

Study faults Army Corps' methods for assessing viability of projects

The U.S. Army Corps of Engineers presents costs and benefits in ways that make it almost impossible to know whether a navigation project should be funded, according to a recent study by the Center for Ports & Waterways at the Texas A&M Transportation Institute (TTI).

The Corps also is narrowly focused on transportation cost savings, ignoring other "positive externalities" from projects, according to the study, "How Project Selection in the Corps of Engineers is Affected by Benefit-Cost Ratio Analysis," released in late November by the National Waterways Foundation. That contrasts with the U.S. Department of Transportation, which has a method for evaluating positive externalities in its BUILD infrastructure grant program, formerly known as TIGER grants.

For project planning, the Corps uses a 7 percent discount rate that's mandated for other federal agencies by the Office of Management and Budget (OMB). In comparison, the discount rate set by the Federal Reserve was 3 percent as of Dec. 20. Projects evaluated with a lower discount rate are more likely to pass a benefit-cost ratio test than those judged using a higher rate, TTI researchers said.

In a 2016 report, the Congressional Research Service said the debate over the discount rate for

federal water-resource projects is about the relative importance of near-term versus long-term benefits, and the opportunity costs of funding projects. Higher discount rates are sometimes viewed as more appropriate when evaluating benefits and costs of projects with shorter lifetimes.

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Rep. Garret Graves, R-La., said in January that with a \$100 billion backlog of projects, it makes little sense for the Corps to continue operating in the way it has. Graves is a former chairman of the Louisiana Coastal Protection and Restoration Authority, which partners with the Corps on projects.

“The Corps’ current organizational structure and project development and implementation process is fatally flawed,” he

said. Graves is concerned about the “black-box process” by which projects are funded, and has called for more transparency and better prioritization.

America’s Water Infrastructure Act of 2018, signed into law in October, addresses some of the Corps’ issues. Section 1204 directs the comptroller general to report to Congress on the benefit-cost methods used by the OMB, and on recommendations to improve analyses by the agency and the Corps. Graves said Congress also has required the Corps to provide lawmakers with a backlog report “for a better handle on the number and types of projects and causes of delays.”

“We’re continuing to work to solve the breakdown between the Corps’ prioritization process and how the OMB prioritizes projects,” he said. “We’re pushing the administration to stop sprinkling money around to hundreds of projects and to instead fully fund top-priority projects across the nation to get them finished.”

Given the time and cost of studying and completing these projects, Graves supports allowing state and local governments to take the lead if they can get the job done more efficiently.

Asked about the TTI study, Corps spokesman Eugene Pawlik said, “We generally don’t comment on external studies that we weren’t part of.”

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