



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

November 5, 2008

**S. 2842**

**Aging Water Infrastructure and Maintenance Act**

*As reported by the Senate Committee on Energy and Natural Resources  
on September 16, 2008*

**SUMMARY**

S. 2842 would authorize the Secretary of the Interior, acting through the Bureau of Reclamation, to inspect certain water facilities that are close to urban areas. In the event that the structural safety of a facility is at risk, the Secretary would be authorized to carry out certain operation and maintenance activities at the facility. Based on information from the bureau and assuming appropriation of the necessary amounts, CBO estimates that implementing S. 2842 would cost \$189 million over the 2009-2013 period.

Section 7 of the legislation would authorize the Secretary to borrow funds from the public to finance improvements to federally owned water projects. CBO expects that funds obtained and spent under section 7 would be recorded as an increase in direct spending. CBO estimates that enacting S. 2842 would increase direct spending by \$10 million over the 2009-2018 period. Enacting the legislation would not affect revenues.

S. 2842 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 2842 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					2009- 2013
	2009	2010	2011	2012	2013	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Inspections and Technical Assistance						
Estimated Authorization Level	2	2	2	2	2	10
Estimated Outlays	1	2	2	2	2	9
Extraordinary and Emergency Operation and Maintenance						
Estimated Authorization Level	20	40	50	50	50	210
Estimated Outlays	8	30	42	50	50	180
Total Changes						
Estimated Authorization Level	22	42	52	52	52	220
Estimated Outlays	9	32	44	52	52	189
<b>CHANGES IN DIRECT SPENDING <sup>a</sup></b>						
Borrowing Authority for Water Project Improvements						
Estimated Budget Authority	0	5	5	0	0	10
Estimated Outlays	0	2	4	4	0	10

a. The estimated change in direct spending from enacting section 7 is the same over the 2009-2018 period.

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that this legislation will be enacted near the end of calendar year 2008 and that the necessary amounts will be appropriated annually. Spending estimates are based on information provided by the Bureau of Reclamation.

### **Spending Subject to Appropriation**

S. 2842 would authorize the Secretary of the Interior, acting through the Bureau of Reclamation, to inspect certain water facilities that are close to urban areas. In the event that the structural safety of a facility is at risk, the Secretary would be authorized to carry out what the bill refers to as extraordinary or emergency operation and maintenance of the facility. (Such activities could include canal lowering, seepage control, and corrosion

control.) Based on information from the bureau and assuming appropriation of the necessary amounts, CBO estimates that implementing S. 2842 would cost \$189 million over the 2009-2013 period.

**Inspections and Technical Assistance.** S. 2842 would authorize the Secretary of the Interior, acting through the Bureau of Reclamation, to inspect certain water facilities that are close to urban areas. At the request of nonfederal entities that operate the facilities, the bureau could provide technical assistance to the entities to develop operation plans for the facilities. CBO estimates that the inspections process would cost roughly \$2 million per year.

**Extraordinary and Emergency Operation and Maintenance.** In the event that the structural safety of a facility is at risk, the Secretary would be authorized to carry out what the bill refers to as extraordinary or emergency operation and maintenance of the facility. In the case of such work, the bureau could do the operation and maintenance work or could provide funding to the local management entities to do the work.

For such work, the entity managing the project would be required to reimburse a portion of the federal expenditure over time. The reimbursements would be classified as offsetting receipts (a credit against direct spending). Those receipts, however, would be contingent upon the appropriation of funds for this program and thus are not credited to this legislation. Though no final estimate of the cost to conduct this work would be available until the inspection process is complete, preliminary estimates provided by the Bureau of Reclamation indicate that \$1 billion may be needed to rehabilitate facilities operated and maintained by water users. CBO estimates that providing funds for extraordinary and emergency operation and maintenance would cost \$180 million over the 2009-2013 period and an additional \$50 million to \$100 million a year over the 2014-2018 period.

## **Direct Spending**

S. 2842 would authorize the Secretary to borrow funds from the public to pay for operating and maintaining federal water projects. The Secretary also could provide loan guarantees to nonfederal entities to conduct such work at nonfederal water projects. Based on information from the Bureau of Reclamation, CBO expects that this authority probably would be used to fund three federal projects rather than to provide loan guarantees for nonfederal projects.

Because CBO assumes that the bureau would use the authority provided under section 7 to arrange financing for improvements to federal projects, our estimate reflects the face value of the funds that would be borrowed under this program and shows the expected cash flows

from that borrowing as new direct spending. In other words, the agency would effectively be borrowing from the public to finance a federal project. (The legislation specifies that borrowing under this program should be recorded in the budget under the Federal Credit Reform Act of 1990. However, that act applies to loan guarantees that the federal government provides to private entities to fund nonfederal activities.) CBO estimates that the cost of the projects carried out under section 7 would total \$10 million over the 2009-2013 and 2009-2018 periods.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 2842 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

### **ESTIMATE PREPARED BY:**

Federal Costs: Tyler Kruzich

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Jacob Kuipers

### **ESTIMATE APPROVED BY:**

Theresa Gullo

Deputy Assistant Director for Budget Analysis