United States Department of Agriculture

NRCS

Natural Resources Conservation Service
P.O. Box 2890
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SUBJECT: Economic Support at the State Level

TO: State Conservationists

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In 2010, the Natural Resources Conservation Service's (NRCS) realignment placed the Resource Economics, Analysis, and Policy Division (REAP) in the Deputy Area for Strategic Planning and Accountability. In addition, because of the national effort to develop regional payment schedules, State Economists are no longer required to develop cost data for financial assistance programs for their individual States. A National Cost Data Team is developing this cost data. These two events have led to concerns about the appropriate roles and responsibilities of State Economists, in particular as it pertains to cost data development and collection. The development of centralized/regional payment schedules *does not end* the State Economist's and other State staff's roles in developing State-level cost data. The support provided by State Economists in the new process to develop payment schedule scenarios is greatly appreciated.

This memorandum addresses concerns and provides clarity regarding the work needed from State-level economists with respect to cost data and analysis. NRCS policy states that economics is an essential consideration in all agency decision-making. Economic principles must be applied in the planning, implementation, and evaluation of agency policies and program activities to provide the most cost-effective assistance to customers, cooperators, and partners for the sustained use of natural resources. Economic principles and techniques, including cost effectiveness, economic feasibility, and benefit-cost analysis should be applied to all program formulation, management, and evaluation activities of the agency. State Economists have a critical role in the conservation planning process. It is critical that conservation planners have appropriate economic data and information for them to assist land users in making sound conservation and economic decisions.

State-level cost data is still needed for conservation planning activities. State Economists and State technical specialists will continue to collect and develop cost data for conservation planning activities. These cost data will be posted in the Field Office Technical Guide (FOTG), Section I, General References. Cost data will be documented in the "grey box" format as described in the Economics Handbook (Title 200 – National Resource Economics Handbook (200-V1-NREH, Amend. 2, March 2009) Part 613 – Payment Schedules). See: H_200_613_A - Subpart A - March 2009, http://directives.sc.egov.usda.gov/viewerFS.aspx?hid=22864 for guidance in developing the practice payment rates and payment schedules. Both the Economics Handbook and the policy referring to Payment Schedule will be updated to conform to this new process in the near future. Until those updates occur, the current policy for conservation planning activities should be followed.

Local cost data supports conservation planning at the field level (eFOTG), and supports conservation planning with the new Conservation Delivery Streamlining Initiative tool. The National Planning Procedures Handbook requires cost data be made available to the conservation planner and the client, which quantify the social, cultural resource, economic, and ecological effects for each alternative. Cost information is available in the FOTG, Section I, from discipline specialists and other sources and the planning document provided to the client must be a quality document containing meaningful information for the client. The conservation plan should include the cost estimates.

Additional data needs to be gathered and processed by the State Economist. The financial assistance (FA) Programs regional/national payment schedules do not include all out-of-pocket-costs to the land user. A total practice cost estimate is needed for various applications including conservation planning activities and ranking tools. The Application Evaluation and Ranking Tool require local/State cost data. The Environmental Quality Incentives Program Ranking Tool requires Practice Annual Average Costs (PAAC). The PAAC is separate from those cost used in the program payment schedules. Because practices are ranked at the State level, locally developed State average costs are used in the PAAC tool. Ranking tool costs are based on the cost of a typical size practice installed in a State. The approved cost categories for inclusion in the PAAC are: Materials, Equipment/Installation, Labor, Mobilization, Operation and Maintenance, Acquisition of Technical Knowledge, and Forgone Income. Payment schedules are based on the practice reporting unit or practice component item or unit. PAAC data is documented in the "Grey Box" and posted to the Electronic Field Office Technical Guide. To fulfill these requirements, the State Economist must maintain databases that include cost estimates at the local level.

Several States generate State Component Average Cost list(s) that are used to support State Cost Share Programs through local partners (Department of Environment and Natural Resources, Department of Natural Resources, and Soil and Water Conservation Districts, etc.). Local/State cost estimates provide data for agency Benefit-Cost Analysis where total cost estimates are necessary. Estimates are needed for the cost of new technology (practice scenarios) proposed by State Technical Committees. Finally, local cost data would continue to support the national and regional cost data for NRCS payment schedules into the future and will provide a quality check to the accuracy of the national/regional payment schedule cost estimates.

If you have any questions, please contact Dr. Janet Perry, Chief Economist and Director, Resource Economics, Analysis and Policy Division; telephone: (301) 504-2362; email: janet.perry@wdc.usda.gov.

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