



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
CIVIL WORKS  
108 ARMY PENTAGON  
WASHINGTON DC 20310-0108

MAR 28 2016

MEMORANDUM FOR DEPUTY COMMANDING GENERAL FOR CIVIL AND  
EMERGENCY OPERATIONS

SUBJECT: Information for the Sponsor at the Agency Decision Milestone (ADM) for  
Feasibility Studies

The criteria used to formulate and evaluate water resources planning projects is defined in the Water Resource Council's Economic and Environmental Principles and Guidelines for Water and Related Land Resources Implementation Studies and section 80 of the Water Resources Development Act of 1974 (P.L. 93-251). This criteria is included in Corps of Engineers Feasibility Studies and Chief's Reports. The current rate for FY 2016 is 3.125 percent. The process to calculate this discount rate is described in 18 CFR 704.39 and is based upon the average yield during the preceding fiscal year on interest-bearing marketable securities of the United States which, at the time the computation is made, have terms of 15 years or more remaining to maturity. However, the rate will not be raised or lowered more than one-quarter of 1 percent for any year.

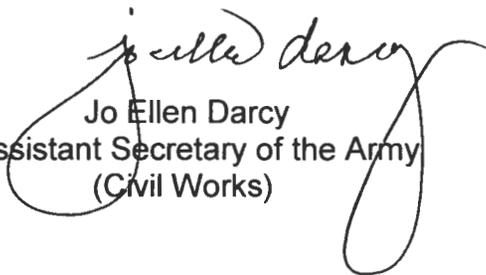
The Office of Management and Budget (OMB) Circular A-94, dated 29 October 1992, provides specific guidance on the discount rates to be used in evaluating Federal programs whose benefits and costs are distributed over time. Circular A-94 indicates that constant-dollar benefit-cost analyses of proposed investments and regulations should report net present value and other outcomes determined using a real discount rate of 7 percent. This rate approximates the marginal pretax rate of return on an average investment in the private sector in the years leading up to 1992. Specifically exempted from the scope of Circular A-94 are decisions concerning water resource projects, guidance for which is the approved Economic and Environmental Principles and Guidelines for Water and Related Land Resources Implementation Studies.

While the criteria in Circular A-94 are not used by the Corps of Engineers in the formulation and evaluation of water resources planning projects, it is utilized by the OMB to determine Administration budget support for proposed projects justified on economic grounds. This is done to ensure government-wide comparability and uniformity of discounting. OMB has indicated to me their concerns that the sponsor may not be aware of its criteria and has requested that my office provide guidance to ensure this information is timely communicated to sponsors. I have determined that the Agency Decision Milestone (ADM) is the appropriate time to inform the sponsor that, if the estimated project costs exceed the estimated project benefits when calculated using a real discount rate of 7 percent, the OMB review required by Executive Order 12322 may advise the ASA(CW) that the project is not consistent with the policy and programs of the President and that as a result, the project may not receive Administration support

for authorization after the completion of the feasibility study and reports of the Chief of Engineers and follow-on project funding.

At the ADM, the agency supported plan and possibly a locally preferred plan have been identified and the effort needed to complete the study has been determined. In cases where the benefit to cost ratio (BCR) at the real discount rate of 7 percent falls below unity and the project is not justified on life-safety, the Corps shall inform the sponsor of the potential determination that the project is not consistent with the policy and programs of the President and their options to move forward. The BCR at the real discount rate of 7 percent is to be used only to inform the sponsor and to provide transparency in the path forward. The BCR at the 7 percent rate is not to be included in the feasibility study or the Report of the Chief of Engineers.

If there are any questions, your staff may contact Mr. Thomas Hughes, Project Planning and Review at (202) 761-0028.



Jo Ellen Darcy  
Assistant Secretary of the Army  
(Civil Works)