

Methodologies for Calculating Credit Costs: Kentucky ILF Programs

Patti Grace-Jarrett, Ph. D.
Senior Project Manager
Louisville District



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Methodologies for Calculating Credit Costs:

Kentucky ILF Programs

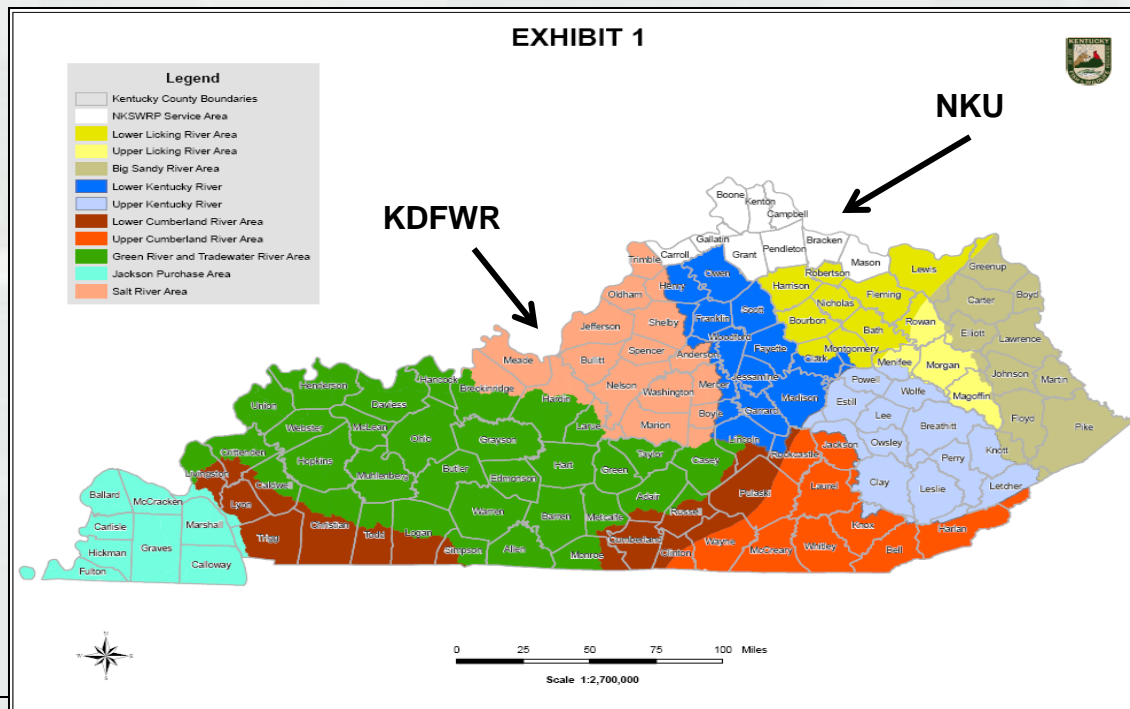
- History of Kentucky ILF Programs
- Historical Method for Calculating ILF Cost/Credit
- New Method
 - ▶ Calculating initial cost/credit
 - ▶ Process for changing cost/credit



History of Kentucky ILF Programs

■ Two Programs:

- ▶ Kentucky Department of Fish and Wildlife Resources (KDFWR)
- ▶ Northern Kentucky University, Center for Applied Ecology (NKU-CAE)

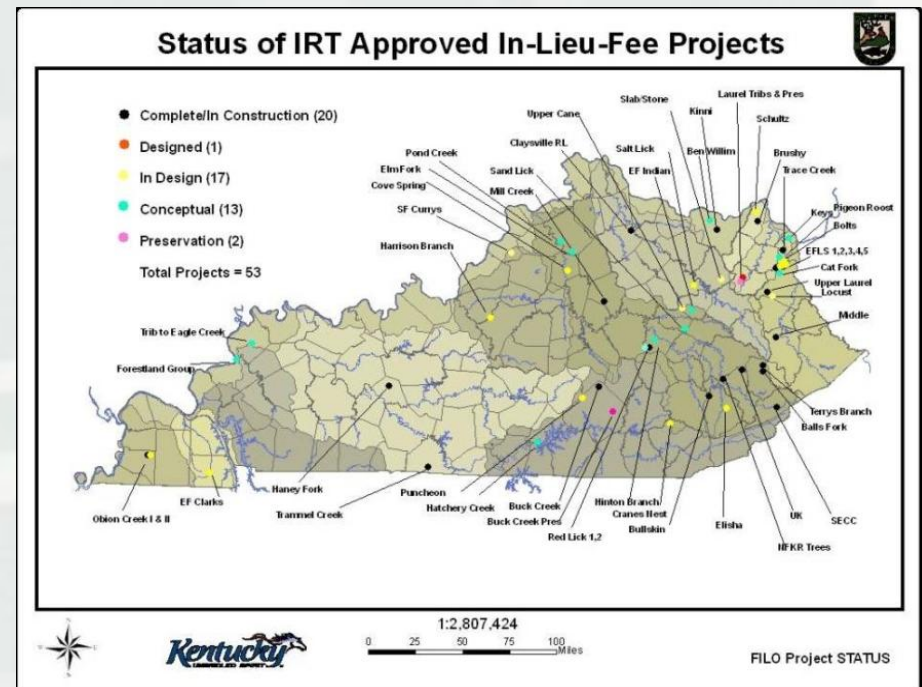


Historical Method for Calculating Cost/Credit

■ Pre-2008 Cost/Credit:

- ▶ Oversight by Corps, consultation with IRT
- ▶ Bi-annual evaluation - “actual” project costs:

- Less complex projects:
 - riparian restoration
 - bioengineering
 - bank stabilization
 - stream enhancement
- Donated C.E.s
- Cost per LF (not credit)
- Minimal administrative (2 FTEs per program)
- \$100 / LF + 20%
- \$ 30,000 / AC + 20%



Historical Method for Calculating Cost/Credit

- 2009 Interim Changes (PN):
 - ▶ Implemented “credits”
 - ▶ Increased rates (streams):
 - \$170 / AMU
 - \$396 / EIU
 - ▶ ILF payments:
 - specify purchase of credits



**US Army Corps
of Engineers**
Louisville, Nashville,
Huntington, and Memphis
Districts

Public Notice

Public Notice No. LRL-1999-760 LRL-2003-27-pgj	Date: 10 Nov 09	Closing Date: N/A
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Please address all comments and inquiries to:
U.S. Army Corps of Engineers, Louisville District
ATTN: Patricia A. Grace-Jarrett, CELRL-OP-FS, Room 752
P.O. Box 59
Louisville, Kentucky 40201-0059

Phone: 502-315-6687

NOTICE ANNOUNCING ISSUANCE OF RATE INCREASE, AND METHOD FOR ASSESSING CREDITS, FOR THE KENTUCKY IN-LIEU FEE PROGRAM

Department of the Army (DA) Permits are required in accordance with Section 10 of the Rivers and Harbors Act of 1899 (33 USC 403) for work in or affecting traditionally navigable “waters of the United States” (U.S.) and in accordance with Section 404 of the Clean Water Act (33 USC 1344) for the discharge of dredged and/or fill material into “waters of the U.S.” Compensatory mitigation is required to replace aquatic functions and services lost due to impacts authorized by DA permits. In-lieu fee (ILF) mitigation occurs in circumstances where a permittee provides funds to an ILF Sponsor instead of completing project specific mitigation or purchasing credits from an approved mitigation bank.

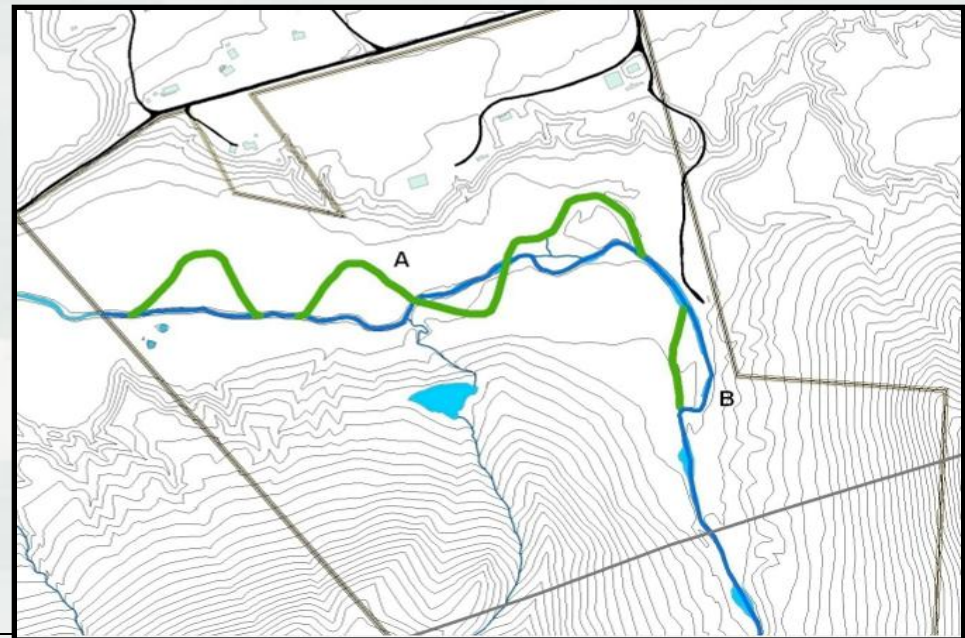
On January 12, 2000, the Louisville and Nashville Districts of the United States (U.S.) Army Corps of Engineers (Corps) issued a Public Notice (I.D. No. LRL-1999-760) announcing an ILF program for the Commonwealth of Kentucky. On January 31, 2003, the Louisville, Huntington, Nashville, and Memphis Districts of the U.S. Corps issued a Public Notice (I.D. No. LRL-2003-27) announcing the establishment of three ILF Sponsored Programs and soliciting comments on implementation procedures (“local procedures”) for the Programs. Currently, there are two ILF Sponsors operating within the Commonwealth of Kentucky, the Kentucky Department of Fish and Wildlife Resources and the Northern Kentucky University - Center for Applied Ecology.

On April 10, 2008, the Corps and the U.S. Environmental Protection Agency published “Compensatory Mitigation for Losses of Aquatic Resources” (“Mitigation Rule”) in the Federal Register (FR) (FR Vol. 73 No. 70, p 19670-19705 (33 U.S.C. 401 et seq.; 33 U.S.C. 1344; and Pub. L. 108-136). The Mitigation Rule established the performance standards and criteria for the use of mitigation banks and ILF programs, as well as requiring ILF programs to be more “bank-like”, including the requirement that the Bank or ILF Sponsor set the cost of compensatory mitigation credits. ILF programs approved prior to the Mitigation Rule must be in compliance with the Mitigation Rule within two years from the effective date of publication (73 FR 19687).

The process for modifying the Kentucky ILF Program to make it compliant with the Mitigation Rule is underway. As an interim step, three changes are announced today.

New Method

- Initial Cost/Credit ((33 CFR 332.8 (d)(6)):
 - ▶ Full Cost Accounting:
 - Design
 - Construction, maintenance, post construction monitoring, project "contingency" ("Adaptive Management")
 - Easement/property purchase



New Method

- Initial Cost/Credit ((33 CFR 332.8 (d)(6)):
 - ▶ Full Cost Accounting:
 - Program contingency/financial assurances
 - Site protection
 - Long-Term management
 - Administrative: site selection, CP development, project planning, bidding, project & program reporting, (LTM, site protection)
 - ▶ Initial Cost/Credit Streams:
 - \$ 215/AMU (+\$45) \$ 610/EIU (+\$214)
 - ▶ Initial Cost/Credit Wetlands:
 - \$30,000/AMU
 - ▶ May vary by Service Area



New Method

- Process for Changing Cost/Credit:
 - ▶ Post new cost/credit on ILF web site
 - ▶ Document in Program Annual Report



Questions?

patti.g.jarrett@usace.army.mil

502-315-6687

