

# Incentive-Based Cost Sharing

## Team Four-Sight

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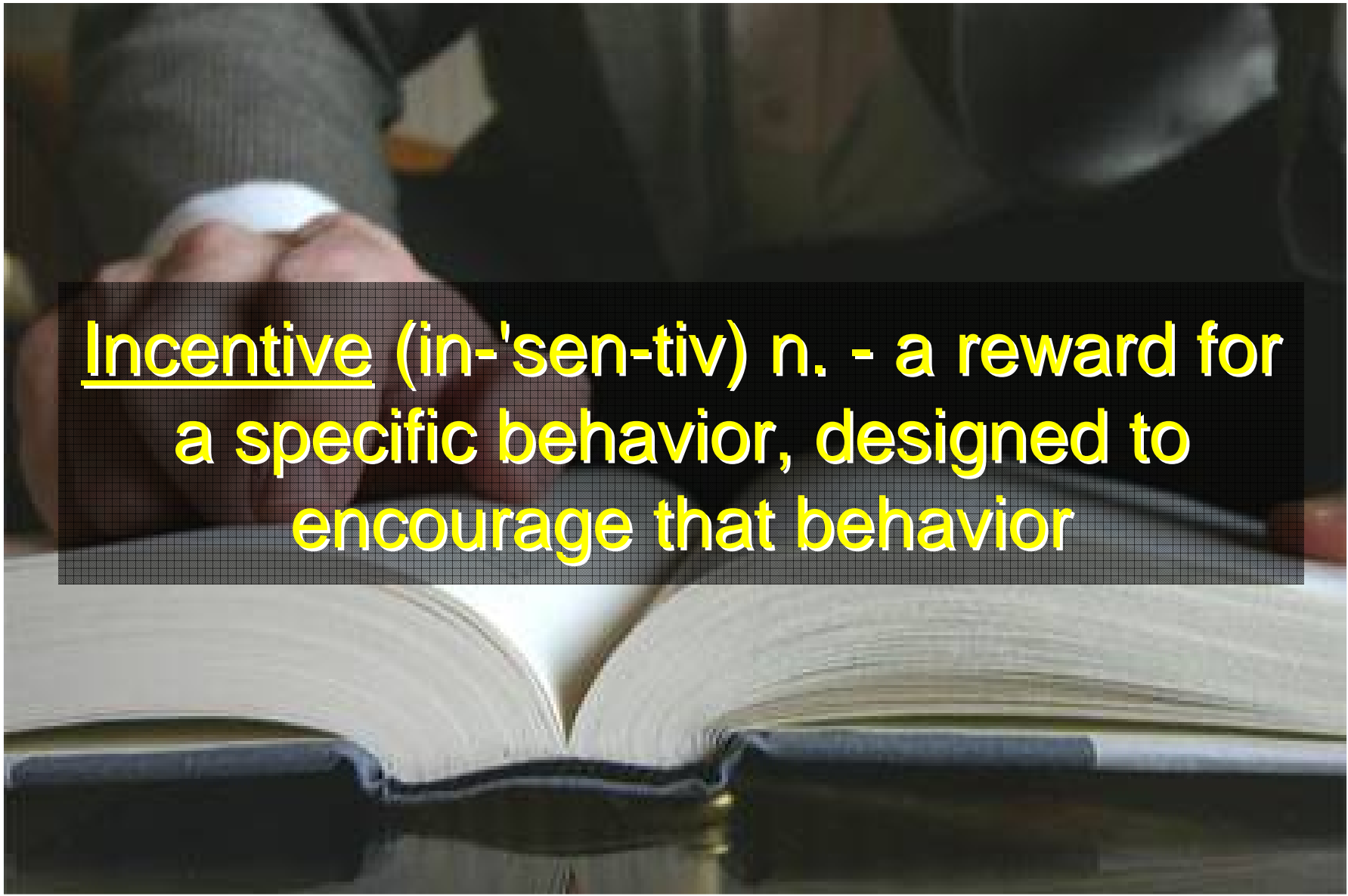
## 17 September 2007



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A person in a military uniform is shown from the chest up, holding an open book. The person's hands are visible, and they appear to be reading. The background is slightly blurred, showing other people in uniform.

**Incentive (in-'sen-tiv) n. - a reward for a specific behavior, designed to encourage that behavior**



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# CTP Objective

**Provide a conceptual look at the positive and negative aspects of implementing an incentive-based approach to cost sharing for the Corps Civil Works Program**



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# Briefing Overview

David Bucaro {

- History / Current Policy
- Problems

Naomi Fraenkel {

- Precedents
- Approach

Brian Rast —

- Proposed Criteria

Jeff Tripe {

- Process
- Benefits
- Potential Concerns
- Recommendation



# History / Current Policy

- Water Resources Development Act of 1986
  - Fundamental change in Corps CW Program
  - Reduced federal burden per project
  - Increased non-Federal level of responsibility
  - Promoted stronger partnerships
- Predetermined cost sharing by project purpose
- Requires Cooperation Agreements
  - FCSA, PED agreement, PCA



# Problems

- Fails to promote projects with national, regional and local significance
- Delays implementation of project features that would otherwise be initiated by solely crediting non-Federal investment after execution of PCA
- Provides few incentives for non-Federal sponsors to invest their resources into programs, plans and regulations that are compatible with Corps missions and provide more sustainable Federal projects
- Penalizes non-Federal sponsors who use their resources in advance of Federal participation by including actions in the without-project condition



# Federal Precedents



Community Rating System (CRS)

Conservation Reserve Program (CRP)



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# Proposed Approach

- Use existing cost sharing for feasibility and design
- Reduce non-Federal cost share for project implementation based on a set of clear, simple and measurable criteria
- Criteria follow three general categories:

**S**ignificance

**I**nterest

**S**ustainability

# SIS



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# Significance Criteria

- Used to credit the local, regional and national importance of a project
  - Existence of threatened/endangered species
  - Evidence of significant cultural resources
  - Presence of significant historic structures
  - Existence of critical habitat
  - Proximity to critical facilities
- Projects with nationally significant resources receive greater cost share reductions
- Provides incentive for sponsors to bring forward significant projects that have inherent value



# Investment Criteria

- Used to credit non-Federal sponsors for implementing project features in advance of PCA
- Included in total project cost and applied as part of the non-Federal contribution (similar to LERRDs)
- Can be implemented from reconnaissance through execution of PCA; avoids crediting past investments
- Credits determined through study cost estimates
- Appraisal necessary to ensure that project features were constructed as proposed
- Provides incentive for sponsors to implement features with local resources in advance of Federal funds



# Sustainability Criteria

- Used to credit non-Federal sponsors for actions that the Corps cannot directly implement, but which are compatible with Corps missions
  - Creation of setbacks and zoning ordinances
  - Use of renewable energy sources
  - Development of watershed and stormwater management plans
  - Programmatic use of environmentally sensitive pesticides
- Reduces residual risks to the human and natural environment
- Provides incentive for sponsors to invest their resources into programs, plans and regulations that provide more sustainable Federal projects



# Proposed Criteria by CW Business Line



# Coastal Storm Damage Reduction

<b>Significance (S)</b>	<b>Investment (I)</b>	<b>Sustainability (S)</b>
<ul style="list-style-type: none"><li>• Protects recognized natural coastal areas (coral reefs, barrier islands, wetlands)</li><li>• Protects recognized cultural resources</li><li>• Protects critical facilities</li></ul>	<ul style="list-style-type: none"><li>• FEMA CRS rating</li><li>• Evacuation plan</li><li>• Warning system</li><li>• Acquisitions</li><li>• Flood risk mapping</li><li>• Beach nourishment</li></ul>	<ul style="list-style-type: none"><li>• Setbacks / easements</li><li>• Zoning restrictions for repetitive flood loss areas</li><li>• Strict building permits</li><li>• Acquisition plan</li><li>• Dune protection</li><li>• Wetland restoration</li><li>• Best Management Practices (BMPs)</li></ul>

# Flood Risk Management

<b>Significance (S)</b>	<b>Investment (I)</b>	<b>Sustainability (S)</b>
<ul style="list-style-type: none"><li>• Protects recognized natural areas</li><li>• Protects recognized cultural resources</li><li>• Protects critical facilities</li></ul>	<ul style="list-style-type: none"><li>• FEMA CRS class</li><li>• Evacuation plan</li><li>• Warning system</li><li>• Acquisitions</li><li>• Flood risk mapping</li></ul>	<ul style="list-style-type: none"><li>• Setbacks / easements</li><li>• Zoning restrictions</li><li>• Strict building permits</li><li>• Levee / dam safety programs</li><li>• Watershed management plans</li><li>• Low Impact Development</li><li>• Smart Growth</li><li>• Wetland restoration</li><li>• BMPs</li></ul>

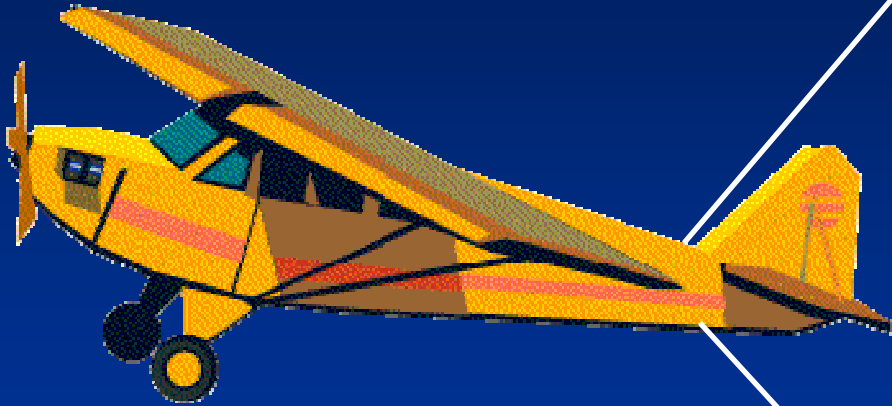
# Navigation

<b>Significance (S)</b>	<b>Investment (I)</b>	<b>Sustainability (S)</b>
<ul style="list-style-type: none"><li>• Market share</li><li>• Hinterland</li><li>• Critical facilities</li></ul>	<ul style="list-style-type: none"><li>• Land-side access improvements</li><li>• Beneficial use of dredged material</li></ul>	<ul style="list-style-type: none"><li>• Renewable energy sources</li><li>• Stormwater management plan</li><li>• “Green” infrastructure</li><li>• Comprehensive traffic / land use planning</li><li>• Regional Sediment Management (RSM)</li><li>• BMPs</li></ul>

# Ecosystem Restoration

<b>Significance (S)</b>	<b>Investment (I)</b>	<b>Sustainability (S)</b>
<ul style="list-style-type: none"><li>• Threatened and Endangered species (T&amp;E)</li><li>• Critical habitat</li><li>• Essential ecological function</li></ul>	<ul style="list-style-type: none"><li>• Erosion control measures</li><li>• Habitat improvements</li><li>• Mitigation banking</li></ul>	<ul style="list-style-type: none"><li>• Zoning for at-risk habitat</li><li>• Water harvesting</li><li>• “Green” programs</li><li>• Water quality / quantity plans</li><li>• Educational amenities</li><li>• Research potential</li><li>• BMPs</li></ul>





ASSESS

RECOMMEND

RATE

IMPLEMENT

VERIFY

ESTABLISH



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# ARRIVE Process

Assess existing attributes using established SIS criteria

Recommend additional creditable non-Federal actions

Rate attribute scales against established SIS metrics









Implement recommended actions by non-Federal sponsor

Verify creditable actions were implemented properly

Establish final cost sharing ratio for project partners

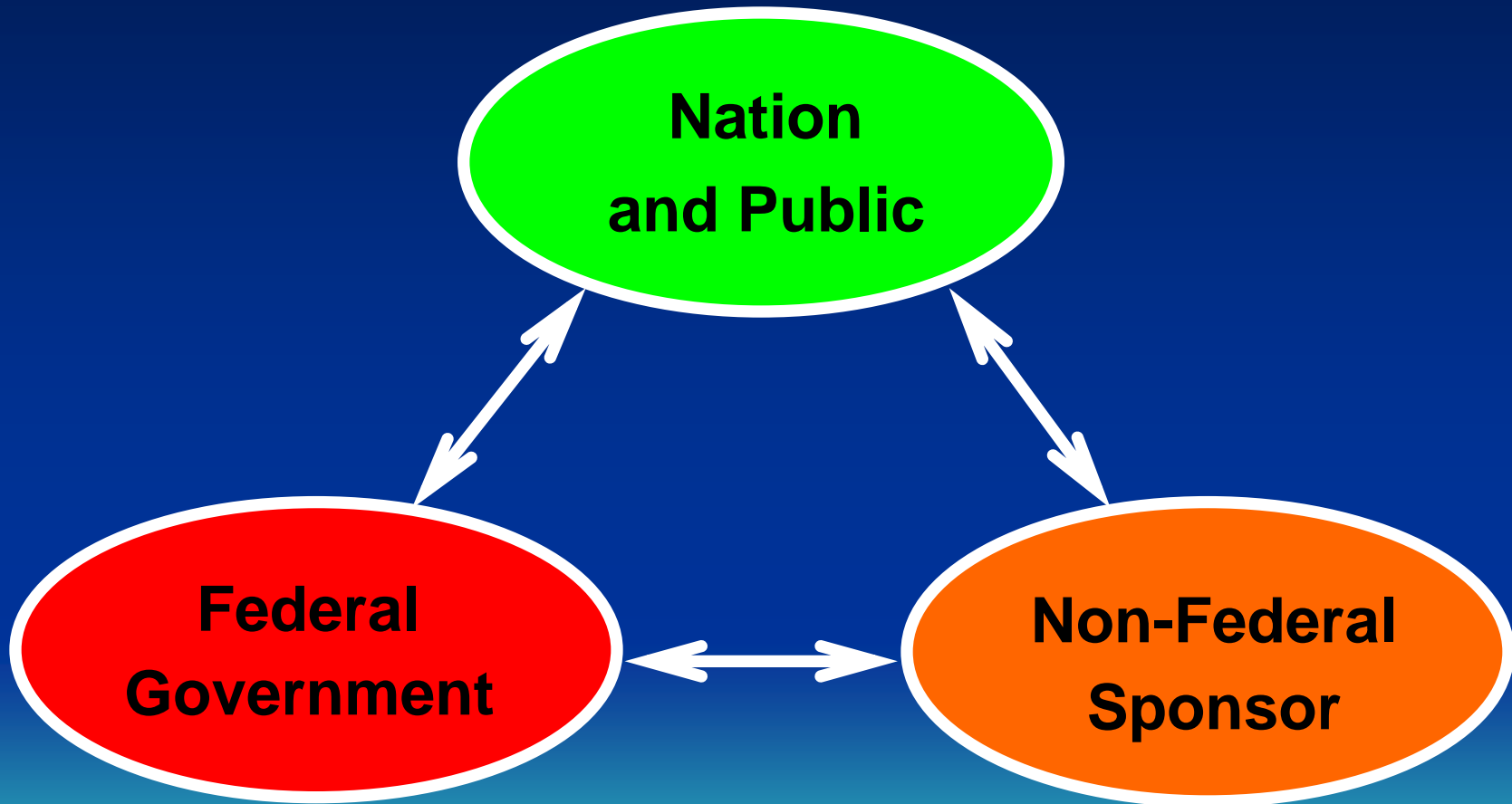


# Process Example (Ecosystem Restoration)

SIS Category	Attribute / Action	Metric	Scale of Non-Federal Credit
Significance	T&E (Pallid Sturgeon)	(fed)	
	T&E (Blue Sucker)	(state)	
Investment	Wetland Restoration	(\$)	
	Riparian Restoration	(\$)	
	Streambank Stabilization	(\$)	
Sustainability	Sewer Separation	(Y/N)	
	Stormwater Ordinance	(Y/N)	
	Water Harvesting	(Y/N)	



# Projected Benefits



# Concerns

- Legality
- Federal Budget
- Resource Limitations
- Misuse and Abuse
- Enforcement
- Monitoring



# Recommendations

- Further study
  - Address concerns
  - Assess budgetary impacts
  - Formulate criteria / metrics
- Pilot program
  - Gauge stakeholder acceptability
  - Identify strengths / weaknesses
- Congressional implementation
  - WRDA authorization



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A photograph of four people standing on a metal walkway with a chain-link fence, overlooking a large dam structure. From left to right: a man in a light blue striped shirt and jeans holding a coffee cup; a man in a grey t-shirt with a logo and blue jeans; a man in a khaki button-down shirt and blue jeans; and a woman in a dark blue sweater and tan pants. The background shows the dam's concrete structures and a clear sky.

Questions?