

BCRs and Economic Updates

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BCRs and Economic Updates

- Process
- Policy
- Methodology
- Criteria
- Results



Process

1. Pre 2012

- Recon – Y/N → Feasibility study – formulate plans, estimate costs, estimate benefits → NED → BCR
- Feasibility → Congressional authorization uses the federal discount rate (lower the rate, the higher the BCR)

2. Budgeting – appropriation with OMB 7% interest rate, BCR > 2.5; generally prioritize by BCR

3. CWPM 2012

- Economics older than 3 years in PED and 5 years in CG update required
- Support annual budget updates (Level 1)



Policy – CWPM 2012

1. Updated BCRs required to support funding requests for all projects in PED (GI) and CG
 - Cost updates annually - Section 902 compliance
2. Purpose: to determine if investment is still justified
 - Premise still valid? traffic, condition, investment cost
 - BCR update based on the benefits – traffic, level of performance
 - BCR should include updates of project cost
3. To support annual Program Development process, an update must be undertaken in situations where the PDT determines that changes in scope and cost warrant a reassessment (ER 1105-2-100 Appendix G).





Methodology – CWPM 12-001

1. No major new analysis – update to support budget, not reevaluate authorization
2. Limit to review and update previous assumptions
3. All economic analysis to use 7% discount rate and current discount rate
4. BCRs calculated with total project costs and benefits
5. Defines update levels:
 - Level 1 – Reaffirmation – 1 month plus
 - Level 2 – Benefit Update – 2 months plus
 - Level 3 – Limited (Economic) Reevaluation – 6 months plus
 - Level 4 – General Reevaluation - beyond scope of update; 12 months plus



Criteria - Level of Update

1. Level 1 - No change in traffic outlook or performance projections – indexing price levels
2. Level 2 – Change in traffic levels, but no major shifts – benefits
3. Level 3 – Significant change in traffic, projected performance, or costs – benefits, costs
4. Level 4* – Full reanalysis follow ER 1105-2-100 – new plan formulation, benefits, costs

* beyond an economic update and requires HQ approval



Results – BCRs for CPBM Priority Projects

| Project | CPBM | Authorizing Document | | | | Economic Update | | | | 2013 Budget Update | |
|-------------|------|----------------------|-------------|-----|----------|-----------------|------------|----------|----------|--------------------|-------------|
| | Rank | Year | Type | BCR | App Rate | Year | Type | App Rate | BCR (7%) | BCR (7%) | RBCRCR (7%) |
| Olmsted | 1 | 1985 | Feasibility | 2.8 | 8.63% | 2012 | 3-PACR/LRR | 2.8 | 3.3 | 3.4 | 9.8 |
| Lower Mon | 2 | 1992 | Feasibility | 4.6 | 7.75% | 2014 | 3-LRR | n.a. | n.a. | 3.6 | 4.0 |
| Kentucky | 7 | 1991 | Feasibility | 1.7 | 8.50% | 1994 | 3-LRR | 1.8 | 1.7 | 1.7 | 3.6 |
| Chickamauga | 4 | 2001 | Feasibility | 2.2 | 6.38% | 2009 | 3-LRR | 2.3 | 1.7 | 1.8 | 2.8 |
| L/D 25 | 5 | 2008 | Feasibility | 1.3 | 5.38% | n.a. | n.a. | n.a. | n.a. | Not in Budget | |
| L/D 22 | 6 | 2008 | Feasibility | 1.3 | 5.38% | n.a. | n.a. | n.a. | n.a. | Not in Budget | |
| Greenup | 3 | 2000 | Feasibility | 2.4 | 6.88% | 2003 | 3-LRR | 2.4 | n.a. | Not in Budget | |

n.a. - not available

PCXIN is working to improve capability

- national network/system level
- incorporate reliability (risk exposure)
- national economic data sets - consistent and updatable
- Improve investment information to make prioritization decisions

