

Warwick Group CONSULTANTS



Water Resources Policy, Public Finance & Advocacy

U.S. Army Corps of Engineers - Civil Works Funding Process

The U.S. Army Corps of Engineers (Corps) is funded through the annual federal appropriations process. The federal appropriations process begins with the Administration's development of the President's budget recommendations, which are submitted to Congress and serve as guide for congressional appropriators. Following the submittal of the Administration's budget recommendation, Congress can begin working on a series of appropriations bills. Upon passage of the appropriations bills by Congress, the President ratifies the federal budget. This federal budget process is expansive and takes years to complete.

President's Budget Recommendation Process

The formulation of the President's budget recommendations is the first step in the federal appropriations process. In regards to Corps shoreline protection projects, it is extremely advantageous for a community to have its federal project in the President's budget recommendations, because Congress almost always funds all of the President's recommended shoreline protection projects. Recent administrations, however, have been very reluctant to recommend funding for any federal shoreline protection projects. For instance, the administration has only recommended funding for two shoreline protection projects in the previous three fiscal years (excluding environmental restoration projects).

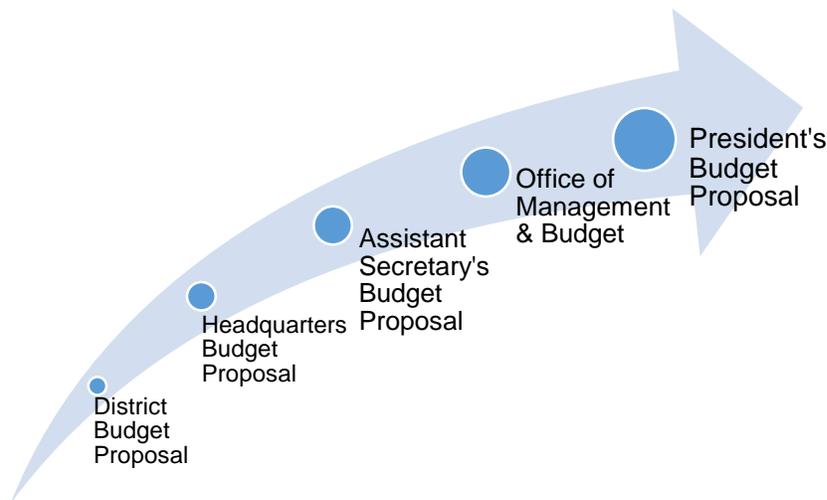
Corps Budget Process

The administration's formulation of the President's budget recommendation begins with the federal agencies, including the Corps. Over the course of almost two years, the Corps develops a budget recommendation which it submits to the Office of Management and Budget (OMB) for assessment, refining, and ultimately inclusion into the President's budget recommendation. The Corps' budget formulation is an interactive process involving the Corps' Districts, Divisions, and Headquarter.

1. Two years prior to the desired construction date of a project, a Corps District submits a budget request to Corps Division.¹ The budget request will contain all of the projects the District believes it can and should complete in a fiscal year. Funding can only be allocated to projects that have been authorized via Water Resource Development Acts, which go through the House Transportation and Infrastructure Committee.

¹ U.S. Corps Divisions include: North Atlantic Division, South Atlantic Division, Great Lakes & Ohio River Division, Mississippi Valley Division, Northwestern Division, Southwestern Division, South Pacific Division, and the Pacific Ocean Division. There are international Divisions around the world as well.

2. The Corps Division reviews all of the District budget requests under its purview, rejects some projects, and sends a consolidated Division budget request to Corps Headquarters.
3. Corps Headquarters reviews the budget requests from each of the Divisions and develops a comprehensive budget request that is then sent to the Assistant Secretary of the Army for Civil Works (ASA).
4. The Assistant Secretary's office reviews the budget request, makes adjustments, and submits the proposal to the Office of Management and Budget (OMB).
5. OMB refines, finalizes, and incorporates the ASA's budget request into the President's budget recommendation.



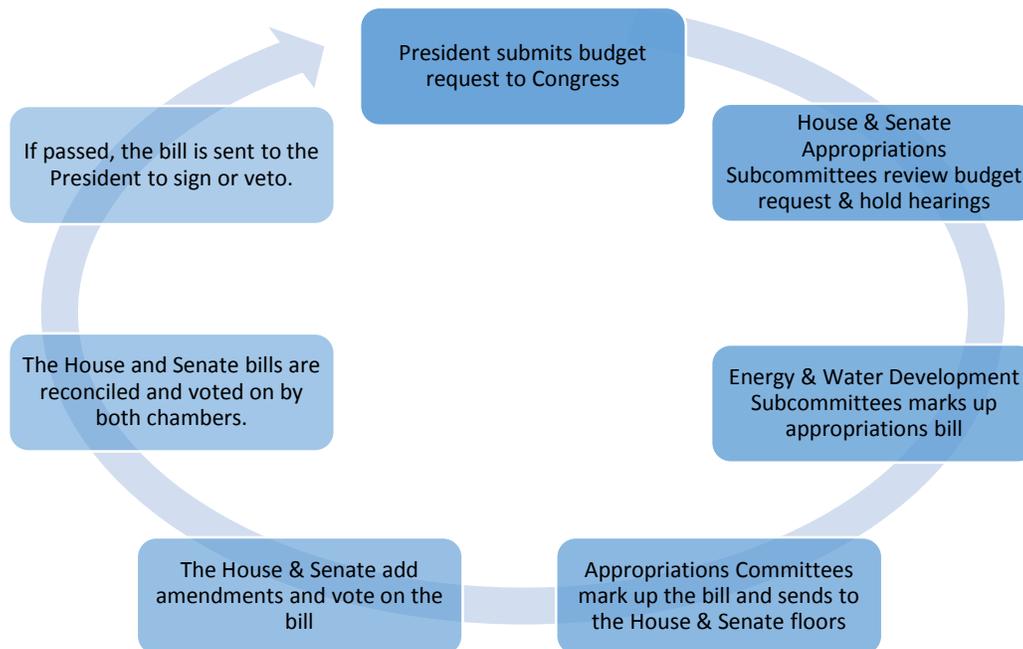
Congressional Appropriations Process:

Congress funds the Corps' civil works activities through the Energy and Water Development Appropriations acts, which often provides more funding than requested by the Administration. The Appropriations Committee's Subcommittee on Energy and Water Development will review the President's request, hold hearings on the budget, and markup the Energy and Water Development Appropriations bill. Once the subcommittee agrees to the bill, it moves to the whole Committee on Appropriations, where it is again marked up.

Once the bill is voted out of committee, it moves to the House floor for a vote. This is not always instantaneous, as it requires the committee to approve the amended bill, as well as for the Speaker of the House to schedule consideration and a vote. Once on the floor, members can propose amendments to the bill, which are either approved or dropped. In the case of the FY2016 Energy and Water Development appropriations bill, 34 amendments were added. Once the House passes the bill, which it did for FY2016 on May 1st, the legislation moves to the Senate.

In the Senate, the bill can again be adjusted with amendments. This year, the Senate Appropriations Committee approved an Energy and Water Development bill that provided less funding for the Army Corps than in the House bill. The bill will next move to the Senate floor for consideration and a vote. If the Senate approves the bill, it will go back to the House for approval or to a conference committee made up of members of the House and Senate who resolve disagreement within the two versions. If both chambers approve legislative with the same

language, the Energy and Water Development appropriations bill will be sent to the President's desk for enactment.



Important Appropriations Details

A congressional report, which accompanies the appropriations acts, identifies specific Corps projects to receive appropriated funds. These projects are previously authorized for study or construction through Water Resource Development Acts (WRDA), the most recent of which was passed in 2014.² Since the elimination of congressional “earmarks,” these projects are generally limited to those included in the President’s budget request. Since FY2010, congressional action on Corps appropriations has been typically limited to: (1) alteration of the amounts requested by the Administration; (2) provision of “additional funding” for sets of Corps activities not provided for in the President’s budget. The House version of the FY2016 Energy and Water Development Appropriation bill provides \$879 million in additional funding for ongoing work that was “not included in the Administration’s budget or was not adequately funded.” The Senate version provides \$481,000,000 in additional funding for ongoing projects in Investigations and Construction.³

Congress has allocated the “additional funding” to Corps activities without identifying specific projects. As such, Congress provides the Administration with guidance on the types of projects it believes should receive funding, and often requires the Office of Management and Budget (OMB) to report back on which projects it selects. The House FY 2016 appropriations bill allocates \$45 million in additional funds for shore protection projects under the Construction account; however, the Senate version provides no additional funding for this line item. While Congress can specify

² The most recent authorizing act was the Water Resources Reform and Development Act of 2014.

³ See “FYI: Corps Funding is Divided into Budget Accounts” for explanation of Investigations and Construction.

the funds for shore protection projects, they cannot appropriate money for specific projects. Consequently, the actual decision-making process for where the funds go is left entirely up to OMB.

FYI: Corps Funding is Divided into Budget Accounts

The Corps has several budget accounts, three of which fund civil works activities: Investigations, Construction, and Operation and Maintenance (O&M). The Investigations account funds feasibility studies, which are conducted to determine the need, engineering feasibility, and economic, environmental, and social return of potential projects. The Construction account funds the actual activities of a project, such as construction, major rehabilitation, and related activities for water resource projects. O&M funds go to the maintenance of previously authorized projects, including dredging, repair, and operation of structures and other facilities.

The O&M account has been growing significantly as a portion of the Corps budget, while the Construction line has dwindled. This is due, in large part, to Congress and the Administration's efforts to limit funding for new activities, or "new starts," and focus on completing existing projects and efforts to address aging infrastructure issues. The House FY 2016 Energy and Water Development Appropriation bill does not provide funding for new starts, except for a proposed "Disposition of Completed Projects" line item in the Investigations account. This line item funds study efforts aimed at reducing federal responsibilities instead of studies for new federal projects. The Senate included 10 "new starts" within Investigations and six "new starts" in Construction, though four of those construction starts are designated for projects identified by the Administration.

OMB Allocations and "New Start" Funding

For the past several years, the Administration, and as a result Congress have provided little-to-no funds for "new start" projects. This refers to funding for new projects in general, whether it is for a feasibility study or for actual construction. The Administration (specifically OMB), claims that commencing with new projects would be irresponsible given the severe backlog of projects that the Corps has yet to complete. Instead of allocating funding for new projects, OMB has essentially forced Congress (thanks to the lack of earmarks) to only appropriate funding for existing projects that need to be completed.

Additionally, OMB has allocated little-to-no funding in the Construction account for shore protection projects. It is not entirely clear why the Administration is opposed to funding shore protection projects, and the money it does provide appears to be for environmental restoration rather than actual shore protection.