

CHAPTER 3

RESOURCING CAPITAL ASSETS

3-1. Purpose. This chapter describes the methodology for resourcing capital assets financed by the Revolving Fund, Military, Civil Works appropriations.

3-2. Definition of Resourcing Capital Assets. Resourcing capital assets is the process of engaging resources (i.e., funds, manpower, etc.) with the business functions to support the acquisition of major investments and make the program self-sustaining. It encompasses a wide range of strategies -- from income generation practices such as plant increment rates to the repayment of borrowed funds through depreciation recovery.

3-3. Responsibilities for Resourcing Capital Assets. The Director of Resource Management (RM) is responsible for ensuring that all capital assets are placed-in-service upon receipt, and corresponding accounting procedures (i.e., depreciation, plant increment, etc.) are initiated in the Corps of Engineers Financial Management System (CEFMS), and useable project owned capital assets that are no longer needed are transferred to another project or disposed of properly. Although RM is the principal proponent for resourcing capital assets, the technical proponent will participate actively in this area.

3-4. Revolving Fund Capital Assets. Since 1953, USACE has been authorized by Congress to use the Revolving Fund to acquire capital assets when they serve more than one Civil Works project and the administration of Corps offices. It is also permissible to finance certain multiple-use capital assets that support both civil and military programs/projects. The resourcing mechanism for acquiring capital assets through the Revolving Fund is called the Plant Replacement and Improvement Program, or PRIP. PRIP is a tool that benefits the entire Corps of Engineers. In order for PRIP to be managed successfully, the following business practices must be strictly adhered to:

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a. Headquarters is the purse manager for PRIP and oversees all capital assets to support the Corps mission. In order to monitor and track PRIP revenue and requirements, the Managerial Analysis of Revolving Fund "Cash" Availability report was developed. The report is prepared by CERM using the currently approved five-year plan and financial reports. Although the intent of the report is to monitor the Revolving Fund corpus, it also computes the total actual PRIP allocation available for subsequent fiscal years. A sample report is available at Figure 3-1.

Managerial Analysis of Revolving Fund "Cash" Availability (Consolidated from all Corps Financial Statements)					RCS: CERM-BA-19
Description	1 st FY XX	2 ND FY XX	3 rd FY XX	4 th FY XX	5 th FY XX
Resourcing the PRIP Program:					
<i>PRIP Resourcing</i>					
Inflation Surcharge (Increment					
Depreciation Recovery					
Direct Appropriations					
Less: PRIP Obligations/Outlays					
Open Commitments					
Total Available PRIP Resources					
Fund Availability/Requirements:					
<i>Fund Availability:</i>					
Plus: Fund balance with Treasury					
Accounts Receivable (Includes WIP)					
Less: Advances and Prepayments					
Accounts Payable					
Sub-total					
<i>Fund Requirements:</i>					
Less: Direct Operating Expenses					
Purchase of Inventory					
Capital Leases and Other Assets					
Gains/Losses, including Capital Assets					
Plus: Revenue and Other Income					
General Fund Receipts					
Subtotal					
<i>Fund Reserves:</i>					
Less: Plant Maintenance					
Accrued Payroll/Leave Balance					
Insurance					
S&A Accounts					
Sub-total					
Total Fund Available for PRIP and Other					
Less Available PRIP Resources					
Total Un-Used Funds "Cash"					
<i>Analyzing PRIP Resources:</i>					
Plus: Available PRIP Resources					
Less: Current Fiscal Year PRIP Allocation					
Approved Five-Year Plan					
Total Un-used PRIP Resources					

Figure 3-1

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As the report indicates, there are three Corps unique PRIP resourcing mechanisms: plant increment, depreciation recovery, and direct Congressional PRIP authorization with appropriated dollars. MSCs and FOAs may use this or a similar type analysis as they determine affordability of capital investments for their organizations.

b. CERM Capital Asset Team (work group) will resolve PRIP resourcing issues. The team is chaired by the HQUSACE RM PRIP Manager to include representative(s) from Research and Development, Resource Management, Civil Works, Counsel, Logistics, Corporate Information, Military Programs, and Real Estate. Their primary role is to find new/alternative ways for acquiring capital assets that comply with current statutes and regulations. The four key areas of responsibility are:

(1) Evaluate and make recommendations to change existing accounting policies regarding capitalization criteria (i.e., useful life, threshold, increment/inflation rates, etc.) for Corps-wide implementation.

(2) Determine the estimated total revenue for the next PRIP funding cycle and establish annual goals for each PRIP category, based on historical funding data. The goals will be the dollar limitation assigned by category before identifying PRIP requirements. Table 3-1 provides an example PRIP category investment goals.

Table 3-1 Annual Budgetary Resourcing of PRIP Capital Assets

PRIP Category	Land 00	Buildings 05	Structures 10	Airplanes 20	Dredges 30	Floating Plant 40	Mobile Plant 50	Fixed Plant 60	Tool, Office Furniture and Equipment 70	Software 80	IT Equipment 90	Leasehold Improvement LH	Total
Goal %	0%	8%	7%	0%	20%	15%	3%	15%	12%	10%	10%	0%	100%
Goal Amount	\$0M	\$8M	\$7M	\$0M	\$20M	\$15M	\$3M	\$15M	\$12M	\$10M	\$10M	\$0M	\$100 M
Work Group Adjustments		-\$3M	-\$4M		+\$5M	-\$5M			-\$2M	+\$2M	-\$3M	+\$6M	-\$4M
Revised Amount	\$0M	\$5M	\$3M	\$0M	\$25M	\$10M	\$3M	\$15M	\$10M	\$12M	\$7M	\$6M	\$96M
Requirements -HQ, MSC, Dist	\$0M	\$4.5M	\$3M	\$0M	\$24.5M	\$8.6M	\$3.8M	\$15M	\$9.5M	\$13M	\$7.6M	\$5.5M	\$95M

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The goals are based on an estimated \$100 million annual PRIP program. Changes to PRIP allocation goals due to Command reprioritization will be approved by the Deputy Commanding General, USACE.

(3) Serve as an Advisory Board for all Headquarters Directorates seeking the acquisition of capital assets using PRIP, Civil or Military funds. Every directorate must follow the same business practices as the MSCs and districts when procuring capital assets. For Headquarters PRIP capital assets, the team will assist HECSA by providing such services as: (a) preparation of an affordability analysis to determine impact on Command; (b) computation of payback schedules for depreciation and plant increment; (c) reviewing economic analysis for major items and determine if outside review is required; and (d) reviewing and offering editorial changes to the Congressional justification sheets for major PRIP items.

(4) Oversee and prioritize all capital investment requirements of the Headquarters.

c. Division Commanders must appoint a PRIP Coordinator for their commands. The PRIP Coordinator plays a major role in resourcing capital assets and may establish a similar Capital Asset Team for advising District Commanders.

3-5. Military Capital Assets. The Corps' Supervision and Administration practice is another resourcing mechanism authorized by statute to support military programs. When a military field office (serving multiple projects) needs to acquire capital assets that exceed the Army's capitalization threshold, financing shall be provided by direct funding from the authorized military appropriations.

3-6. Civil Works Capital Assets. All civil works projects capital assets will be financed directly by the benefiting civil works appropriations.