

CRITICAL THINK PIECE
TEAM FOUR-SIGHT
DAVID BUCARO, NAOMI FRAENKEL, BRIAN RAST, JEFF TRIPE
PLANNING ASSOCIATES CLASS OF 2007

**Incentive-Based Cost Sharing:
Encouraging Sponsors to Further Invest in Sustainable Solutions and Significant Projects**

EXECUTIVE SUMMARY

This Critical Think Piece provides a conceptual look at the positive and negative aspects of implementing an incentive-based approach to cost sharing for the U.S. Army Corps of Engineers (Corps) Civil Works Program. This initiative would provide financial incentives for non-Federal sponsors to invest in sustainable solutions to water resources problems and to propose projects with local, regional, and national significance. Financial incentives would take the form of a reduction in the non-Federal share of project implementation cost.

The reduction in the non-Federal cost share would be determined by evaluating attributes of a given project using a standardized set of criteria and metrics. Reductions would be taken from existing cost sharing ratios for applicable business lines. Proposed criteria would be organized into three general categories:

- The *Significance* category would consist of criteria to assess the local, regional and national importance of a project.
- The *Investment* category would consist of criteria to credit non-Federal investments compatible with the goals of the recommended Federal plan.
- The *Sustainability* category would consist of criteria to assess non-Federal practices outside the Corps purview that improve the benefits and performance of the proposed project.

A six-step process is proposed to standardize implementation of *Significance*, *Investment* and *Sustainability* criteria and establish non-Federal cost share reductions. This ARRIVE process would begin at the initiation of the Reconnaissance phase and would be completed upon execution of a PCA:

- (1) Assess existing project attributes using established criteria.
- (2) Recommend additional creditable non-Federal actions.
- (3) Rate attributes against established significance, investment and sustainability metrics.
- (4) Implement recommended actions by the non-Federal sponsor.
- (5) Verify creditable actions were implemented properly.
- (6) Establish final cost sharing ratio for project partners.

Through implementation of the SIS approach and ARRIVE process, non-Federal sponsors would have greater incentive to propose projects with significant national, regional and local resources; to maximize local investment in project features; and to implement programs, plans and ordinances that increase long-term project sustainability. Projects that maximize these incentives could prove mutually beneficial for all parties and allow limited Federal resources to be further focused in areas that provide the greatest value to the nation.

Potential concerns to be explored include legality, impact on the Federal budget, sponsor resource limitations, possible misuse or abuse, and the need for a system of enforcement and monitoring. Ultimately incentive-based cost sharing has many potential benefits and warrants further study.

