

Part 1

Introduction

NRCS policy is that economic effects of alternative actions should be provided to NRCS customers in order for them to make informed resource decisions. Cost information should be used as a part of analyzing and evaluating the economic effects of conservation systems. The purpose of the Cost Data Section is to provide guidance to NRCS personnel in the development and use of cost data and cost lists, provide guidance on making cost estimates, and provide state average cost data.

The initial phase of evaluation on the effectiveness of conservation measures is the collection, analysis, and use of current information on costs and prices. Economic data is used by our customers in making informed natural resource decisions. Costs are considered when formulating alternatives and are used in the evaluation of alternatives. Cost data is used to develop cost lists and cost estimates for conservation practices. Cost data and cost lists are updated annually.

Cost Information

The conservation planner needs to be prepared to discuss the resource changes and costs necessary to successfully install, operate, and maintain the conservation alternative that is being recommended. Cost information is based on typical installations and is for general information to assist with comparing different practices and to provide the customer with an idea of what typical practice costs are. The typical cost per practice can be used to provide customers estimates of installation, operation, maintenance, and replacement costs. Cost information should be provided to all customers. When a customer requests more information or the planner determines that a cost estimate is appropriate to facilitate the customer having the economic information they need to make a decision; a cost estimate should be provided.

Cost Information is located in FOTG, Section I, Cost Data, Costs, Cost Information.

Component Cost Data

The component cost data is the data set of the cost for components of practices and is used to develop cost estimates. The component cost data is also used to develop the cost information. It is also used in the development of cost lists used for cost-sharing contracts. Data is collected on the cost of components that are used to install a conservation practice. The data set on the cost of components is gathered from receipts from practices that have been installed and from gathering information from suppliers, as well as individuals and firms who provide services to install conservation practices. The data is gathered in the units in which it is used. For example, cost data would include items such as the price of a prairie grass seed mix at \$x per pound or the price charged for backhoe services at \$x per hour.

Component cost data is gathered throughout the year and the FOTG is updated annually. The local, area, and statewide average Component Cost Data is located in FOTG, Section I, Cost Data, Component Cost Data.

Cost Lists

Cost lists are developed for use in contracts for cost-sharing. Cost lists are developed according to the instructions in 120 General Manual, Part 404, Subpart D - Cost-Sharing. Data is gathered on the cost of installed practices and used to develop cost lists. Component Cost Data is also used in the development of Cost Lists. Cost Lists include the cost type, percent cost-share, and incentive rates, as well as the average cost for a practice or component of a practice that will be in a contract for cost-sharing. The automated cost lists are maintained in the Customer Service Toolkit or other agency approved software. Cost Lists will be filed in FOTG, Section I, Cost Data, Costs, Cost Lists.

Follow General Manual instructions for contracting, and complete the approval process for cost lists prior to using them for contracts.

Cost Estimates

Cost estimates are the information given to the customer on the expected cost to install a conservation practice. The information is tailored to their specific site and is based on the best inventory and evaluation (I & E) obtained by an experienced conservation planner. For engineering practices, the person doing or approving the cost estimate needs to have inventory and evaluation job approval authority. The specific quantities for each component along with the component cost data are used to calculate the cost to install each component. The sum of the costs for the component is the installation cost estimate for the practice. An additional amount can be added for contingency. A reasonable percentage of the total can be added as a contingency for unforeseen changes such as a price change over the time between the estimate and the installation or an unforeseen situation that occurs during construction. The use of contingency is a matter of professional judgment on the part of the planner. Cost estimates are part of the economic information that a planner provides to a customer and should be provided at the customer's request. The format and detail of a cost estimate varies depending on the complexity of the practice or the customer's needs. Cost estimates can be done on the cost estimate forms or on agency approved software.

The customer can use the cost estimate to make a decision on installation. Where program cost-shares are available, the customer can compare the amount from cost-share available and the cost estimate to determine the amount of installation costs that they need to provide from their own resources. These two pieces of information (cost estimate and cost-share available) assist the customer to make a decision on participation in programs.

Guidance for Updating Cost Information, Component Cost Data, and Cost Lists

The FOTG, Section I, Costs will be reviewed and updated annually. Field staff will assist with gathering data on practices installed, as well as the prices for components of practices. Data on costs are to be collected on a representative number of jobs on all applicable measures and practices. Actual costs paid on receipts from the previous year provide information on what the costs were on that job. Collect this data as per instructions from the Assistant State Conservationist-Field Operations. Records of telephone 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.

The cost data gathered will be used to update the FOTG and agency approved software that is used for cost estimates.