbor Maintenance Trust Fund.

### Continuing Authorities Programs

In FY2020, Congress is funding nine Continuing Authorities Programs (CAPs), at a total of \$71.5 million, for USACE to plan and construct projects of limited scope and cost. The President's FY2021 request is \$4 million for four CAPs, and no funds are requested for five CAPs funded in FY2020 (see CRS In Focus IF11106, *Army Corps of Engineers: Continuing Authorities Programs*).

### Backlog and Alternative Financing and Delivery

A persistent challenge for USACE is how to address its backlog of roughly \$96 billion in authorized USACE construction activities. 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. Nonfederal project sponsors and federal policymakers are exploring options for project financing and for sharing costs and responsibilities among project sponsors and beneficiaries. Congress has authorized enhanced nonfederal and private participation in USACE projects. Congress expanded authorities to reimburse or credit nonfederal work on authorized projects. In addition to post-construction reimbursement, Congress in 2014 authorized transferring USACE funds to nonfederal entities for use on the construction of authorized projects. The FY2021 request proposes to use \$250 million for these transfers, and it proposes using \$250 million to accelerate construction projects that have excess or advanced funding by nonfederal entities. The Administration's FY2021 request would not fund the USACE Water Infrastructure Finance and Innovation Act (WIFIA) program, which would provide water resource project loans and loan guarantees. Although Congress has directed USACE to develop the program's structure, it is not operational.

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