

April 15, 1963

To: Chief Engineer, Denver, Colorado
Regional Director, Region 1, 2, 3, 4, 5, 6, 7
District Manager, Juneau, Alaska

From: Assistant Commissioner

Subject: Drainage policy

During the last several months the Bureau has been engaged in a review of drainage policy in reference to the investigation program. As a result of this review, the following guidelines are hereby established:

1. The cost of drainage may be considered, depending upon the circumstances, as a project or a farm cost.
2. In those cases where it is appropriate to consider the cost of drainage as a project cost, it may be provided through the construction cost estimate or through the estimate of operation and maintenance cost. Where drainage is considered as a part of the project cost, the drainage will be accomplished over a period of time as required. However, in such cases, a cutoff date should be established in the repayment contract, after which all drainage will be accomplished through the project operation and maintenance program. The cutoff date should be established 15 years after announcement of availability of water for the project, unit, or block, but may be varied in special cases with full justification. On projects involving several blocks of land, each having its own development period, a cutoff date would be established for each block of land.
3. In those cases where it is appropriate to consider the cost of drainage as a farm cost, it may be accounted for either as a part of the farm investment (land development) or as a part of the farm operating cost. In some areas significant payments are made annually by the Government for approved farm drainage improvements. Such payments should be considered, along with other farm income, for meeting farm investment and operating costs. Government program in the local area for which the estimate is being made.

4. The definitions of project and farm drainage have previously been established and are precisely defined. However, there are cases where, without excessive investigation costs, the distinction between the project and farm drainage will be uncertain and where it would be possible to classify the drainage as either project or farm. In such cases, it will be permissible to treat the drainage cost in either category.

5. The effect of the drainage cost estimate upon both economic justification and financial feasibility may vary depending upon how it is considered in the analyses.. This fact should be recognized in selecting the procedure to be used.

/s/ WILLIAM I. PALMER