



U.S. Army Corps of Engineers Institute for Water Resources

On the Web:
<http://www.iwr.usace.army.mil>

For More Information:
+1 (703) 428-9090

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Potential Alternative Funding and Finance for USACE Civil Works Missions

ALEXANDRIA, VIRGINIA. The U.S. Army Corps of Engineers (USACE) operates, maintains, and manages about one-third of the nation's water resource assets. River and coastal navigation are a central element of the Civil Works mission, but over the years Congress has expanded USACE responsibilities to include hydropower generation, flood risk management, ecosystem restoration, outdoor recreation, and related functions. USACE assets range from small boat launches to massive dams, extensive levee systems, and complex locks, all of which contribute to the nation's economy, safety, and security. Many of these vital assets, built decades ago, are reaching or exceeding their original design lives.

USACE assets generate revenue through lease income and a variety of user fees. Some, but not all, of this revenue is reinvested in capital projects and ongoing operations and maintenance through annual Congressional appropriations. USACE also shares costs with state and local government partners for capital investment projects. Current levels of appropriations and cost share contributions must keep pace with pressing capitalization as well as operating and maintenance needs. To bridge the gap, USACE is considering innovations in revenue generation, project finance, asset management, and the leveraging of federal investment through expanded partnerships with public and private entities.

IWR has published a report that reviews the issues and summarizes outcomes from a series of Alternative Finance Workshops with USACE Civil Works leadership and outside experts in project finance. The objective of the workshops was to engage USACE senior leaders and external experts in a discussion on USACE funding and finance challenges and to assist the USACE in exploring alternative financing and delivery mechanisms.

The study examined a number of options to increase revenues, leverage existing resources, shift lower priority assets, reduce cost, and deliver projects through alternative means. Key long-term funding strategies identified by workshop participants for further study include revenue enhancement, trust fund dedication, value capture, asset sales and transfers or disposition. Key financing strategies identified include infrastructure banks, federal loans and credit enhancement, and bonding options.

An action plan was developed that identified opportunities for consideration by USACE. They include a Special Experimental Program (SEP) authority, which is a mechanism that has been successfully utilized by the Department of Transportation. Candidate pilot programs or projects were identified for possible application of the various options and strategies being considered. They include:

- Pilot for discretionary use of the Harbor Maintenance Trust Fund
- Pilot for partnership between USACE and state infrastructure banks in the Great Lakes region
- Pilot for public-private partnership solutions for Allegheny Locks and Dams for funding and finance

- Pilot for expansion of nonprofit partnerships at the USACE District level for recreation and environmental restoration
- Pilot program or process for asset restoration or disposition

This report is part of Phase II of this initiative. Recommendations from the study include development of formal implementation plans for pilot programs in Phase III of the project. Outreach and coordination with key stakeholders inside and outside USACE would be a key aspect to implementation of the strategies.

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