WASHINGTON, DC – The National Waterways Foundation (NWF) has released a study, “How Project Selection in the Corps of Engineers is Affected by Benefit-Cost Ratio Analysis,” examining how Benefit-Cost Analysis (BCA) is conducted by the Corps and compares with other Federal Agencies (Department of Transportation (DOT)’s Tiger Grant program; the Department of the Interior (DOI), and the Environmental Protection Agency (EPA). The study also examines Remaining Benefit Remaining Cost (RBRC) Ratio vs. the Benefit Cost Ratio (BCR) metric as a way to evaluate Corps’ navigation projects under construction.

The study was conducted by the Center for Ports & Waterways at Texas A&M Transportation Institute (TTI).

The study’s primary finding is that there are a number of externalities that are commonly used in BCA for other federal agency infrastructure projects that are not included in the Corps’ guidance, which is very narrowly focused on transportation cost-savings. For example, DOT’s TIGER grant program has established a methodology for evaluating many additional positive externalities, and EPA analysts are encouraged to ask, “Which benefit categories are especially salient to particular stakeholders?” These areas are not considered in the Corps’ BCA analysis.

Other study findings: Discount rates and interest rates have a profound effect on the economic viability of navigation projects, but are not being used by the Corps in a realistic fashion. For example, the Corps’ use of a 7% interest rate to justify Federal investment is unrealistic in light of today’s market interest rates which have been hovering in the high 3%-low 4% range, and the overall Federal cost of borrowing in the 1% range.

One notable comment from the study authors, is “The manner in which costs and benefits of navigation projects are presented by the Corps makes it virtually impossible to understand whether they are reasonable or not.”

The initial BCA provides justification for pursuing a project; but once the project is initiated, it should be taken to completion. The current Office of Management and Budget (OMB)/Corps practice of re-evaluating projects under construction sometimes causes the BCR to change.
significantly. When this happens the project’s funding can be adversely affected, resulting in significant delays in completing the construction and causing costs to escalate. Providing full funding up front would eliminate confusion over the project’s merits and provide a clearer management path for major construction projects within the Corps.

Using Remaining Benefit-Remaining Cost (RBRC) ratios for evaluating funding decisions for projects under construction is appropriate because it considers the fact that sizable investments have likely already been made to projects. To forego additional investment and thereby lose a large portion, if not all, of the benefits of the project is essentially a waste of scarce funds. Projects that need only a part of the total cost to realize these benefits should show benefit-cost ratios that are superior to projects that have not yet been initiated.

Other agencies discussed in this report do not re-evaluate projects or actions once they are under way, nor do they specifically use RBRC. The TIGER grant program does allow a project to be subdivided into components, some of which may be completed by other parties.

“This study reveals that other Federal agencies consider multiple benefits of infrastructure projects when evaluating funding metrics. But the Corps limits its evaluation methodology to transportation cost-savings only, which puts them at a relative disadvantage and contributes to inefficient funding for navigation projects,” said Daniel Mecklenborg, NWF Chairman. “As a Nation, we should seek the most efficient, cost-effective way to fund Federal infrastructure projects. This study identifies improvements that could be made in the Corps’ BCA methodology that would greatly increase the likelihood of completing projects on time and within budget,” he continued.

The mission of the National Waterways Foundation is to develop the intellectual and factual arguments for an efficient, well-funded and secure inland waterways system.

See the full study, “How Project Selection in the Corps of Engineers is Affected by Benefit-Cost Ratio Analysis,” [here](#).

For more information on the National Waterways Foundation, visit [www.nationalwaterwaysfoundation.org](http://www.nationalwaterwaysfoundation.org)