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Title 390 – National Watershed Program Manual

**Part 500 – Watershed Program Management**

**Subpart E – Program Cost Sharing**

Amended June 2024

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#### 500.40 Cost-Share Authority

- A. Public Law 83-566. Financial assistance to the sponsoring local organization (SLO) and individual land users is authorized under Pub. L. No. 83-566. Cost sharing with the SLO is implemented through cooperative agreements (390 NWPM § 504.0(B)).
- B. Other Federal Laws. Under Pub. L. No. 91-646, agencies receiving federal financial assistance must provide relocation payments and assistance to displaced persons. This law 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 project plans must be developed for one or more project purposes. Cost-share rates are based on the project purposes, except for projects under the Watershed Rehabilitation Program (see paragraph I of this section). Authorized project purposes are listed in section 500.3(B) of this manual.
- B. The state conservationist is responsible for setting cost-share rates for measures to be included in each project, provided such federal assistance is within the policy limits in this manual. Figures 500E-1 and 500E-2 summarize the cost-sharing provisions. Projects with multiple purposes must follow the process described in section 500.42(I) of this subpart.
- C. Cost sharing will not be provided for watershed protection measures or easements on federal land, except for Pub. L. No. 78-534 projects (7 CFR § 622.3(c)).
- D. The SLO must pay the costs of operating, maintaining, and replacing works of improvement as outlined in a formal operation, maintenance, and replacement agreement (Title 180 National Operations and Maintenance Manual, Part 500).
- E. The SLO must acquire, without cost to the Federal Government from funds appropriated for the purposes of Pub. L. No. 83-566, all land, easements, and right-of-ways needed for the works of improvement. See section 500.42 of this subpart for exceptions.
- F. Project administration costs are not cost shared. Each participating agency bears its own administration costs. SLO project administration may be included as in-kind contributions towards the SLO's cost-share requirement.

- G. Costs for works of improvement in excess of federal requirements or that are not part of a Pub. L. No. 83-566 purpose will not be cost shared.
- H. Costs for mitigation, mitigation banks and practice installation, or other mitigation costs will be cost shared according to the purpose of the associated works of improvement. This does not apply to easement and real property rights. See paragraphs I and J in this section.
- I. Watershed Program funds may be used for cost sharing amounting to no less than 50 percent of the cost of acquiring perpetual wetland and floodplain conservation easements. The easements to be acquired by the SLO must 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 (Pub. L. No. 83-566 § 3(a)). Financial assistance for conservation easements will be based on the appraised market value of the land and the associated acquisition costs.
- J. Pub. L. No. 83-566 authorizes the use of Watershed Program funds for up to 50 percent of the cost of real property rights acquired or to be acquired by the SLO for mitigating 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.

**Figure 500E-1: Federal Cost-Sharing Percentage Provisions for Conservation Easements and Mitigation of Fish and Wildlife Habitat Losses<sup>1</sup>**

Type of Easement	Engineering and Technical Assistance	Real Property Rights
Conservation Easements Wetland or Floodplain	50 to 100 percent	50 to 100 percent
Mitigation of Fish and Wildlife Habitat Losses	0 to 50 percent	0 to 50 percent

- K. Cost share for Watershed Rehabilitation Program projects is limited to 65 percent of the total eligible costs of the rehabilitation project but must not exceed 100 percent of the actual eligible construction costs. Construction costs include the reconstruction or decommissioning of the dam and, when necessary, the relocation or floodproofing of downstream property. Watershed Rehabilitation Program funds may provide up to 100 percent of engineering and technical assistance costs, but these costs will not be a part of the watershed rehabilitation cost-share calculation. See 390 NWPM, Part 505, Subpart D, for further discussion of the Watershed Rehabilitation Program.

### 500.42 Cost-Share Rates for Watershed Program Purposes

The following is a summary of cost sharing authorized for the Watershed Program. Technical assistance funds needed for planning are paid up to 100 percent by NRCS. The cost-share rates for the design and implementation phases of the project are described in this section and displayed in Figures 500E-1 and 500E-2. The state conservationist must set the cost-share

<sup>1</sup> These provisions apply to acquisition of real property rights by purchase or easements (16 U.S.C. § 1003a).

rate similar to other federal programs.

#### A. Flood Prevention (Flood Damage Reduction)

1. Watershed Program funds must provide 100 percent of construction and engineering or technical assistance costs for works of improvement for flood damage reduction (Pub. L. No. 83-566 § 4(2)). Cost-sharing is not available to acquire land, easements, right of ways, or permits needed for works of improvement for this purpose, except when acquiring wetland or floodplain conservation easements.
2. Watershed Program assistance involving nonstructural flood prevention 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. Eligible costs associated with moving or repositioning structures must include replacement of comparable facilities or features such as basements, driveways, heating systems, and decks. The cost of improvements beyond the decent, safe, and sanitary requirements is a non-project cost and therefore not eligible 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 is based on the appraised market value of the facilities and associated acquisition and site restoration costs.

#### B. Watershed Protection

1. Watershed Program funds may be used for agreements with the SLOs, who in turn have agreements with landowners and operators, individually or collectively, to install measures needed for enhancing water quality for developing and conserving the soil, water, woodland, wildlife, energy, and recreational resources of the land (Pub. L. No. 83-566 § 3(6)).
2. Federal funding assistance must not exceed the rate of assistance to program participants for similar practices under other existing national programs at the time of planning. Changes in the rate of assistance are subject to an exchange of correspondence with the project SLO. 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 (120 GM § 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 funds may not be used for installing, operating, and maintaining land treatment on federal land. This restriction does not apply to the use of Pub. L. No. 78-534 funds on National Forest System lands.

#### C. 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 up to 100 percent of engineering and technical costs. The limitations set forth in subpart A of this part apply to recreation developments that include minimum basic facilities.

#### D. Agricultural Water Management

1. Financial assistance may not exceed the rate of assistance for measures installed for similar purposes through other available federal programs. Watershed Program funds may provide up to 100 percent of engineering or technical assistance costs.
2. Wells, water treatment facilities, pipelines, and similar practices for rural drinking water distribution systems are not eligible for Watershed Program assistance.

#### E. 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 (M&I) water supply reservoir storage to meet present water supply demands (16 U.S.C. § 1004(2B)).
2. The planning, design, and installation of M&I water wells, water treatment plants, distribution systems, and electric distribution facilities fall outside the scope of the Watershed Program and are not eligible for assistance from Pub. L. No. 83-566 funds.
3. The SLO is responsible for 100 percent of the construction cost of anticipated future water supply demands. (16 U.S.C. § 1004(2B)).
4. For single-purpose M&I water supply implementation, the SLO must provide all technical services for implementation (210 NEM § 505.16(4)). For multi-purpose M&I water supply projects, the SLO may request NRCS assistance for engineering services if the storage volume for M&I water is less than 20 percent of the total water storage volume (210 NEM § 505.16(5)).
5. Before beginning construction, the SLO must provide adequate assurances that USDA will be reimbursed for at least 50 percent of the construction cost of M&I storage for present water supply demands and 100 percent of the construction cost of M&I storage for future demand (Pub. L. No. 83-566 § 4(2B)). (See Figure 500E-2 in this subpart).
6. Watershed Program M&I water supply projects may be funded by loans through the USDA Rural Utilities Service (7 CFR Part 1780 for water loans with Rural Utilities Service and 7 CFR Part 1781 for PL 566 watershed loans). The cost of storage for future water supply demands is limited to loans. These loans must be repaid within 50 years.

7. 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 of construction of the retention reservoir 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 completing the structure, whichever is earlier (16 U.S.C. § 1004(2)(b)). Outlet works are eligible for advances when such works are a part of the structure.
8. Before Watershed Program funds being advanced or loaned for costs associated with additional storage for anticipated future demands, the state conservationist must require reasonable assurances and evidence from the SLO that demands for the additional storage will be made within a period of time that will allow for the funds to be repaid within the structure’s lifetime (Pub. L. No. 83-566 § 4(2)).

F. Water Quality Management

1. Financial assistance may not exceed the rate of assistance for measures installed for similar purposes through other available federal programs. Watershed Program funds may provide up to 100 percent of engineering or technical assistance costs.

**Figure 500E-2: Federal Cost-Sharing Percentage Provisions by Purpose**

Purpose	Installation and Construction	Engineering and Technical Assistance	Real Property Rights <sup>1</sup>
<b>Flood Prevention</b> Works of Improvement	100 percent	100 percent	0 percent
<b>Watershed Protection</b> Works of improvement that develop or conserve: <ul style="list-style-type: none"> <li>• Soil</li> <li>• Water quality and quantity</li> <li>• Woodland</li> <li>• Ecosystem restoration</li> <li>• Energy</li> <li>• Air quality</li> <li>• Cultural and aesthetic resources</li> </ul>	Similar rate to other cost-share programs	100 percent	0 percent
<b>Public Fish and Wildlife or Public Recreational Development</b> <ul style="list-style-type: none"> <li>• Works of Improvement</li> <li>• Recreation Minimum Basic Facilities</li> </ul>	0 to 50 percent	50 to 100 percent	0 to 50 percent

<sup>1</sup> See 390 NWPM § 501.80(A)(14).

Purpose	Installation and Construction	Engineering and Technical Assistance	Real Property Rights <sup>1</sup>
<b>Agricultural Water Management</b> Works of improvement that involve: <ul style="list-style-type: none"> <li>• Drainage</li> <li>• Irrigation</li> <li>• Ground Water Recharge</li> <li>• Agricultural (including rural community) Water Supply</li> <li>• Water Conservation</li> <li>• Water Quality</li> </ul>	Similar rate to other cost-share programs	100 percent	0 percent
<b>Municipal and Industrial Water Supply</b> <ul style="list-style-type: none"> <li>• Reservoir Structure</li> </ul>	0 to 50 percent	0 percent	0 percent
<b>Water Quality Management</b> <ul style="list-style-type: none"> <li>• Reservoir Storage</li> </ul>	Similar rate to other cost-share programs	Up to 100 percent	0 percent

#### G. Multipurpose Projects Cost Allocation

1. Cost allocation is the process of apportioning total project financial costs among purposes served by a plan. The need for cost allocation stems from pricing and cost-sharing policies that vary among purposes.
2. Financial costs must be allocated to the project purposes. These purposes do not include other direct benefits (see § 1.7.2(d) of Economic and Environmental Principles and P&G) and use of otherwise unemployed or underemployed labor resources. All purposes must be treated comparably.
3. The Separable Cost Remaining Benefit (SCRB) methodology must be used for determining the appropriate cost allocation for multipurpose projects. The SCRB methodology is outlined in 390 NWPB.

#### 500.43 Relocation Payments

Relocation payments are cost-shared 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 Pub. L. No. 91-646.