

Part 504 – Project Installation

Subpart B – Financing Provisions

504.10 Introduction

A. The watershed project plan must be authorized before funding may be made available for project operations. Watershed Program assistance may include technical and financial assistance, advances, and loans. The watershed agreement must specify the Watershed Program assistance to be provided and show evidence of the sponsoring local organization (SLO) commitment for funding, installing, and operating and maintaining the project. The Chief of NRCS allocates Watershed Program funds for watershed projects from annual appropriations made for this program. USDA Rural Utilities Service (RUS) may also receive appropriations for Watershed Program loans.

B. The SLO must provide its share of installation costs from sources other than Watershed Program funds. Local financing may include State, county, and other local funds, such as watershed or special purpose district taxes. Loans or grants of funds from other Federal programs may be used unless prohibited.

504.11 In-kind Contributions

A. In-kind contributions are applicable only to projects that will be approved administratively or were transmitted to the Office of Management and Budget (OMB) after May 1, 1979. No exceptions will be allowed for any other projects regardless of the date or nature of project supplements. Property purchased with Federal funds may be considered the grantee's in-kind contribution only when authorized by Federal legislation.

B. In no case will the amount of an in-kind contribution exceed the SLO share of the cost for the works of improvement. The maximum cost eligible for in-kind credit is to be the same as that for cost sharing. The SLO will receive no cash reimbursement for in-kind contributions of real property. Real property already dedicated to and improved for public recreation or fish and wildlife use will not be eligible as an in-kind contribution.

504.12 Value of In-kind Contributions

The value allowed as an in-kind contribution for real property acquired by the sponsor by means other than donation cannot exceed the sponsor's actual costs. The basis for determining the value for personnel services, material, equipment, buildings, and land must be documented. In-kind contribution arrangements must be documented in the project agreement.

504.13 Loans

The USDA RUS may make watershed loans to the SLO to help finance the local share of project costs set forth in approved watershed project plans. RUS has developed notices and procedures for granting these loans for all or part of the local cost for a watershed work of improvement. A memorandum of understanding between NRCS and RUS was established to describe the working relationship between agencies for watershed loans (see exhibit in Title 390, National Watershed Program Handbook, Part 606, Subpart E, Section 606.61).

504.14 Advance of Funds by NRCS

A. In special situations the State Conservationist (STC) may advance funds to the SLO to use for engineering and construction costs, purchase of real property rights, or engineering services. A project agreement must be signed by NRCS and the SLO before any funds can be advanced. The project agreement must specify all of the following:

- (1) Purpose of the advance
- (2) Amount of the advance
- (3) Repayment plan
- (4) Interest terms

B. The special conditions that follow must be met in all cases:

- (1) **Engineering and Construction Costs for Municipal and Industrial (M&I) Water Supply.**—Engineering and construction costs to provide storage capacity for future municipal or industrial water supply are eligible for an advance of funds. Engineering and construction costs for storage capacity for future M&I water supply are not to exceed 30 percent of the total cost of the structure. The advance must be repaid with interest within 50 years after the retention reservoir is constructed or in a shorter period if required by State law. Interest will not be charged until the water supply from the structure is first used or until 10 years after the date of completion of the structure, whichever is earlier.
- (2) **Real Property Rights.**—Funds may be advanced to purchase real property rights if all of the following conditions are met:
 - (i) The immediate purchase is essential to preserve the site for project works of improvement.
 - (ii) A watershed project plan has been approved.
 - (iii) NRCS and the SLO have signed an agreement covering the acquisition of real property rights.
 - (iv) USDA RUS has approved the repayment by the date the advance is made to the SLO.
 - (v) The advance and accrued interest are to be repaid by the SLO before the works of improvement are constructed.
- (3) **Engineering Services.**—An advance of funds may be made for engineering services for works of improvement if all of the following conditions are met:
 - (i) The work of improvement is included in the watershed project plan.
 - (ii) The engineers retained or employed by the SLO are satisfactory to NRCS.
 - (iii) The total advance does not exceed 5 percent of the estimated installation cost of the works of improvement.