

Part 500 – Watershed Program Management

Subpart E – Program Cost Sharing

500.40 Cost-Share Authority

A. Cost Sharing Authorized by Public Law 83-566

- (1) Public Law 83-566 authorizes financial assistance to the sponsoring local organization (SLO) and to individual land users. Cost sharing with the SLO is implemented through project agreements, contribution agreements or other agreements as specified in Title 390, National Watershed Program Manual (NWPM), Part 504, Subpart A, Section 504.2A, “Project Agreements.” Cost sharing with individuals is through long-term land treatment contracts.
- (2) Section 3(6) of Public Law 83-566 authorizes cost sharing with landowners and operators for the installation of watershed protection measures. A cost sharing agreement must be based on a conservation plan. Federal assistance must not exceed the rate of assistance for similar practices and measures under existing NRCS programs.
- (3) Section 3a of Public Law 83-566 authorizes cost-share assistance to the SLO for the acquisition of perpetual wetland or floodplain conservation easements. The statute requires the SLO to provide up to 50 percent of the easement cost.
- (4) Section 4 of Public Law 83-566 sets forth the conditions the SLO must meet to receive cost sharing. These conditions include paying a portion of certain costs. For some items, specific percentages are given and for others the SLO must assume a proportion of the cost determined by NRCS to be equitable. Section 4(1) sets forth requirements for real property rights costs and section 4(2) sets forth requirements for costs of constructing or installing works of improvement and for engineering costs. Section 4(1) limits cost sharing for real property rights to those acquired for public fish and wildlife, recreation development, and mitigation of fish and wildlife habitat losses.
- (5) Section 14 of Public Law 83-566 authorizes cost sharing for the rehabilitation of structures constructed under certain NRCS programs. The statute sets the Federal cost-share at 65 percent of the total rehabilitation cost (excluding certain items), with a limit of 100 percent of the actual construction cost.

B. Cost Sharing Required by Other Federal Laws

Public Law 91-646 requires agencies receiving Federal financial assistance to provide relocation payments and assistance to displaced persons. It also states that the displacing agency must be eligible for Federal financial assistance for these costs in the same manner and to the same extent as other program or project costs.

500.41 Cost-Share Policy

A. Watershed projects will be developed for one or more of the purposes authorized by Public Law 83-566. Eligibility for cost-share and rates of cost-share are determined based on the purposes for which a project is formulated. Program purposes are listed in 390-NWPM, Part 500, Subpart A, Section 500.3, of this manual.

B. The STC is responsible for setting cost-share rates for measures to be included in each project, provided such Federal assistance is within the policy limits set forth in this manual. Watershed Program cost-share rates depend on the project purposes to which project costs are allocated and the type of measures to be applied. Figures 500-E1 and 500-E2 (in this manual) summarize the cost sharing provisions.

C. No cost sharing will be provided for watershed protection measures or easements on Federal land, except for Public Law 78-534 projects (7 CFR Section 622.3(c)).

D. NRCS will require as a condition of providing Federal assistance for the installation of works of improvement that the SLO make arrangements satisfactory to NRCS for paying the costs of operating and maintaining works of improvement.

E. NRCS will require as a condition of providing Federal assistance for the installation of works of improvement that the SLO acquire, without cost to the Federal Government from funds appropriated for the purposes of Public Law 83-566, all land, easements, and rights-of-way needed for the works of improvement. Exceptions to this requirement are described in 390-NWPM, Part 500, Subpart E, Section 500.42, of this manual.

F. Project administration costs are not cost-shared. Each participating agency is to bear its own administration costs.

500.42 Cost-Share Rates for Watershed Program Projects

The following is a summary of cost sharing authorized for the Watershed Program. The cost-share rates are also displayed in figures 500-E1 and 500-E2 in this manual.

A. Wetland and Floodplain Conservation Easements

Watershed Program funds may be used for cost sharing in an amount not less than 50 percent of the cost of acquiring perpetual wetland and floodplain conservation easements. The easements to be acquired by the SLO will be used to perpetuate, restore and enhance the natural capacity of wetlands and floodplains to retain excessive floodwaters, improve water quality and quantity, and provide habitat for fish and wildlife (Public Law 83-566 Section 3a). Financial assistance for conservation easements will be based upon the appraised market value of the land and the associated acquisition costs.

B. Mitigation for Fish and Wildlife Habitat Losses

Public Law 83-566 authorizes the use of Watershed Program funds to pay up to 50 percent of the cost of real property rights acquired by the SLO for mitigation of fish and wildlife habitat losses. The rights must be acquired by either fee title or perpetual easement. The acquisition is not limited to the confines of the watershed boundary.

C. Flood Prevention (Flood Damage Reduction)

- (1) Watershed Program funds must provide 100 percent of construction and engineering costs for works of improvement for flood damage reduction. No cost sharing is available to acquire land, easements, or rights of way needed in connection with works of improvement for this purpose, except for acquisition of wetland or floodplain conservation easements (390-NWPM, Part 500, Subpart E, Section 500.42A, above) and, in some cases, acquisition associated with 390-NWPM, Part 500, Subpart E, Section 500.42C(3), below (100-percent cost-share).
- (2) Watershed Program assistance involving nonstructural flood protection in floodplains may be used to move or reposition residential, commercial, industrial, and farm

buildings to flood-free areas or to floodproof or otherwise protect such buildings from flood damage. Actual movement or repositioning and related costs eligible for assistance must include replacement of comparable facilities or features such as basements, driveways, heating systems, and decks. The cost of additional improvements beyond the decent, safe, and sanitary requirements is a nonproject cost ineligible for program assistance.

- (3) Watershed Program assistance may include funds necessary to acquire and demolish residential, commercial, industrial, and farm buildings and similar installations, including other associated costs of site restoration where it is more cost effective than moving, repositioning, or floodproofing the facilities and features. Watershed Program assistance will be based upon the appraised market value of the facilities and associated acquisition and site restoration costs.

D. Watershed Protection

- (1) Watershed Program funds may be used for contracts with the SLOs, landowners, and operators, individually or collectively, to install measures needed to develop and conserve the soil, water, woodland, wildlife, energy, and recreational resources of the land, and to enhance water quality.
- (2) Federal funding assistance must not exceed the rate of assistance or funding limits to program participants for similar practices under other existing national programs at the time the long-term contract (LTC) or project agreement is signed by the contracting officer. Changes in the rate of assistance or funding limits are subject to an exchange of correspondence with the project sponsor. The participant's share of the cost of installing practices may come from any source other than Federal funds without a reduction in NRCS funding as long as the total financial assistance to be received does not exceed 100 percent of the cost. If other Federal funds are used, the NRCS share will be reduced by the amount of the other Federal funding (Title 120, General Manual (GM), Part 404, Subpart D, Section 404.33). Watershed Program funds may pay up to 100 percent of technical assistance costs to plan and apply land treatment practices.
- (3) Watershed Program cost sharing may only be used when other NRCS conservation programs fall short of reducing severe problems and meeting the major land treatment needs within a reasonable timeframe. Watershed Program cost-share for land treatment is not available for implementation of a practice or measure that is cost-shared under another Federal program, or for real property rights.
- (4) Watershed Program cost sharing on cropland in land capability classes VI through VIII is limited to permanent conversion to grass or trees. This does not apply to unique lands used to produce specialty crops that are not surplus and for which commodity payments are not available.
- (5) Watershed Program funds may not be used to pay the cost of installing, operating, and maintaining land treatment on Federal land. This restriction does not apply to the use of Public Law 78-534 funds on National Forest System lands.

E. Public Fish and Wildlife or Public Recreation Development

- (1) Fish and Wildlife.—Watershed Program funds may provide up to 50 percent of real property rights costs, up to 50 percent of installation costs, and up to 100 percent of engineering or technical assistance costs for works of improvement.
- (2) Recreation.—Watershed Program funds may provide up to 50 percent of real property rights costs, up to 50 percent of installation costs, and up to 100 percent of engineering and technical assistance costs for works of improvement. For minimum

basic facilities, Watershed Program funds may provide up to 50 percent of real property rights costs, up to 50 percent of installation costs, and 100 percent of engineering and technical assistance costs. The limitations set forth in 390-NWPM, Part 500, Subpart A, Section 500.4D (of this manual), apply to recreation developments that include minimum basic facilities.

F. Agricultural Water Management

Financial assistance will not exceed the rate of assistance for measures installed for similar purposes through other available Federal programs; where rates are identified for similar purposes under other available programs, Watershed Program funds may provide up to a maximum of 75 percent of installation costs and up to 100 percent of engineering or technical assistance costs. No cost sharing is available for real property rights for this purpose. Wells, water treatment facilities, pipelines, and similar practices listed in Title 450, National Handbook of Conservation Practices (NHCP), are eligible for Watershed Program assistance.

G. Municipal and Industrial Water Supply

- (1) Watershed Program funds may be used for cost sharing up to 50 percent of the construction costs for municipal and industrial water supply reservoir storage to meet current water supply demands. The SLO will bear all costs for engineering, technical assistance, and real property rights for this purpose.
- (2) Watershed Program municipal and industrial water supply projects may be funded by loans through the USDA Rural Utilities Service (RUS). Repayment of these loans must be within a 50-year time period.
- (3) Watershed Program funds may be advanced to the SLO to pay for storage capacity in reservoirs to meet anticipated future needs. The amount of advance is limited to 30 percent of the total cost of the structure. The advance must be repaid in full with interest within 50 years after the retention reservoir is constructed, or in a shorter period if required by law. Interest will not be charged until the water supply is first used or until 10 years after the date of completion of the structure, whichever is earlier. Outlet works are eligible for advances when such works are a part of the structure.
- (4) Prior to Watershed Program funds being advanced or loaned for costs associated with additional storage for anticipated future demands, the STC must require reasonable assurances and evidence from the SLO that demands will be made for the additional storage within a period of time that will allow for repayment of the advanced or loaned amount within the life of the structure (Public Law 83-566 Section 4(2)).

H. Water Quality Management

Watershed Program cost sharing will provide a rate to be set at the discretion of the Secretary. Consultation with the national program manager of the Watershed Surveys and Planning Program and the director of the Conservation Engineering Division (CED) will be necessary during the planning phase of the project to obtain guidance for determining the cost-share rate for construction. Cost sharing may cover up to 100 percent of engineering or technical assistance costs. There is no cost sharing for real property rights for this purpose.

I. Watershed Structure Rehabilitation

Watershed Rehabilitation Program funds that may be made available must be equal to 65 percent of the total costs of the rehabilitation project, but must not exceed 100 percent of

the actual construction costs. Construction costs must include the reconstruction or decommissioning of the dam and the relocation or floodproofing of downstream property. NRCS will also assume up to 100 percent of engineering and technical assistance costs, but these costs will not be a part of the cost-share calculation. See 390-NWPM, Part 505 (of this manual), for further discussion of the Watershed Rehabilitation Program.

500.43 Relocation Payments

Relocation payments will be cost-shared in the same manner and to the same extent as other program or project costs in accordance with cost-share rates of assistance established for the purpose of the project measure that would cause the displacement. These payments are authorized by Public Law 91-646.

Figure 500-E1: Federal Cost-Sharing Percentage Provisions for Conservation Easements and Mitigation of Fish and Wildlife Habitat Losses

Purpose	Engineering / Technical Assistance	Real Property Rights
Conservation Easements Wetland or Floodplain	Not less than 50 percent	Not less than 50 percent
Mitigation of Fish and Wildlife Habitat Losses	No more than 50 percent	No more than 50 percent

The above provisions apply to acquisition of real property rights by purchase or easements. Measures that will be installed on the land acquired or placed under easements must be cost-shared at rates determined by the measure purpose, as shown in figure 500-E2.

Figure 500-E2: Federal Cost-Sharing Percentage Provisions by Purpose

Purpose	Installation / Construction	Engineering / Technical Assistance	Real Property Rights
Flood Prevention			
<ul style="list-style-type: none"> • Works of Improvement 	100 ¹ percent	100 ¹ percent	0

Title 390 – National Watershed Program Manual

Watershed Protection <ul style="list-style-type: none"> • Flood Control • Erosion and Sedimentation Reduction • Water Quality • Water Conservation • Wildlife Habitat • Woodland • Energy • Recreation Resources 	Variable ²	100 percent	0
Public Fish and Wildlife or Public Recreational Development <ul style="list-style-type: none"> • Works of Improvement • Recreation Minimum Basic Facilities 	No more than 50 ¹ percent No more than 50 ¹ percent	100 ¹ percent	No more than 50 ¹ percent No more than 50 ¹ percent
Agricultural Water Management <ul style="list-style-type: none"> • Drainage • Irrigation • Ground Water Recharge • Agricultural Water Supply Structure • Water Conservation • Water Quality 	Up to 75 ³ percent	Up to 100 percent	0
Municipal and Industrial Water Supply <ul style="list-style-type: none"> • Reservoir Structure 	No more than 50 ^{1,4,6} percent	0	0
Water Quality Management <ul style="list-style-type: none"> • Reservoir Storage 	To be determined ⁶	Up to 100 percent	0
Rehabilitation <ul style="list-style-type: none"> • Dams 	No more than 100 ^{1,5} percent	No more than 100 ¹ percent	0

¹Specific rate established in the statute.

²Federal funding assistance must not exceed the rate of assistance or funding limitations to program participants for similar practices under other existing NRCS conservation programs at the time the long term contract is signed by the contracting officer.

³Federal funding assistance must not exceed the rate of assistance for measures installed for similar purposes under other existing Federal programs.

Title 390 – National Watershed Program Manual

⁴For cost of storage for current water supply demands. Assistance for storage for future demands is limited to loans.

⁵Cost-share must be up to 65 percent of total eligible dam rehabilitation costs or up to 100 percent of construction costs (including required (in-kind or decent/safe/sanitary) relocation costs), whichever is less.

⁶Rate must be set at the discretion of the Secretary.