

Part 600 – Watershed Program Management

Subpart E – Program Cost Sharing

600.40 Cost-Share Authority

See Title 390, National Watershed Program Manual (NWPM), Part 500, Subpart E, Section 500.40, for cost sharing authorized by Public Law 83-566.

600.41 Cost-Share Policy

- A. Cost-share rates depend on the type of measure and the purpose to which the cost is allocated (see 390-NWPM, Figures 500-E1 and 500-E2, for a summary of cost-sharing provisions).
- B. When watershed projects contain multiple purposes, Public Law 83-566, as amended, authorizes the Secretary “to make allocations of costs to the various purposes, and to show the basis of such allocations and to determine whether benefits exceed costs.” NRCS national policy directs that when allocating total project financial costs among the purposes served by the project or plan, “separable costs will be assigned to their respective purposes, and all joint costs will be allocated to purposes for which the project was formulated.”
- C. In evaluating multipurpose projects, it is necessary to allocate costs to the appropriate purpose because pricing and cost-sharing rates vary among purposes. NRCS utilizes a procedure called the “Separable Cost-Remaining Benefit” (SCRB) method. The primary reference is P&G Chapter 1, Section IX, 1.9.1. Additional information on cost allocation may be found in Title 200, Natural Resource Economics Handbook, Part 611 “Water Resources Handbook for Economics.”
- D. The procedure uses several cost estimates. The alternative cost for a purpose is the cost of a single-purpose measure that achieves the same benefits. The separable cost for a purpose is the difference between the cost of the multipurpose measure and the cost of a measure with that purpose omitted. The joint cost is the cost of the multipurpose measure minus the sum of the separable costs for all purposes. (For examples see the following exhibits: Title 390, National Watershed Program Handbook (NWPH), Part 606, Subpart A, Section 606.0, Section 606.1 for SCRБ cost by purpose, Section 606.2 for SCRБ cost allocation, and Section 606.3 for an example of a cost allocation and cost sharing summary.)
- E. For example, in order to perform a cost allocation for a multipurpose structure that includes flood prevention, recreation, and agricultural water supply, it is necessary to design and compute seven cost estimates with varying purposes, as shown in 390-NWPH, Part 606, Subpart A, Section 606.0 (this handbook).
- (1) Flood prevention (single purpose)
 - (2) Recreation (single purpose)
 - (3) Agricultural water supply (single purpose)
 - (4) Flood prevention and recreation (agricultural water supply excluded)
 - (5) Flood prevention and agricultural water supply (recreation excluded)
 - (6) Agricultural water supply and recreation (flood prevention excluded)
 - (7) Multiple purpose (includes flood prevention, recreation, and agricultural water supply)

F. Sediment storage in a multipurpose structure is considered joint use storage when allocating joint costs by the use of facilities option stated in section 1.9.3(b) of the P&G. The designated storage capacity for a specific purpose is used to determine its proportional use of the facility.

G. Mitigation costs are separated into the cost of the feature and the cost of land components. The cost of the land is a real property rights cost, while all other costs are construction costs. Mitigation costs are calculated when determining the cost of the multipurpose structure, the cost of the structures used to estimate separable costs, and the cost of the single-purpose measure used to determine alternative cost estimates.

H. The single-purpose measure used to determine the alternative cost for a purpose does not need to be physically located at the site of the multipurpose structure.

I. Estimates of the National Economic Development (NED) benefits for each purpose are also needed.

J. After these costs and benefits have been calculated, the procedure is as follows:

- (1) For each purpose, compare the benefits and alternative costs and choose the lesser of the two.
- (2) For each purpose, subtract the separable cost from the lesser of the two. The difference is called the remaining benefits.
- (3) Allocate the joint costs to purposes in proportion to the remaining benefits.
- (4) The cost allocated to each purpose is the sum of the separable cost and the allocated joint cost.

K. For multiple-purpose flood prevention-drainage channels, the cost allocation will be 50-50 in all instances in accordance with P&G Section 2.3.8(c).

L. Cost sharing is available when installing watershed protection measures on Federal land for Public Law 78-534 projects: “Financial assistance available differs only in that program funds may be used for the purchase of land rights for single-purpose flood prevention structures and installing land treatment on Federal lands” (7 CFR Section 622.3(c)).

600.42 Cost-Share Rates for Watershed Program Projects

A. Wetland and Floodplain Conservation Easements

- (1) The cost-share rate for easement acquisition may range from 50 to 100 percent but should be consistent with other Federal programs within the State.
- (2) Flood-prone lands in developed areas may be acquired with program cost-share assistance. Developed land is defined as areas that have existing residential development, commercial development, or both. Land that has been improved for urban use with existing streets, sewers, and waterlines, or where local authorities have granted permits for such improvements before applying for assistance under Public Law 83-566, is considered developed land.
- (3) Perpetual easements on floodplains and wetlands in undeveloped areas may be acquired with program cost-share assistance to perpetuate, restore, and enhance the natural capability of wetlands and floodplains to retain excessive floodwaters.
- (4) Tracts of land acquired as a measure may be used for public benefit, such as recreation and fish and wildlife habitat preservation. Such land should be acquired by fee title or perpetual easement. Facilities for public use on this land may be eligible for Federal cost sharing if they are consistent with existing program requirements.

- (5) Easements to be acquired by the SLO should take into consideration the fair market value of the land. The fair market value of the land should be determined by appraisal or an area-wide market analysis or survey. Reports from universities or other reputable sources can be used to obtain market analysis or surveys. The purpose of the areawide market analysis or survey is to establish a firm market value of easements in a defined area. The easement value should not exceed the value of the land. Only in extremely rare circumstances would the fair market value of the land be appropriate compensation for the easement.

B. Mitigation for Fish and Wildlife Habitat Losses

- (1) The cost-share rate for mitigation of fish and wildlife habitat losses may range from 0 to 50 percent but should be consistent with other Federal programs within the State.
- (2) The cost-share for the installation cost of the mitigation should be the same as the cost share of the Public Law 83-566 project purpose requiring the mitigation.
- (3) Contingent on approval by the U.S. Army Corps of Engineers (USACE), NRCS may help the SLO investigate the possibility of purchasing credits from authorized mitigation banks in lieu of or in combination with other options as compensatory mitigation for unavoidable adverse impacts to waters of the United States due to project activities.

C. Flood Damage Reduction

- (1) The Watershed Program funds provide 100 percent of construction and engineering costs for works of improvement for flood damage reduction in accordance with 16 U.S.C. Section 1004. “All of the cost of installing any portion of such works applicable to other purposes except that any part of the construction cost (including engineering costs) applicable to flood prevention and features relating thereto shall be borne by the Federal Government and paid for by the Secretary out of funds appropriated for the purposes of this chapter.”
- (2) In accordance with 16 U.S.C. Section 1004, 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 and Public Law 78-534 projects. “The Secretary shall require as a condition to providing Federal assistance for the installation of works of improvement that local organizations shall – (1) acquire, or with respect to interests in land to be acquired by condemnation provide assurances satisfactory to the Secretary that they will acquire, without cost to the Federal Government from funds appropriated for the purposes of this chapter, such land, easements, or rights-of-way as will be needed in connection with works of improvement installed with Federal assistance.” Financial assistance for Public Law 78-534 subwatershed plans land rights differ from Public Law 83-566. “Financial assistance available differs only in that program funds may be used for the purchase of land rights for single-purpose flood prevention structures and installing land treatment on Federal lands”(see 7 CFR Section 622.3(c)).
- (3) Actual repositioning and related costs are based on replacement in kind and are eligible for cost sharing. This is a National Economic Development (NED) cost to be used in benefit-cost comparisons. Costs of measures taken to allow the relocated property to meet decent, safe, and sanitary requirements are eligible for cost sharing at the relocation cost-share rate, but are not to be included as an NED cost. The cost of additional improvements beyond decent, safe, and sanitary requirements is a nonproject cost, and is ineligible for assistance under the Public Law 83-566.

- (4) Effective forecasting and warning systems are supported by an evacuation and emergency action plan. Federal cost-sharing assistance could include such items as design of the system, stream and rain gauges, the communications network, and the warning system. Costs of monitoring the flood warning system, training personnel, and testing must be included as part of operation and maintenance. Systems receiving assistance from another Federal agency are excluded from cost sharing.
- (5) New storm and sanitary sewers, or relocations and changes to existing sewer facilities, in urban or built-up areas are the responsibility of the sponsor. Public Law 83-566 cost share is not available for these features. Storm sewers include facilities for the collection and conveyance of urban runoff to outlets in natural drainageways or channels. However, this restriction does not apply to measures to improve natural drainageways or channels to prevent significant flood damage to existing developed property. Such measures are not considered to be storm sewers and are, therefore, eligible for assistance.
- (6) Cost sharing for all flood protection measures will be 100 percent, as required by Public Law 83-566. This includes both nonstructural and structural flood protection measures.

D. Watershed Protection

- (1) Federal funding assistance must not exceed the rate of assistance or funding limits to program participants for similar practices under other existing national programs, in accordance with 16 U.S.C. Section 1003. “The portion of such costs, including labor, to be shared shall be that part which the Secretary determines is appropriate and in the public interest for the carrying out of the practices and measures set forth in the agreement, except that the Federal assistance shall not exceed the rate of assistance for similar practices and measures under existing national programs.”
- (2) The watershed plan should describe the system of practices included in the selected plan and designate those eligible for cost sharing. Watershed Program financial assistance (cost sharing) is limited to the installation of enduring practices planned for the primary purpose of addressing public (offsite) problems. Enduring practices are practices that, when properly installed and maintained, remain on the land and continue to function without reconstruction or reestablishment for a minimum of 5 years. They may need to be supplemented with management practices.
- (3) All practices needed to ensure that the selected system of practices will function and produce the projected benefits must be included in the cost estimates and long-term contracts. This includes practices for which financial assistance is not provided.
- (4) Systems of practices other than the system in the selected plan may be cost shared if the alternative system of practices will achieve the same or greater results. The Public Law 83-566 cost sharing will be limited by the lesser of the cost-sharing percentage established for the practices in the recommended plan, or the cost-share amount that would have been received if the recommended system were installed.
- (5) The cost of accelerated technical assistance needed to install the recommended system of practices may be provided by NRCS without charge to the land user. Project administration costs will be borne by the party that incurs them.
- (6) Any supplementary funds needed to install and maintain practices on Federal land will be sought by the land-administering agency through its usual budgetary process.

E. Public Fish and Wildlife or Public Recreation Development

- (1) Recreation facilities are eligible for Public Law 83-566 assistance if they are part of a project development. Only those facilities to be owned, operated, and maintained by the SLO are eligible for cost sharing. This includes parking areas and the sanitary or

other facilities needed to accommodate the public. Landscaping and other vegetative treatment measures to preserve and protect the area of use by people or fish and wildlife also are eligible.

- (2) The SLO contribution can be from any non-Public Law 83-566 source. Also, Public Law 83-566 does not prohibit the use of other Federal funds for that part that is not Public Law 83-566 share.

F. Agricultural Water Management

- (1) Agricultural Water Management measures benefit communities or multiple land users, and are contracted with public sponsors using Federal contracts or project agreements.
- (2) The maximum cost-share rate is 75 percent. There may be agricultural water management purposes (for example, water conservation) where individuals receive a lower cost-share rate under Watershed Protection or other Federal programs. In that case, the agricultural water management cost-share rate for a water conservation measure would be the lower cost-share rate. The intent is to have similar rates so as to conform to Public Law 83-566 Section 4(2)(A) which requires the rate to be a proportionate share, as determined by the Secretary to be equitable in consideration of national needs and assistance authorized for similar purposes under other Federal programs.

G. Municipal and Industrial Waters Supply

There is no further guidance in the handbook corresponding to this section in the manual.

H. Water Quality Management

There is no further guidance in the handbook corresponding to this section in the manual.

I. Watershed Structure Rehabilitation

The Public Law 83-566 states that Federal funds for the rehabilitation projects “shall be equal to 65 percent of the total rehabilitation project costs.” The law also restricts funding to 100 percent of the actual construction costs. The sponsors are responsible for the costs of resource rights and permits. The cost-share percentage may not necessarily equal 65 percent of the total rehabilitation costs because of the restrictions in the law.

600.43 Relocation Payments

Actual repositioning and related costs should be based on replacement in-kind and are eligible for cost sharing. This is a NED cost to be used in benefit-cost comparisons. Costs of measures taken to allow the relocated property to meet decent, safe, and sanitary requirements are eligible for cost sharing at the relocation cost-share rate, but are not to be included as a NED cost. The cost of additional improvements beyond decent, safe, and sanitary requirements is a nonproject cost ineligible for assistance under the Public Law 83-566.