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Date: June 18, 2007

WASHINGTON BULLETIN WA300-7-16

SUBJECT: LTP - Development of FY 2008 Payment Schedule

Purpose. Transmit instructions and information for developing cost data

Expiration Date. September 30, 2007

ACTION REQUIRED BY DISTRICT CONSERVATIONISTS BY JULY 31, 2007

Background

National Bulletin 300-7-15 provides a national strategy for implementing the transition from conservation program cost-lists to payment schedules in fiscal year (FY) 2008. It directs each state to implement a new process for payment schedule development that provides a cost basis for conservation program payment rates. You are encouraged to review this bulletin as it will provide a good background and basis for the work ahead.

Your assistance is needed to develop and document the practice costs used for the Washington Payment Schedule. This process started with a review of the FY 2007 cost-list and the modification of components to move us towards scenarios which encompass a single complete outcome or installation instead of multiple components. Workgroups that included state, area and field office staff developed the current draft of practice scenarios.

Action Required

Each team is assigned a group of practices. Assignments were based on the practice's frequency of use by each team. The District Conservationist for each team is responsible for completing the development of cost information for each scenario within the practices. (Costs for management incentive practices will be handled at the state office level.) Please follow these recommendations in carrying out this task.

- Assign each practice to a specific person to ensure accountability and consistency.
- Consult with your Area Conservationist and Area technical staff. In some cases, area technical staff may want to take the lead on some practices.

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- Consult with State, Area and Field Office staff from around the state to ensure that your cost information will be representative of the state, not just your county or area.
- Consider forming a small working group of employees from around the state who frequently use the practice.

For each practice scenario, complete a “Cost Documentation Worksheet”. A blank worksheet form is provided as a Word document. Costs are divided into four types which are: Materials/Supplies, Equipment, Labor/Installation and Mobilization. Whenever possible, break down costs into all four of these types. In some cases it may be more practical to lump costs together under just two or three types. Typically, costs will be determined as a cost for an entire project and then will be calculated out to a per-unit basis. A per unit cost, on the same unit type as indicated for the scenario, is required as a final product for each scenario. A separate word document is to be provided for each scenario. It should be named using the following template: “practice code_scenerio name.doc”, for example 396_bridge.doc. Completed documents should be sent by email to Chad Dunnahoo.

Supporting Information

Here are some guiding principles to assist you in this process

- Use the component costs from the FY 2007 Statewide cost-list as a starting point for determining and documenting costs for the new Payment Schedule.
- **Costs will not be changed unless there is specific documentation to support the new cost. The documentation of costs and sources must be included on the worksheet.** It would be ideal if there was documented, actual cost data from an NRCS assisted project for each scenario. However, the reality is that this may not be possible. It is understood that in some cases costs will be based on our historical rates.
- Costs should be defined for the **typical** situation. Do not base costs on work that represents the high or low end of the cost spectrum. We are looking for the middle ground.
- Don’t spend too much time on scenarios that are identical to the components on the old cost list. You should verify that the current cost is acceptable by reviewing actual cost data if available, contacting vendors for current prices and consulting with other NRCS staff for data or information. Document actual data and sources on the Cost Documentation Worksheet. Subdivide cost data into the four types as appropriate.
- There are some scenarios that repeat on more than one practice such as concrete, grass seeding, tree plantings and others. If you feel there is a need to change the costs for your practice, you should consult with those who are working on other practices that include this scenario and coordinate those changes.

- **The most critical work** will be those scenarios where we are eliminating several components and basing our payment on a complete practice. In these cases, you should begin by clearly defining the typical situation in terms of size and scope. Once costs for the entire project are documented, the cost per unit can be determined. Document actual data and sources on the Cost Documentation Worksheet. Subdivide cost data into the four types as appropriate.
- Please provide any narrative information that you feel is important to describe the scenario, such as the typical setting, size or what specific items are included or excluded.
- If you have any questions about a particular scenario, please ask questions **before** you begin documenting costs.

The following documents are being provided for your use.

- *Payment Rate Scenarios.doc* - This word document summarizes all the practices and scenarios along with some narrative comments.
- *Practice Scenario Assignments.xls* - This spreadsheet shows all practices and team assignments. A separate tab has been included for each team. There is a blank column for indicating the person who is assigned to the practice.
- *FY07Costlist PaymentSchedule Comparison.xls* - This spreadsheet arrays each practice and scenario for the new Payment Schedule against the components for each practice used in the FY 2007 Statewide cost-list.
- *CostlistFY07Final.xls* - This is the statewide cost-list used in FY 2007.
- *Cost Documentation Worksheet.doc* - This worksheet will be completed for each practice scenario.
- The NRCS Economist in Oregon has developed cost documentation for most practices in that state. These documents provide examples of how costs can be documented, and are available on my.NRCS, Programs tab, FAPD Payment Schedule, in the "Typical Implementation Scenario Templates" folder at this link: <https://my.nrcs.usda.gov/program.aspx> . Actual cost data in these templates should be used for comparison purposes only.
- *National Bulletin 300-7-15 for reference.*

If you have any questions regarding this process, please contact your local Program Liaison or Dave Brown, ASTC-P. Also, if you have comments or want to make suggestions on the development of the specific scenarios, please forward those comments directly to Dave Brown as soon as possible.

R. L. "GUS" HUGHBANKS
State Conservationist

Attachments