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ARMY CORPS OF ENGINEERS

Communication with Users on Water Storage Fees and Cost Estimates Could Be Improved

Why GAO Did This Study

Nationwide, the Corps oversees over 400 water storage agreements that collectively provide about 11 million acre-feet of storage in exchange for users sharing O&M costs with the Corps. Prior GAO work found user concern with certain aspects of the Corps' annual O&M user fee process, including variations in annual fees and a lack of detailed information about them. The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 includes a provision for GAO to review the Corps' practices associated with O&M fees.

This report examines the extent to which the Corps has (1) managed its annual O&M user fee process consistently with selected key practices for federal user fees and (2) developed the 5-year O&M cost estimates as required by law.

GAO selected a nongeneralizable sample of 14 water storage agreements from 10 Corps districts according to criteria such as water storage capacity, reviewed agency documents, and interviewed Corps officials and municipal and industrial water users. GAO compared the Corps' current practices to GAO's federal user fee design guide and a 2014 legal requirement.

What GAO Recommends

GAO is making three recommendations to the Department of Defense to improve how the Corps both communicates annual O&M fees and provides 5-year O&M cost estimates. The Office of the Assistant Secretary of the Army for Civil Works agreed with all three recommendations and described planned actions to implement them.

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What GAO Found

The U.S. Army Corps of Engineers (Corps) enters into agreements with municipal and industrial water users, such as local water utilities, for reservoir storage space. Users must annually reimburse the federal government for their portion of the reservoir's operations and maintenance (O&M) cost, and such reimbursements can be considered user fees. The Corps district offices GAO spoke with followed many key practices for setting user fees. For example, the Corps accounted for the total costs of providing the service and established user-specific fees.

However, these district offices did not follow a key practice related to sharing information with users to help assure them that the fees are set fairly and accurately. The 10 Corps district offices GAO spoke with communicated limited fee information and offered few opportunities for users to discuss the fee. For example, two districts did not provide users with any supplemental information beyond the fee amount and one user in these districts told GAO they regularly request supplemental information from the Corps to better understand their fee. The other eight districts provided users with some supplemental information, but multiple users in those districts told GAO that such information lacked key details on specific O&M costs and activities.

Example of Corps Operations and Maintenance Work

Replacement of riprap stone protection on the outlet channel bank.



Source: U.S. Army Corps of Engineers. | GAO-25-107242

Five of the 10 Corps districts GAO spoke with did not provide users with legally required 5-year O&M cost estimates, and the Corps does not yet have an oversight mechanism to ensure these estimates are provided. By law, the Corps is required to notify water users of anticipated O&M costs for the upcoming fiscal year and the following 4 years. Water users can review these estimates to be informed about future costs, such as dam safety risk assessments, which are scheduled every 10 years. All five of the users GAO spoke with who were not provided the estimates said they would be helpful for planning purposes. In December 2024, Corps officials told GAO that headquarters is in the early stages of developing and establishing a mechanism to oversee these estimates but did not provide documentation of this effort. Developing such a mechanism will help assure Corps headquarters that districts provide users with information needed to effectively plan and administer their water supply storage.