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NATIONAL BULLETIN NO. 390-3-24

SUBJECT: PROJ DEV MAINT - CLARIFICATION OF POLICY ON DISPLAYING BENEFIT-COST RATIOS IN EIS'S

Purpose. The purpose of this bulletin is to clarify the policy related to the displaying of benefit-cost (b:c) ratios in environmental impact statements on operational projects.

Expiration Date. This bulletin expires on May 1, 1984.

Background. For several years the policy has been to include the benefit-cost ratio for the remaining increment as well as for the entire project in environmental impact statements (EIS). It did not concern us if the remaining increment had a b:c ratio of less than one, since benefits could not always be allocated to individual structures. As long as the overall project had a positive b:c ratio the project could proceed. However, when the overall b:c ratio dropped below one, the state conservationist was expected to examine the situation thoroughly and make a decision as to whether or not to proceed with the project (NWSM §510.12(b)).

In several recent court cases involving environmental documents, judges have held our procedures to be correct, but stated that the EIS's did not go far enough in disclosing the facts to the public. (See enclosed court decision.) Displaying the b:c ratio at the approved project rate for the remaining increment and the overall project, should continue. In addition, each EIS should contain a b:c ratio for the remaining increment and the overall project computed at the current interest rate for comparison purposes. The b:c ratios for any alternatives in the EIS also should be displayed at both rates. The EIS should state that the lower interest rate calculations are in accord with congressional direction to all agencies involved in water resource project evaluation.

John W. Peterson

JOHN W. PETERSON
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and Maintenance Division

Enclosure

DIST: N, T, S

Upper North Laramie Watershed, Wyoming

Exerpts from Court Record

No. 80-2297 - Matt Johnson, et al v. R. M. Davis et al
United States Court of Appeals, Tenth Circuit
Decision Rendered January 25, 1983

The Court in summary said:

"We conclude that the Toltec Reservoir Project EIS adequately discusses the range of adverse environmental effects posed by the project and correctly applies a 3 1/4 percent discount rate in the comparison of costs and benefits. However, we hold that the EIS does not adequately explain and qualify the economic results rendered through the application of this unrealistically low discount rate, and thereby fails to provide the public and the decision-maker with an informed comparison of alternatives. Upon revision of the EIS in accordance with this opinion, the document will fully comply with the National Environmental Policy Act of 1969, 42 U.S.C. §4321-4347 (1976) and regulations promulgated thereunder."

The Court also stated that:

"WRDA (Water Resources Development Act) §80(b), 42 U.S.C. §1962d-17(b). Section 80(b) recognizes that prior to the passage of WRDA, Federal agencies applied an unrealistically low discount to water projects. The provision permitted continued use of this low discount factor for certain projects commenced prior to the passage of WRDA. The apparent purpose of this provision is to permit continued construction of qualifying projects planned and authorized before the enactment of WRDA, notwithstanding the economic inefficiency that the projects exhibit when evaluated under a realistic discount rate. Section 80(b) represents a legislative judgement that water projects authorized under the past practice of using low discount rates should not be jeopardized by the new policy of applying a more realistic discounting formula."