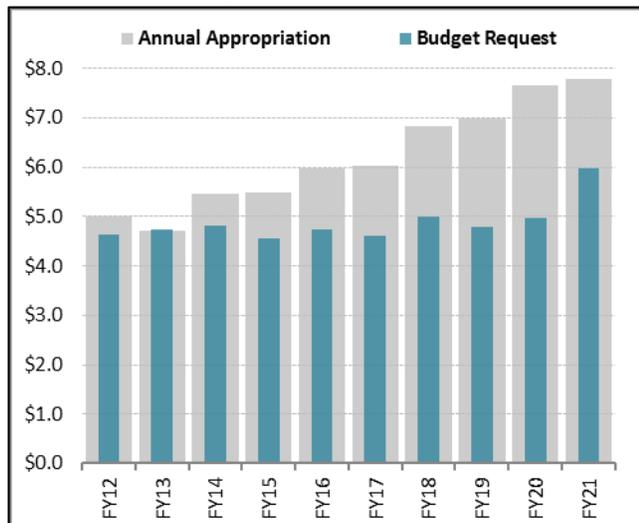


Updated January 4, 2021

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. 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. For FY2021, Congress provided \$7.80 billion (31% above the FY2021 request and 2% above FY2020 enacted) in Division D, Title I of P.L. 116-260. 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

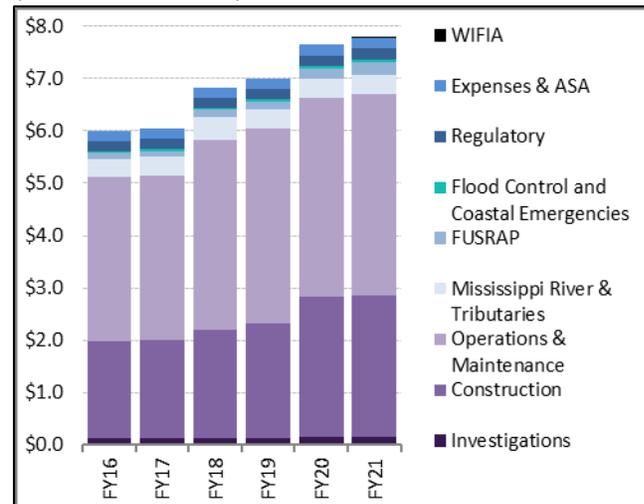
Unlike many of the federal agencies that support infrastructure investments by distributing federal funds to nonfederal entities by formula or through competitive grant programs, USACE directly commits funds for project planning and construction. It uses most of its appropriations for work on specific studies and projects authorized by Congress. These activities are often cost shared with nonfederal project sponsors or users. For more on the USACE appropriations process and related issues, see CRS Report R46320, *U.S. Army Corps of Engineers: Annual Appropriations Process and Issues for Congress*.

The President's FY2021 budget request prioritized 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 have initiated 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. In FY2021, Congress has required seven new projects and nine new studies.

Figure 2. USACE Account Appropriations, FY2016-FY2021

(nominal \$, in billions)



Source: CRS.

Notes: WIFIA = Water Infrastructure Finance and Innovation Act; ASA = Assistant Secretary of the Army; Regulatory = Regulatory Program; FUSRAP = Formerly Utilized Sites Remedial Action Program. WIFIA is a new account as of FY2021.

Since the 112th Congress, moratorium policies have limited congressionally directed funding of site-specific projects (i.e., *earmarks*). Prior to the 112th 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. In FY2021, Congress provided \$2.25 billion in additional funding for 25 categories of USACE activities (e.g., construction of flood and storm damage reduction). Congress set out in appropriations legislation and accompanying report language priorities and other guidance for the Administration's use of the additional funding. The Administration is to develop a *work plan* within 60 days of enactment that reports on (1) the selected

new start studies and construction projects and (2) the specific projects receiving additional funding.

The FY2021 request also sought to limit funding to ongoing navigation and flood risk reduction construction projects with benefit-cost ratios (BCRs) greater than 2.5 (i.e., benefits are at least two and a half times project costs) or to projects that address safety concerns. Congress indicated that, in identifying the projects to be funded in the FY2021 work plan with additional funding, administration budget metrics, like the BCR, are not a disqualifying metric.

Selected FY2021 Topics

Navigation

Congress provided more than \$3.7 billion for navigation in FY2021, which was above the requested \$2.4 billion. The USACE FY2021 work plan is to determine the final suite of coastal and inland navigation projects funded for construction and O&M. Due to changes enacted by Congress, USACE navigation funding may be allocated differently from the current process for both harbors and waterways, as explained below.

For coastal navigation and harbors, a budget adjustment to not count the use of some Harbor Maintenance Trust Fund (HMTF) spending and certain other harbor spending toward annual budget caps will go into effect in FY2021, thereby facilitating greater use of the HMTF in future years. The HMTF receives collections from the Harbor Maintenance Tax (HMT), which is applied principally to imported and domestic waterborne cargo at coastal and Great Lakes ports. In most years since the early 1990s, annual HMT collections and interest on the HMTF balance exceeded annual spending on HMTF-eligible activities; this led to a HMTF balance of \$9.2 billion at the start of FY2021.

For inland and intracoastal waterways, Congress lowered the required Inland Waterway Trust Fund (IWTF) contribution from 50% to 35% for construction projects funded from FY2021 through FY2031, thereby increasing the general fund share to 65%. The IWTF receives collections from a \$0.29 per gallon fuel tax on commercial vessels in designated federal waterways. The FY2021 request proposed to discontinue funding for ongoing waterway construction projects. For FY2021, Congress has directed not only that ongoing inland waterway construction projects should be funded but also that one new IWTF cost-shared project should be started with FY2021 appropriations (i.e., a new start). The FY2021 request also included a proposal for an annual user fee on inland waterway commercial vessels that Congress did not adopt. For more on these navigation changes, see CRS In Focus IF11700, *Water Resources Development Act of 2020*.

Water Infrastructure Finance and Innovation Act

The President's FY2021 request would not have provided funding to USACE's Water Infrastructure Finance and Innovation Act (WIFIA) program (authorized in 2014 by P.L. 113-121). USACE, through WIFIA, is authorized to provide credit assistance, in the form of secured or direct loans, for a range of water resource projects. In FY2021, Congress created a new USACE account for the agency's

WIFIA program and appropriated \$14.2 million to it. Of the total, \$12.2 million is specifically for nonfederal dam owners for dam safety projects, with the remaining \$2 million for USACE administrative expenses to carry out the program.

Ecosystem Restoration and Flood Risk Reduction

Congress generally has set the cost share of USACE ecosystem restoration and flood risk reduction project construction at 65% federal and 35% nonfederal, with the costs of O&M, routine repair, and rehabilitation at 100% nonfederal. For some projects, however, 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 requested \$350 million for USACE ecosystem restoration efforts, of which \$260 million was for Everglades restoration. The FY2021 request for flood risk reduction was \$1.6 billion (up from \$1.0 billion in the FY2020 request). Congress provided for at least \$2.2 billion of FY2021 appropriations to be used on USACE flood risk reduction, and it provided additional funding of at least \$127 million above the budget request that can be used on ecosystem restoration, environmental compliance, and environmental stewardship activities. The FY2021 work plan is to determine the final level of flood risk reduction and ecosystem restoration funding and the specific activities funded with FY2021 appropriations.

Continuing Authorities Programs

The President's FY2021 request sought \$4 million for four Continuing Authorities Programs (CAPs) and no funds for the five remaining CAPs. Congress provided a total of \$69.5 million for the nine CAPs. CAPs allow USACE to plan and construct projects of limited scope and cost (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 \$98 billion in authorized USACE construction activities. Nonfederal project sponsors and federal policymakers have explored options regarding project financing and sharing costs and responsibilities among project sponsors and beneficiaries. Congress has authorized enhanced nonfederal and private participation in USACE projects. For example, 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 proposed to use \$250 million for these transfers and another \$250 million to accelerate construction projects that have advanced funding or funding in excess of nonfederal cost share by nonfederal entities. As in previous appropriations bills, Congress did not fund these initiatives.

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