

APPENDIX I

DEFERRED PAYMENTS  
BY NON-FEDERAL INTERESTS

1. The cost sharing established by Public Law 99-662 (P.L. 99-662) specifies: (1) Non-Federal payments to the Federal Government for its share of the cost of works accomplished under Federal control; and (2) Non-Federal accomplishment of certain activities such as acquisition of lands, easements and rights-of-way. The general concept to be followed is for each party to provide its share of the funds for cost shared work prior to initiation of that work and for each party to produce its separate work activities in a timeframe that permits efficient accomplishment of the overall effort (pay-as-you-go). P.L. 99-662, however, does make provision for deferral of certain non-Federal payments, most of which are at the discretion of the Secretary. The following conventions have been adopted for computing interest charges for non-Federal payments made after they would have been made under the "pay-as-you-go" concept described above. To be consistent and equitable, the Federal Government should finance its share of works accomplished under the control of non-Federal interests.

2. Interest on Deferred Payments

a. Deferred payment reimbursed during the construction period. Interest will be charged on each Federal expenditure made in lieu of non-Federal contributions for the period between the expenditure and the reimbursement, except as noted in Paragraph 2e below.

b. Deferred payments reimbursed over a period of time following completion of construction (reference Sections 103(a)(4), 103(b), and 103(k)). Interest will be charged for each Federal expenditure (first costs) made in lieu of non-Federal contributions for the period between the expenditure and the end of construction. The first costs plus this interest will then be amortized over the selected period.

c. Repayment under Section 101(a)(2). Repayment of up to 10 percent required under this section will not include any interest for the construction period only.

d. Expenditures each month will be totalled and interest computed as though all the expenditures were made at the mid-point of the month. Interest will be compounded annually on the anniversary of the expenditure. Periods of less than one

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year will be converted to a fraction of a year (interest charge = principal at beginning of period x interest rate x fraction of a year).

e. Delay of initial payment under Sections 101(d) and 103(l). Interest will be charged on the full amount for one-half the delay period.

### 3. Rate of Interest to be Applied to Deferred Payments

a. Reimbursements during the construction period. The interest rate will be determined by using the Section 106 formula with the maturity period equal to length of time between the Federal expenditure and the reimbursement.

b. Reimbursement after completion of construction. The rate of interest to be used in computing interest for the construction period and to amortize the total obligation at the start of the repayment period (first cost plus interest) will be the rate determined using the Section 106 formula. For example, when the repayment period is 30 years, the interest rate shall be determined by the Secretary of the Treasury, taking into consideration the average market yields on outstanding marketable obligations of the United State with remaining periods of maturity of 30 years during the month preceeding the fiscal year in which costs for the construction of the project are first incurred plus a premium of one-eighth of one percentage point for transaction costs.

4. Payment Schedule. The payments, where reimbursement is made after completion of construction, shall be in equal consecutive annual installments, the first of which shall be due and payable within 30 days after the non-Federal interest is notified by the contracting officer that the project or project modifications is completed and operational for the purpose(s) for which repayment is being made. Annual installments thereafter will be due and payable on the anniversary date of the date of notification. Except for the first payment which will be applied solely to the retirement of principal, all installments shall include accrued interest on the unpaid balance at the rate provided above. The last installment shall be adjusted upward or downward when due to assure repayment of all of the indebtedness.

5. Five-year Recalculation of the Interest Rate Applicable to Deferred Payments. The formula used to determine the interest rate under paragraph 3b above will be used for each recalculation. For example, if the original maturity period is 30 years, then each recalculation will use this same maturity period.

6. Expenditures between Feasibility Studies and Construction. Federal expenditures not covered by the FCSA for feasibility studies and made prior to the LCA for construction (PED) will be treated as first year construction costs subject to interest charges based on the proceeding paragraphs as though the expenditures were made at the beginning of the first year of construction.

7. Projects Authorized for Planning, Engineering and Design: Planning and engineering will be cost shared 50-50 in accordance with Section 105(b). Expenditures for design will be treated in accordance with paragraph 6 above.