

Part 613 – Developing Cost Data for Conservation Planning

Subpart D – Glossary

Note: Additional terms defined in Part 610, Subpart G, “General Glossary”

613.30 General Terms and Definitions

This glossary provides explanation for terms associated with the development and use of cost worksheets. Additional definitions and explanation of terms may be found in other agency policy manuals, handbooks, and documents found in the eDirectives System.

- (1) **Acquisition of Technical Knowledge (Cost Category).**—Cost category that includes cash expenditures to obtain direct technical assistance, over and above what NRCS (or similar agency) would typically provide. It is the cost to the land manager of acquiring technical knowledge, through personal study or educational course, to operate or manage a practice or enhancement activity that is "new" to the land user. Includes time and other expenditures related to learning how to plan, oversee, and record new farm activities, or related to training on how to operate or manage a practice or enhancement activity that is "new" to the land user. Also may include the cost of hiring a private consultant or specialist to assist in implementing the practice. See subpart B, section 613.11F(vi).
- (2) **Actual Cost Data.**—Data pertaining to the actual market cost of implementing a conservation practice or activity. This data can be obtained through a variety of means or sources, including completed contracts, vendor information, cost databases, and other cost estimating software or tools, conservation partners, discipline experts, and etc.
- (3) **Administration and Permit Costs (Cost Category).**—Cost category that includes the costs of completing paperwork and attending meetings, and the regulatory management costs of implementing a practice or activity. This cost category also includes the cost of obtaining all necessary permits. Permit cost is the cost of obtaining all necessary legal documents to implement the practice or activity. See subpart B, section 613.11F(ix).
- (4) **Amortize.**—To spread the cost of implementing a conservation practice or activity over the practice life for that practice or activity using an appropriate or approved amortization rate or discount rate.
- (5) **Amortization.**—Converting capital to periodic payments by determining the size of payment per time period needed to pay off a debt over a given time at a given interest rate.

$$r(1+r)^n / (1+r)^n - 1, \text{ where: } r = \text{interest rate and } n = \text{number of periods}$$

- (6) **Annual Cost.**—A practice or activity implementation cost that is incurred on an annual, recurring basis, usually over the period of the practice life. Examples include operation and maintenance (O&M) costs and some types of foregone income costs.
- (7) **Applicable Area.**—The geographic area to which the cost data applies.
- (8) **Average Annual Cost.**—The amortized installation costs of the practice, plus the annual costs for O&M and some types of foregone income costs.
- (9) **Component.**—A part, input, or activity necessary to implementing a conservation practice. See subpart B, section 613.12, for guidance on the use of components in cost data development.

- (10) **Conservation Practice.**—A specified treatment, such as a structural or land management measure, which is planned and applied according to NRCS standards and specifications.
- (11) **Cost.**—The amount of money and time expended and the opportunity costs incurred by a participant to implement a conservation practice or enhancement activity.
- (12) **Cost Categories.**—Designated subdivisions of the costs of implementing conservation practice and activities. The cost categories approved for use in developing cost data are materials, equipment, labor, mobilization, operation and maintenance, acquisition of technical knowledge, foregone income, risk, and administration and permit costs.
- (13) **Cost Data.**—A dataset containing cost estimates and supporting documentation for conservation practices and activities.
- (14) **Cost Data Worksheet.**—An economic database containing cost data for a single practice or activity type.
- (15) **Cost Estimate.**—An estimate of the costs of implementing and maintaining a conservation practice or activity. Cost estimates can apply to either actual costs for a specific producer project, or costs of a practice or activity type within a specific implementation scenario.
- (16) **Cost-Share Rate.**—The percentage of cost paid by the agency for the implementation of a practice or activity. Within the payment schedule process, this is called the payment percentage.
- (17) **Cost Variability.**—The degree to which the cost of implementing a conservation practice or activity varies, either across time, geographic boundaries, or between scenarios.
- (18) **Discount Rate (Percent/Year).**—Rate of return used to evaluate the benefits and costs over time of conservation practices. The discount rate is the rate by which benefits that accrues in some future time period must be adjusted so that they can be compared with values in the present. It is set by national policy found in Title 200, General Manual, Part 400, Subpart C, and in Office of Management and Budget (OMB) Circular A-94, or the farmer (decisionmaker) may provide the discount rate he or she wants to use.
- (19) **Economic Contact.**—An individual designated to fulfill the role of economist for the purposes of developing cost data within a given State. This individuals must have the skills to carryout collateral duties defined their position description.
- (20) **Enhancement Activity.**—Actions other than conservation practices that are included as a part of a conservation stewardship contract, such as a measure, incremental movement on a conservation index or scale, or an on-farm demonstration, pilot, or assessment.
- (21) **Equipment/Installation (Cost Category).**—Cost category that includes the cost of equipment (owned, rented, or hired) used to implement a practice or activity. See subpart B, section 613.11F(ii).
- (22) **Financial Assistance.**—Federal dollars paid to producers to support the implementation of a conservation practice or activity.
- (23) **Financial Assistance Program.**—NRCS programs such as Agricultural Management Assistance (AMA), Conservation Stewardship Program (CSP), Environmental Quality Incentives Program (EQIP), etc., that include financial assistance payments to producers as distinguished from programs that include technical assistance only, such as Conservation Technical Assistance (CTA).
- (24) **Foregone Income (Cost Category).**—Cost category that includes lost net income from a change in land use or land taken out of production, or the opportunity cost of accepting less farm income in exchange for improved resource conditions. Foregone

net income may be a one-time cost, such as deferred grazing (lost forage value) during range or pasture establishment. Foregone net income may also be an ongoing cost, such as an annual net loss from a conservation buffer. See subpart B, section 613.11F(vii).

- (25) **Geographic Area.**—The area covered by a cost data worksheet (statewide, watershed, county, other).
- (26) **Implementation.**—Carrying out a planned or contracted conservation practice or activity.
- (27) **Implementation Cost.**—Total Implementation Cost = (Materials + Equipment/Installation + Mobilization + Acquisition of Technical Knowledge + Administration/Permit) + (First year of: Operation/Maintenance + Foregone Income + Risk). Also known as "Total Cost" within the cost data development process.
- (28) **Installation.**—Commitment of real resources in the implementation of a conservation practice or enhancement activity. Installation commences when the first irreversible use of real resources occurs. For example, the purchase of supplies for installation of a pipeline does not constitute installation. When pipeline excavation commences, installation has begun. Installation is finished when a conservation practice has been completed and certified.
- (29) **Labor (Cost Category).**—Cost category that includes expenditures for the labor (own or hired) required to implement a practice or activity. Labor may, on occasion, be included in other cost categories for calculation purposes or when available cost data already include labor as an embedded cost within another cost (such as equipment/installation cost). See subpart B, section 613.11F(iii).
- (30) **Land Management Practice.**—See “Management Practice.”
- (31) **Lifespan.**—See “Practice Lifespan.”
- (32) **Management Practice.**—Conservation practices that primarily require site-specific management techniques and methods to conserve, protect from degradation, or improve soil, water, or related natural resources in the most cost-effective manner. Management practices include, but are not limited to, nutrient management, manure management, integrated pest management, strip-cropping, contour farming, grazing management, and wildlife habitat management. Management practices have a lifespan of 1 year.
- (33) **Materials (Cost Category).**—Cost category that includes inputs (typical materials) purchased to install or implement, operate, and maintain a practice or activity. See subpart B, section 613.11F(i).
- (34) **Mobilization (Cost Category).**—Cost category that includes direct cash expenditures required to move equipment and materials to and from the installed practice or activity site. May include access costs such as costs associated with a temporary road, bridge, or trail. See subpart B, section 613.11F(iv).
- (35) **One-Time Costs.**—Costs that are incurred only once in carrying out a conservation practice or activity.
- (36) **Operation and Maintenance (O&M)(Cost Category).**—Cost category that includes work performed by the participant to keep the applied conservation practice or activity functioning for the intended purpose for its practice life. Operation includes the administration, management, and performance of nonmaintenance actions needed to keep the completed practice or activity safe and functioning as intended. Maintenance includes work to prevent deterioration of the practice or activity, repairing damage, or replacement of the practice or activity to its original condition if one or more components fail. O&M is normally recorded as an annual cost, after some intermediate calculations. See subpart B, section 613.11F(v).

- (37) **Opportunity Cost.**—The value of the best alternative forgone in order to implement and maintain a conservation practice or activity. Includes both explicit and implicit costs. A cost incurred to purchase material inputs is an explicit opportunity cost. Foregone income, such as the net revenue from crops removed for the purpose of installing a conservation buffer, is an implicit opportunity cost.
- (38) **Payment Percentage.**—The percentage of the sum of all eligible cost categories to implement a conservation practice, activity, or enhancement within a typical implementation scenario that will be paid to a program participant.
- (39) **Payment Rate.**—The payment method used for all financial assistance payments (except payments for TSPs) for eligible practices or activities in contracts written beginning October 1, 2007. It is the sum of all eligible cost categories, multiplied by the approved program payment percentage, for a typical implementation scenario to implement a conservation practice or activity.
- (40) **Payment Schedule.**—A list of the payment rates for all approved practices or activities for a specific financial assistance program for a defined geographic area (used in agency planning and contracting software).
- (41) **Permitting.**—The process of obtaining approval or permission from any applicable official entities for carrying out a conservation practice. Usually associated with structural practices but may apply to nonstructural practices as well.
- (42) **Practice.**—A specified treatment, such as a structural or land management measure, which is planned and applied according to NRCS standards and specifications.
- (43) **Practice Code.**—The identifying number designated within the NRCS national practice standard database as being associated with a specific conservation practice and its practice name.
- (44) **Practice Life (Years).**—Practice life based on how long the materials or activity will last or when they are expected to be replaced by newer technology.
- (45) **Practice Name.**—The identifying name designated within the NRCS national practice standard database as being associated with a specific conservation practice and its practice code.
- (46) **Practice Standard.**—NRCS standards and specifications under which a conservation practice must be implemented in order to be certified. Certification of contracted conservation practices is required before the payment terms of a financial assistance contract are considered to have been fulfilled.
- (47) **Practice or Activity Type.**—A specified version of the application of a conservation practice or activity within a defined, typical implementation scenario. There may be several practice types associated with a single practice code or enhancement activity. For example, under Fence (382), practice types may include barbed wire, electric wire, woven wire, etc.
- (48) **Program Payment Percentage.**—The percent of eligible costs that the agency is willing to pay for implementing a conservation practice or activity. Equivalent to cost-share rate but applied during payment rate development. In contrast, cost-share rates were used in cost lists and applied during the contracting process.
- (49) **Reporting Unit.**—Unit of measure used for reporting conservation progress within NRCS's Progress Reporting System (PRS). These can vary from payment units.
- (50) **Risk (Cost Category).**—Cost category that includes uncertain costs. This can be expressed in terms of the probability of financial loss associated with implementing a conservation practice or activity and the value of the loss should it occur. For example, the probability that there will be a financial loss due to a decline in crop or livestock yields or that there will be an unforeseen increase in production or management expenses. See subpart B, section 613.11F(viii).

- (51) **Section I Cost List.**—A cost list maintained in section I of the eFOTG to NRCS personnel and to the public for purposes of conservation planning activities. This cost consists of program-neutral cost data. Section I cost lists are not equivalent to a payment schedule. The cost data is not to be used in lieu of formal cost estimation when planning complex structural conservation practices.
- (52) **Structural Practice.**—A conservation practice that primarily involves the establishment, construction, or installation of a site-specific measure to conserve, protect from degradation, or improve soil, water, or related natural resources in the most cost-effective manner. Examples include, but are not limited to, facilities installed to handle animal waste, terraces, grassed waterways, livestock and wildlife water developments, capping of abandoned wells, etc.
- (53) **Total Cost.**—The sum of the nine cost categories for a single practice or activity type. The total practice cost constitutes the NRCS estimate of how much it will cost a producer to implement a conservation practice or activity. Also known as "Implementation Cost." $\text{Total Implementation Cost} = (\text{Materials} + \text{Equipment/Installation} + \text{Mobilization} + \text{Acquisition of Technical Knowledge} + \text{Administration/Permit}) + (\text{First year of: Operation/Maintenance} + \text{Foregone Income} + \text{Risk})$.
- (54) **Typical Implementation Scenario.**—A scenario that describes the resource setting within which a practice or activity type is typically implemented. A typical implementation scenario describes the most common application of the practice, including how the practice is implemented and typical quantities and units, materials and other inputs used, and methods of implementation, on the most common landscape setting. One or more typical implementation scenarios may be developed for each practice or activity, based on the practice complexity, to account for variability in implementation and variations in economies of scale (i.e., large, medium, small animal waste storage structure, or high, moderate, low levels of pest management). Each separate implementation scenario for a practice or activity will correspond to a "practice or activity type."
- (55) **Unit Cost.**—The cost of implementing a single unit of a specified practice or activity type.
- (56) **Unit for Cost Estimate.**—The unit type used for preparing a cost estimate for a practice or activity for a typical scenario (not required to be the same unit as the national "conservation practice standard" units). Different scenarios within the same practice or activity may have different units. The unit may vary from payment units and from reporting units.
- (57) **Unit Type.**—The unit of cost or payment used for a specified conservation practice or activity. Examples include acres (AC), animal units (AU), feet (FT), number (NO), etc.
- (58) **Vegetative Practice.**—A conservation practice that primarily involves the establishment or planting of a site-specific vegetative measure to conserve, protect from degradation, or improve soil, water, or related natural resources in the most cost-effective manner. Examples include, but are not limited to, vegetative buffer strips, plantings for the protection of vulnerable or heavily impacted areas, revegetation of riparian zones, etc. Vegetative practices have a lifespan of more than 1 year.