

## Part 2 - Costs

### Cost Types

NRCS uses four cost types for cost-sharing. These are (a) average cost, (b) actual cost not to exceed the average cost, (c) actual cost not to exceed a specified maximum cost, and (d) flat rate cost. Generally for conservation technical assistance (CTA) average cost are used to share information with the customer on what typical installation, operation and maintenance costs are expected. For programs, it is important to follow the program rules on which cost type to use, use General Manual instructions for contracting, and if approval of the cost list is required have that done prior to using it for contracts.

### Guidance for Updating Cost Data and Development of Cost Lists

Cost data should be developed following the policy in 120 General Manual, Part 404, Subpart D, 404.13. Review and update cost data and cost lists on an annual basis. Cost data include costs for equipment and power, seeds, fertilizer, chemicals, labor, construction costs and other materials needed for the conservation practice to be installed. The use of cost data in computer programs saves time and effort in preparing contracts. Cost data and cost lists are used in analysis during the formulation and evaluation of alternatives. The typical cost per practice can be used to provide customers estimates of installation, operation, maintenance and replacement costs.

Actual cost data are to be collected on a representative number of jobs on all applicable measures and practices in each county, watershed or other defined area. In determining average cost data, information from suppliers, Farm Service Agency, Cooperative Extension Service, and other sources may be considered in addition to data collected from participants. Receipts from practices installed within the last year or surveys can be used to gather data on local prices. To determine the cost of management services, use the typical charge

used by consultants or a typical rental rate. When contacting suppliers for prices, try to get an average retail price and not the bulk or discount price unless that item is usually purchased at bulk or discount prices by most buyers. When making contacts to get prices, try to contact a reasonable number of suppliers in the area. If all the prices are within 10% of each other, the average of those prices can be used. If you get a price that is unusually high or low, you will need to use some judgment as to whether to use that price or not. In some areas there may be only one supplier. If that is your only data and you feel it is typical for the area, then use that price. It is important to get prices for components that meet the requirements in the conservation standards.

Cost data includes the components for practices and is used to develop cost lists for practices. Cost data can be collected in the typical purchase units. Calculate a practice cost in the same units as the practice standard. The costs in the database should reflect what are the typical costs for the practice described in the narrative. In addition to the price per unit for practices, the expected useful life and operation and maintenance per unit are needed to complete economic analysis.

Cost data and cost lists can be kept in electronic form in a computer file or a hard copy filed in FOTG, Section I Cost Data. Records of phone calls, previous contract data, and correspondence with vendors should be kept to assist in making future updates. The file system code for this is ECN 200-15 Conservation Practices Costs.