



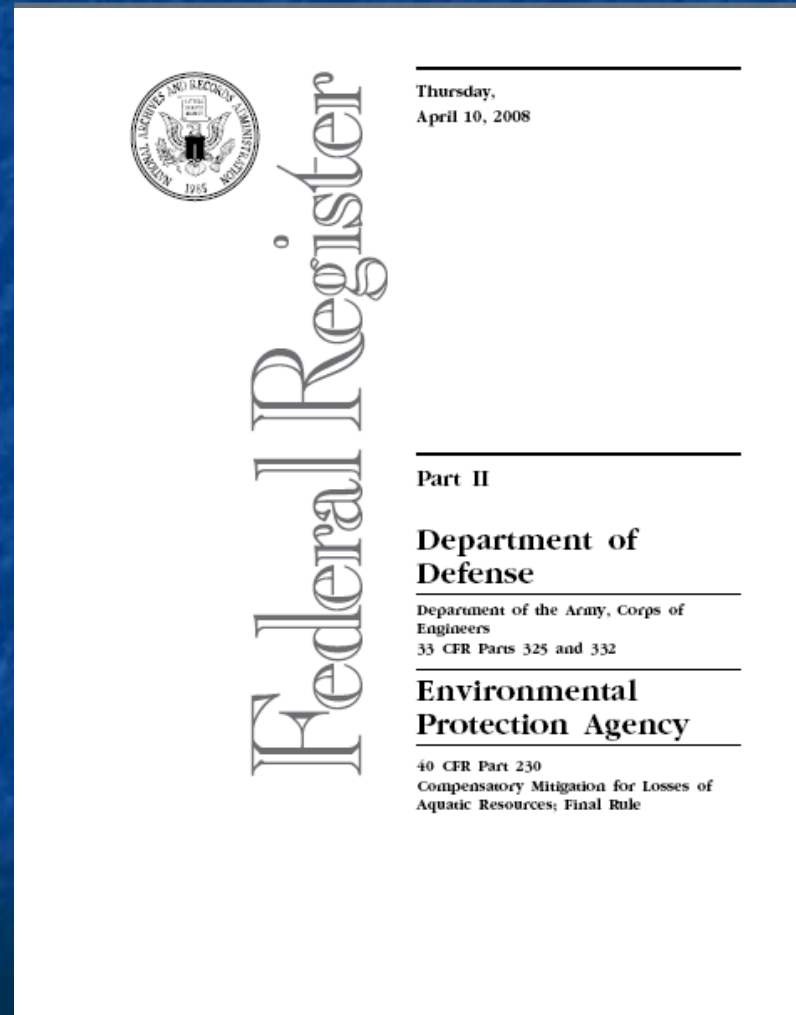
In-Lieu Fee (ILF) Program: *Financial Accounting Reforms*

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U.S. Environmental Protection Agency

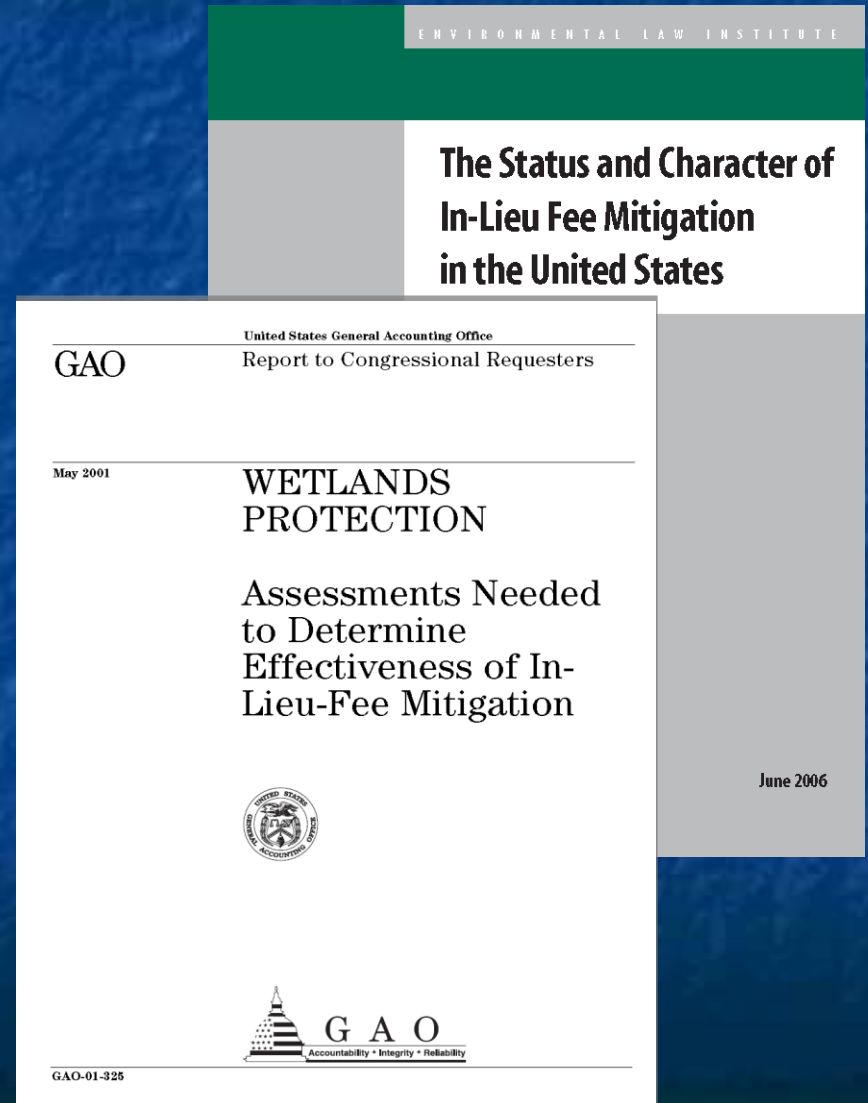
Overview

- Background:
problems with past
practice – need for
reforms
- What the regulations
say about:
 - ILF program account
 - Administrative fees
 - Setting the fee for ILF
program credits



Problems with Past Practice

- Lack of transparency and accountability with ILF funds management
- ILF's not collecting sufficient funds
- ILF funds co-mingled with non-ILF funds
 - Subsidizing mitigation?



ILF Instrument Requirements

33 CFR 332.8(d)(6):

- Service area(s)
- Accounting procedures
- Provision stating legal responsibility
- Default and closure provisions
- Reporting protocols
- Compensation planning framework
- Advance credits and draft fee schedule
- Method for determining fees and credits
- Description of ILF program account
- Any other information required by DE

ILF Program Account

33 CFR 332.8(i)

- ILF sponsor must establish an ILF program account :
 - After instrument approval but before accepting any fees
 - At FDIC member institution
 - Account funds for mitigation projects only
 - Non ILF funds must be kept in separate accounts
 - Interest income remains in account – be used for mitigation
 - Can funds for long-term management be transferred?

ILF Program Account

33 CFR 332.8(i)

- ILF program account funds may only be used for:
 - “*selection, design, acquisition, implementation and management of ILF compensatory mitigation projects*”
 - Except for a “*small percentage*” that can be used for administrative costs
 - Amount approved by Corps in consultation with IRT
 - Specified in the ILF program instrument
 - Current range of 5% to 20%

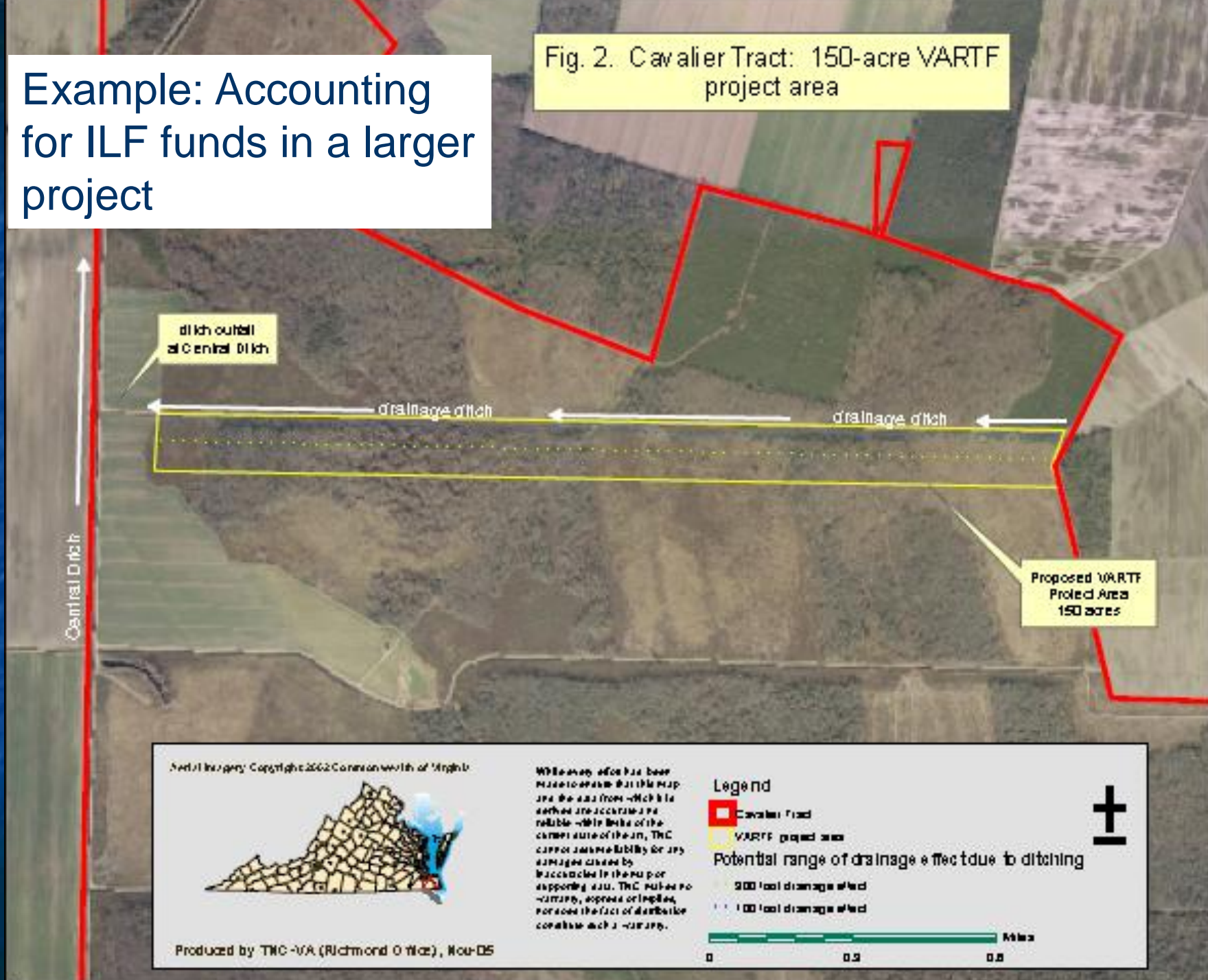
ILF Program Account

33 CFR 332.8(i)

- Corps responsible for funding approval
 - Corps may direct funds to provide alternative compensatory mitigation if ILF project not implemented within required time frames
- Annual reports
 - Fees collected, funds expended
 - List of permits using ILF program
 - Credit balances, by service area
 - Account expenditures
- Program audit

Example: Accounting for ILF funds in a larger project

Fig. 2. Cavalier Tract: 150-acre VARTF project area



Examples of Program Accounting

- Mitigation funds kept separate from other monies:
 - VA Aquatic Resources Trust Fund
 - AZ Game and Fish Dept
- Administrative expenses:
 - Georgia Wetland Trust Fund (schedule)
 - VT ILF (% of fees)
- Annual Reporting:
 - VA ARTF, AZDGF, NC EEP
- Program audit: Georgia Wetland Trust Fund

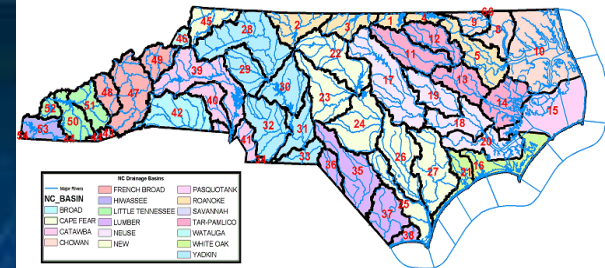
Setting ILF Credit Fees

33 CFR 332.8(o)(5)(ii)

- Cost per unit of credit must include expected cost of aquatic resource restoration, establishment, enhancement and/or preservation in that service area
- Full cost accounting:
 - *Land acquisition, project planning and design, construction, plant materials, labor, legal fees, monitoring, remediation, adaptive management, administrative costs, contingency costs, financial assurances, and long-term management and site protection*



NC EEP Fee Schedule



Fee Category	Credit Unit	Fee per Unit	Fee per Unit
		<u>(Higher Fee HUs)</u>	<u>(Lower Fee HUs)</u>
Riparian Buffer	square foot	\$1.02	\$1.02
Stream	linear foot	\$365	\$276
Nonriparian Wetland	acre	\$48,311	\$24,844
Riparian Wetland	acre	\$66,961	\$37,859
Coastal Wetland	acre	\$164,721	\$164,721

Questions

