

**STATEMENT OF MARK REY, UNDER SECRETARY
NATURAL RESOURCES AND ENVIRONMENT
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON CONSERVATION, CREDIT, RURAL DEVELOPMENT
AND RESEARCH**

July 27, 2006

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear here today to discuss the conservation programs included in Title II of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). Four years ago, on May 13, 2002, President Bush signed the Farm Bill into law and stated that, *“For farmers and ranchers, for people who make a living on the land, every day is Earth Day. There are no better stewards of the land than people who rely on the productivity of the land. And we can work with our farmers and ranchers to help improve the environment.”* The 2002 Farm Bill represented an increased commitment of more than \$17 billion in funding over 10 years for conservation. The 2002 Farm Bill is the single most emphatic statement by the members of Congress and this Subcommittee about the importance of conservation on working agricultural lands in America. Today, I am pleased to provide an update on the conservation investment you made for America’s farm and ranch families.

Over the past 4 years, we have made substantial improvements on a broad range of emerging conservation challenges faced by farmers and ranchers, including soil erosion, wetlands conservation, wildlife habitat improvement, and farm and ranchland protection. The 2002 Farm Bill places a strong emphasis on the conservation of working lands – ensuring that lands remain both healthy and productive. Private landowners have benefited from a portfolio of voluntary assistance, including cost-share, land rental, incentive payments, and technical assistance. The public has also benefited from improvements in water quality and increases in water quantity, declines in soil erosion, improvements in air quality, and expansions of wildlife habitat.

Mr. Chairman, I commend you for holding this hearing today. The Natural Resources and Environment mission area is eager to share with you what we have accomplished, together with local and national conservation partners and landowners, with the programs and funds entrusted to NRCS under the 2002 Farm Bill. Even as we work with landowners on stewardship issues, we look forward to talking about our own stewardship of the responsibilities and resources you have given us.

NRCS’ mission is “helping people help the land,” and I am delighted to have this opportunity to tell you about our work in detail. After we have looked at our accomplishments in conservation, I will discuss our vision for the future which briefly

stated is: productive lands and a healthy environment. Then, I will focus on our Strategic Plan for achieving those goals.

Investment Overview

Working lands conservation programs are unique among agricultural programs in that they are specifically designed to produce a double benefit. First, farmers or ranchers who install conservation practices improve their land and enhance their natural resources. Second, the public also receives many benefits: cleaner water, more habitat diversity and improved air quality to name just a few.

Since 2002, NRCS has provided assistance to one million farmers and ranchers. Together, we have applied conservation on more than 130 million acres of working farm and rangeland in addition to 60 million acres enrolled in land retirement and easement programs, such as the Conservation Reserve Program (CRP), the Wetland Reserve Program (WRP), the Grassland Reserve Program (GRP) and the Farm and Ranch Land Protection Program (FRPP). We have also invested \$6.6 billion of the taxpayers’ funds directly with farmers and ranchers to produce environmental improvements that will benefit us all. In addition, since enactment of the 2002 Farm Bill, our conservation partner organizations (local Soil and Water Conservation Districts, Resource Conservation and Development Councils, State and local governments and other conservation organizations) have contributed over \$2.8 billion to conservation programs, making the total investment under the 2002 Farm Bill through last year more than \$9.4 billion.

New Programs, New Rules

Mr. Chairman, the 2002 Farm Bill brought new programs and new challenges. The Agency has moved aggressively forward to publish program rules, complete companion policy guidance documents, develop program manuals, train and update our workforce and partners on the changes contained within the legislation, and deliver the programs to America’s farmers and ranchers in a timely and efficient manner. We met the statutory deadlines for 98 percent of our rules. In addition, as required under Section 2005 of the 2002 Farm Bill, NRCS prepared and submitted a report to Congress titled *Reform and Assessment of Conservation Programs*. This report provided us the opportunity to inform Congress about activities and concepts developed from FY 2002 to the present to improve conservation services provided to agriculture producers.

To date, NRCS has published completed rules for our major programs, including:

Program or Topic	Kind of Rule	Publication Date
Healthy Forests Reserve Program	Interim Final Rule	May 18, 2006
Appeals Rule	Interim Final Rule	May 16, 2006
Grasslands Reserve	Final Rule	March 6, 2006

Program		
Emergency Watershed Protection Program	Final Rule	April 4, 2005
Conservation Security Program	Amendment to Interim Final Rule	March 25, 2005
Equitable Relief	Final Rule	Sept 22, 2004
Conservation Security Program	Interim Final Rule	June 21, 2004
Conservation Innovation Grants	Interim Final Rule	March 29, 2004
Adjusted Gross Income	Final Rule	June 4, 2003
Environmental Quality Incentives Program	Final Rule	May 30, 2003
Farm and Ranch Lands Protection Program	Final Rule	May 16, 2003
Private Grazing Lands	Final Rule	November 12, 2002
Wildlife Habitat Incentives Program	Final Rule	July 24, 2002
Wetlands Reserve Program	Final Rule	June 7, 2002

NRCS also has issued a number of Requests for Proposals in 2006:

Program or Topic Requests for Proposals (RFP)	Publication Status
Farm and Ranch Lands Protection Program RFP	RFP posted to Grants.gov on 3/28/06. Submittals were due 5/12/06; awards pending.
Conservation Innovation Grants RFP	RFP posted to Grants.gov on 1/5/06. Submittals were due 3/20/06; awards granted.
Cooperative Conservation Partnership Initiative Grants RFP	RFP posted to Grants.gov on 1/6/06. Submittals were due 4/7/06; awards granted.
Rapid Watershed Assessment Grants RFP	RFP posted to Grants.gov on 1/17/06. Submittals were due 3/17/06; awards granted.
Wetlands Reserve Enhancement Program Grants	RFP posted to Grants.gov on 1/27/06. Submittals were due 4/10/06; awards were issued on 5/1/06.
Grazing Land Conservation Initiative Grants	RFP posted to Grants.gov on 1/17/06. Submittals due 4/3/06; awards granted.

Completing these rules and Requests for Proposals was an important step in making the 2002 Farm Bill programs accessible and available to America's private landowners and other partners.

Fiscal Year (FY) 2002 to FY 2005 Accomplishments

The past 4 years have been a productive time for NRCS, our partners, and landowners across America. In FY 2005 alone, we assisted landowners in establishing conservation systems on over 36 million acres of cropland and grazing land, and applying over 4,500 Comprehensive Nutrient Management Plans (CNMPs). This brings the total CNMPs applied with NRCS support, since 2002, to more than 14,000. In addition, since the 2002 Farm Bill, NRCS and our partners have:

- Conducted a comprehensive study of technical assistance, reaffirming the intrinsic value of science-based tools and activities, including developing conservation plans and encouraging a knowledge-based approach to conservation.
- Established, then expanded nationwide, the Conservation Security Program (CSP) to recognize outstanding land stewards and encourage them to do more.
- Launched the Web Soil Survey to make soils data available "24/7" over the Internet.
- Worked with over 2,100 Technical Service Providers, obligating \$163.5 million from 2003 through 2006, resulting in the equivalent of over 1 million hours through private and non-Federal governmental organizations to attain additional conservation achievements.

NRCS has also been able to focus more dollars on conservation by improving management through a number of strategies and internal changes. We have increased efficiency and effectiveness by:

- Streamlining the contracting and payment processes for the Environmental Quality Incentives Program (EQIP).
- Reducing required paperwork for customers through a common computer system in USDA Service Centers.
- Implementing national priorities across programs and increasing transparency for our customers.
- Establishing a single, centralized Web authentication service.
- Restructuring our program offices to manage cost-share programs in one unit and easement programs in another.
- Expanding outreach and modifying program rules to better reach underserved farmers and ranchers—including tribes, beginning and limited resource farmers, and others who have not traditionally participated in conservation programs.
- Developing software tools to provide natural resource information and make map development easier, including an automated conservation planning (Toolkit), and to track conservation program applications and contracts (ProTracts).
- Nearing completion of work on an automated application evaluation and ranking tool for all cost-share programs.
- Establishing a process for rapid watershed assessment to provide initial estimates of where conservation investments can best address resource concerns.

- Creating a transparent allocations process using resource base and resource concern factors to allocate funds to States.
- Instituting programmatic reforms such as a pilot sign-up process for conservation planning assistance, and establishing common easement provisions, where possible.
- Developing a forward-reaching human capital strategic plan to ensure that NRCS remains responsive and efficient in delivering its programs to farmers, ranchers, and other stakeholders.

We are particularly proud of the management improvements we have made and the difference these changes are making—both for our employees, and farmers and ranchers.

Access and Accountability

At NRCS, one of our core principles is transparency. We want our customers, our partners—and most importantly Congress—to understand exactly what we are doing and why. To be more accountable and accessible, we have turned to the Internet to both provide conservation data and to make our internal processes more easily understood. We have taken steps to make items such as our program allocation, participation, and performance data much clearer.

All of this information can be found on our NRCS Web site (www.nrcs.usda.gov). We have worked to foster healthy competition and reward performance, both in our internal functions and also in contracting and cooperative agreements with organizations and agencies.

The NRCS award-winning accountability system helps track long-term, annual, and efficiency measures that have been established for each program. The time and progress toward meeting these goals is tracked. In addition, oversight and evaluation studies, as well as customer satisfaction surveys, have identified needed improvements that have led to streamlining and efficiency gains.

Whatever we do, our goal is always to provide the best and most effective and efficient service to producers at the local level and to make NRCS more customer-friendly and accessible.

Technology Advances

One of the core themes that I have stressed is the need to be lean and local. Throughout the implementation of the Farm Bill, we have worked hard to provide as much decision-making flexibility to the local level as possible. In addition, we have developed streamlined business processes to improve use of valuable staff resources. The 2002 Farm Bill posed many implementation challenges and required our Agency to work more efficiently, and I believe we have been successful in meeting these challenges.

One of the most important investments we can make today to improve efficiency is to develop new and improved technical tools for use by our staff, Technical Service Providers, our partners, and the general public. In concert with the rollout of the 2002 Farm Bill, we launched the Electronic Field Office Technical Guide (eFOTG). The eFOTG is the primary reference for NRCS operations at the field level, and provides conservation information and scientific and technological resources on the Web (<http://www.nrcs.usda.gov/technical/efotg/>) in an easy-to-use format. The eFOTG used in each field office is localized so that its contents apply specifically to the geographic area for which it was prepared. This dynamic document is designed to evolve to incorporate new research and information on-the-ground experience. It represents the best science and technology in the conservation of our Nation's private lands natural resources and is now utilized by conservation professionals beyond NRCS employees.

The eFOTG is linked to 8,000 NRCS Web pages and external sites. Content includes data in technical handbooks and manuals, scientific tools that help generate conservation alternatives, conservation practice standards, conservation effects case study reports, and other electronic tools for evaluating the effects and outcomes of conservation technical assistance. In total, the eFOTG has made our information more accessible, and supports the President's Management Agenda for E-Government.

Emphasis on Energy

One of the issues facing many farmers today is the high cost of fuel, fertilizer and other energy-related inputs. In early December 2005, Secretary Johanns announced the USDA Energy Strategy, which is a concerted effort to look at both reducing demand for oil and natural gas and increasing supply through bio-fuels and renewable energy.

To assist in this effort, NRCS has developed the "three-click" Energy Estimator Tools. The first tool is a Tillage Estimator, which helps farmers and ranchers determine how much they could save by switching from conventional tillage to no-till or another reduced tillage system.

We also released a Nitrogen Estimator Tool. Farmers can use this tool to better estimate how much nitrogen they are applying on the ground in order to better manage and minimize the amount of fertilizer applied for economically optimum yields. A large part of fertilizer costs relate to energy; this tool can help result in a net savings for farmers and ranchers that apply the technology.

Beyond these two tools, the Agency released an Irrigation Estimator Tool to help show water savings garnered by switching to less intensive water conservation practices. This tool is a Web-based calculator tool that enables producers to enter various criteria factors and then receive an analysis of current water use, the reduced water use associated with various treatment options, as well as the energy costs and savings of these treatment options. The analysis also identifies potential energy savings that can result from carrying out the recommendations of a pump plant evaluation.

Web Based Soil Survey

One of the fundamental building blocks of conservation is knowledge. We know that farmers, ranchers, contractors, and homeowners need sound data about the land where they live. In continued efforts to make conservation data as transparent and available as possible, we launched a Web Soil Survey (<http://websoilsurvey.nrcs.usda.gov/app/>) to make soils data available upon demand through the Internet. Soil survey maps and related information are available online for more than 95 percent of the Nation's counties. Through this technology, we have distributed more soil survey information to more customers in the last year than we could do with printing and distribution in the last 5 years.

As we move forward in FY 2006, there is some innovative technology that can help farmers and ranchers realize even bigger economic and environmental gains in their conservation efforts. We look forward to building upon the technology foundation achieved since the 2002 Farm Bill to implement even more cost-effective voluntary conservation on America's private lands.

Increasing Third-Party Technical Assistance

With the historic increase in conservation funding made available by the 2002 Farm Bill, NRCS is relying upon non-Federal partners and private Technical Service Providers (TSPs) to help supply the technical assistance needed to plan and oversee the installation of conservation practices. I am proud to report that, at the end of June 2006, NRCS had over 2,100 individuals certified as TSPs, with an additional 150 individual applications pending, and NRCS has certified just over 200 businesses as TSPs, with more applications in process. From FY 2003 through the end of FY 2006, NRCS expects to invest \$163.5 million in services provided by TSPs. We are excited about the additional assistance provided by TSPs that will complement our expertise and increase our capacity to deliver services.

Engineering services provided by TSPs gives us greater flexibility to add expertise when budgets expand—and to more easily cut back without having to eliminate critical positions when budgets contract. In addition, TSPs have been particularly helpful in developing comprehensive nutrient management plans, conducting appraisals for conservation easements, and addressing cultural resource issues—areas where our in-house capabilities have been limited.

NRCS developed an Internet-based system for approving individuals and entities to provide technical services called TechReg. Individuals and entities may register in TechReg and become certified to provide specific categories of technical services. Once certified, the individuals are included on the approved list of TSPs. Landowners and producers can locate TSPs certified in their State and county from the TechReg Web site (<http://techreg.usda.gov/>) to help them meet their conservation goals.

NRCS has reached out aggressively to establish formal relationships through Memoranda of Understanding with 14 key organizations. The goal is to forge a partnership and cooperate on providing increased technical services to landowners participating in NRCS programs. Some of these groups include the American Society of Agronomy, the Certified Professionals in Erosion and Sediment Control, Inc., the Society for Range Management, the American Forage and Grassland Council, the Wildlife Society, the American Fisheries Society, the Association of Consulting Foresters, the American Registry of Professional Animal Scientists, Iowa State University, University of Tennessee, the Irrigation Association, Validus (formerly known as Environmental Management Systems, LLC), the National Alliance of Independent Crop Consultants, and the Society of American Foresters.

We are excited about this partnership and the prospect of TSP expertise continuing to complement our ongoing work.

Streamlining and Cost Savings

NRCS has devoted considerable effort to streamline our operations, becoming more efficient in delivering our core work. Since the 2002 Farm Bill, NRCS:

- Reviewed and revised 95 of the National Conservation Practice Standards, and is currently updating an additional 32;
- Streamlined program delivery, resulting in reduced costs without compromising quality;
- Improved program accounting systems to better identify and control costs; and
- Upgraded the Customer Service Toolkit, the Agency's automated conservation planning software, to increase functionality and improve product quality for our clients.

Mr. Chairman, we are not finished yet. We have formed a task force to identify and implement additional streamlining efforts and held a national workshop to develop additional efficiency and money-saving strategies last week. NRCS also has established specific efficiency measures for each of its conservation programs, each of which establishes a baseline and target for improving program efficiency. We will continue streamlining and getting more efficient in working with our partners as well.

Farm Bill Technical Assistance Cost Savings

The streamlining and efficiencies NRCS has gained mean that even more conservation funding can be utilized for financial assistance to producers.

NRCS worked closely with the Farm Service Agency (FSA) to develop Conservation Reserve Program (CRP) efficiencies and streamlining for technical assistance resulting in a 6.4 percent reduction in TA cost for general sign-ups, 52 percent for re-enrollments, and 29 percent for forestry practices.

This accomplishment is part of ongoing cooperative efforts with FSA to identify better ways of doing business for programs like CRP, including moving from Agency certification of all practice installations to a 10 percent sample, with the other 90 percent self-certified by the producer.

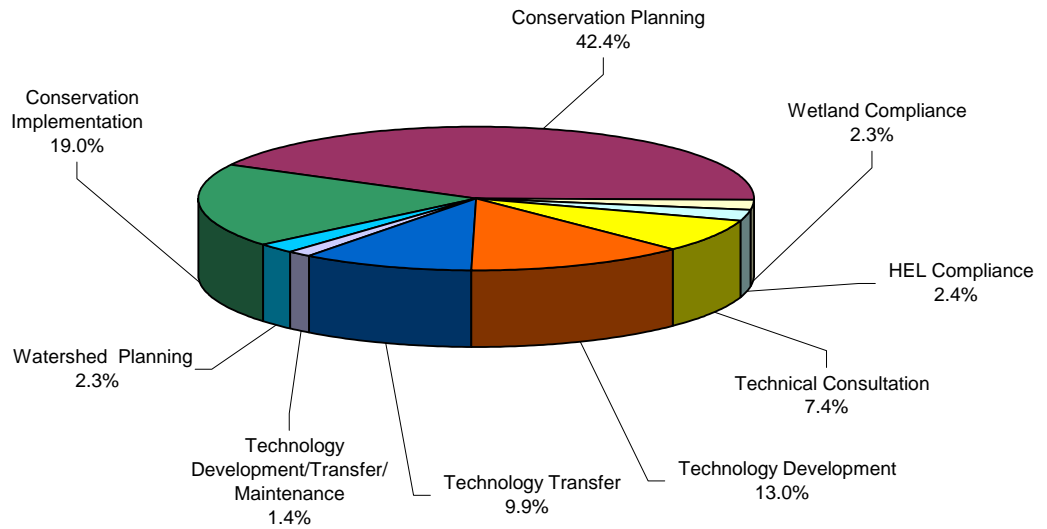
The Conservation Technical Assistance Program

The Conservation Technical Assistance (CTA) Program provides direct conservation planning and implementation assistance, which includes the infrastructure and technical capability to assist program participants and to apply conservation on the land. This assistance is provided to individuals, groups, communities, state, and local units of government, who make natural resource management decisions on private, tribal, and other non-Federal lands. In addition, funds from CTA also support many other priority activities including the following:

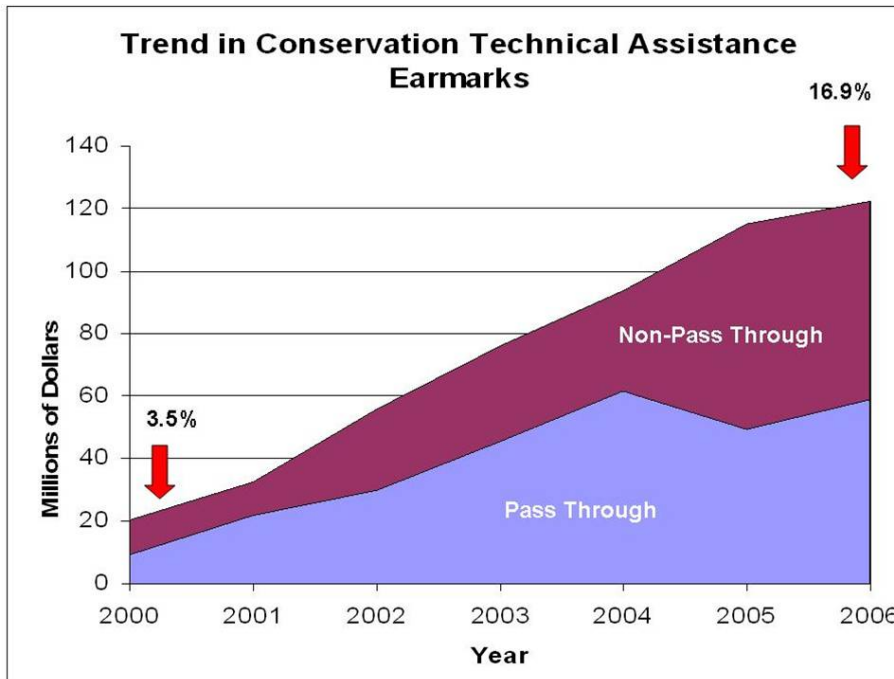
- The initial planning and resource information used by landowners to access all conservation programs;
- Technology development and transfer and maintenance of the NRCS Web-based electronic Field Office Technical Guide (e-FOTG), which supports all NRCS programs;
- Rapid Watershed Assessments and watershed and area-wide planning;
- Grazing Land Conservation Initiative;
- Natural Resources Inventory (NRI); and
- Highly Erodible Lands (HEL) Conservation and Wetlands Conservation Compliance responsibilities.

The CTA Program covers the largest share of staffing costs of any NRCS program and supported 61 percent of total NRCS personnel costs in 2005. Within CTA, conservation planning provides the platform for the delivery of all conservation programs including Farm Bill programs. Conservation planning provides the opportunity for program participants, working with NRCS field staff, to assess the resource needs on their property and identify appropriate programs to address those needs. The planning process also allows landowners the opportunity to align the objectives for their operation with the purposes and objectives of the various conservation programs available. The Agency's conservation planning process addresses each of the resource needs and seamlessly ensures that the planned actions are consistent with statutory requirements, such as the National Environmental Policy Act.

**FY 2005 Conservation Technical Assistance (CTA)
Time Allocation By Activity
(Source: NRCS Conservation Information System)**



The CTA Program also contains Congressional earmarks. In CTA, congressional earmarks increased over 6-fold between 2000 and 2006, from \$20.3 million in 2000 to \$122.3 million in 2006.



Mr. Chairman, I am pleased to report that in FY 2005, NRCS developed and implemented our first comprehensive CTA Program policy. The policy improves transparency and clarifies the program's mission, objectives and goals in an era of increased accountability. This year, as part of the new CTA policy, NRCS instituted a resource-based allocation process for the CTA Program to ensure that dollars and efforts go where the conservation needs are greatest. This new methodology, which is being phased in, will provide a more transparent allocation that addresses the natural resource issues of greatest priority. The new allocation formula also aligns the new CTA policy with national priorities, and integrates program performance measures that were developed in the Administration's Program Assessment Rating Tool (PART) process.

The Agency is currently seeking an independent analysis of internal funding formulas used for funding its conservation programs. This objective evaluation is being sought to continue improving Agency business processes for more effective and efficient implementation of conservation programs. This analysis will provide a comprehensive evaluation of each program allocation formula and will assess how allocation formulas relate to programmatic efficiency and annual/long-term performance measures.

In addition, this year, nine states participated in NRCS' first conservation planning sign-up. This is a pilot initiative that emphasizes the importance of conservation planning to help producers be better prepared to apply for and implement conservation programs and to comply with Federal, State, tribal and local governmental regulations. The sign-up enabled landowners to plan more realistically to implement practices and apply for conservation programs as part of a more comprehensive approach to land management and resource stewardship.

All of these improvements will ensure that the most pressing conservation needs on America's private lands are addressed and will help NRCS meet its Strategic Planning objectives and improve accountability.

CONSERVATION PROGRAMS

I want to report to you specifically on our accomplishments under each of the Farm Bill conservation programs.

Portfolio of Working Lands Conservation Programs

Environmental Quality Incentives Program (EQIP). EQIP was re-authorized by Section 2301 of the 2002 Farm Bill.

EQIP provides flexible technical and financial assistance to landowners that face serious natural resource challenges on working lands that impact soil, water, and other natural resource concerns related to cropland, grazing lands, wetlands, and wildlife habitat. In addition, energy conservation is considered an appropriate use of EQIP funds.

The 2002 Farm Bill made several changes to expand EQIP and to streamline and improve its efficiency. A few of the changes include:

- Reducing the minimum length of a contract from 5 years to 1 year after installation of the last practice;
- Allowing cost-share rates of up to 75 percent and 90 percent for limited resource and beginning farmers or ranchers. NRCS has stretched the Federal conservation dollar further by prioritizing cost-share rates for EQIP practices. The average Federal cost-share rate in FY 2002 was 72 percent; in FY 2005 the average Federal cost share rate is 60 percent;
- Removing the provision prohibiting a producer from receiving cost share for an animal waste management facility on an animal operation with more than 1,000 animal units;
- Removing language requiring targeting funds to Conservation Priority Areas;
- Allowing payments to be made in the first year of the contract;
- Eliminating competitive bidding by applicants;
- Revising the purpose from "maximize environmental benefits per dollar expended" to "optimize environmental benefits" by improving the equity of our ranking process for application from limited resource producers and small farm owners; and
- Changing the maximum payment limitation from \$50,000 per person per contract to \$450,000 per individual or entity for all contracts entered into in fiscal years 2002 through 2007. The average EQIP contract obligation has been slightly less than \$16,000 for all 2002 Farm Bill contracts. Typically 99 percent of all EQIP

contracts under the 2002 Farm Bill have been less than \$150,000 with about 60 percent less than \$10,000.

In a further effort to make the program more effective and efficient, the Department also initiated several streamlining changes, including:

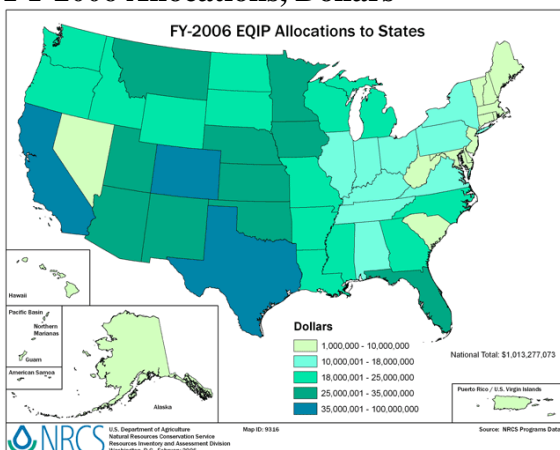
- Eliminating the program's dual administration by changing Farm Service Agency (FSA) participation from concurrence to consultation;
- Reducing the planning requirements needed to develop the contract;
- Reducing the average length of the contract from the 1996 Farm Bill average of 7 to 8 years, to the 2002 Farm Bill contracts averaging 3 to 4 years in length;
- Allowing producers to have more than one contract per tract at any given time;
- An application ranking criterion that places added weight on conservation practices and program contracts that assist producers to comply with Federal and State regulations;
- Accelerating application of contracts by taking the following action: implementing an energy initiative to encourage FY 2004 and prior-year contract completion this year. Since March 1, 2005, \$2.7 million has been paid under this initiative; implementing the Conservation Completion Initiative (incentive payment) for FY 2006 contracts to encourage contract completion during the first 3 years;
- Increasing early completion rate. Contracts obligated during FY 2004 and FY 2005 averaged 87 percent of the practice completion scheduled within the first 3 years; and
- Obligating the funds earlier in the fiscal year. In FY 2006, 95 percent of the funds were obligated by June 1, 2006. This obligation threshold was not achieved until September for FY 2005 funding.

I am proud to say that this summer our field staffs are just that— in the field. All of our program signups, rules, and decisions are done. This summer is about implementation.

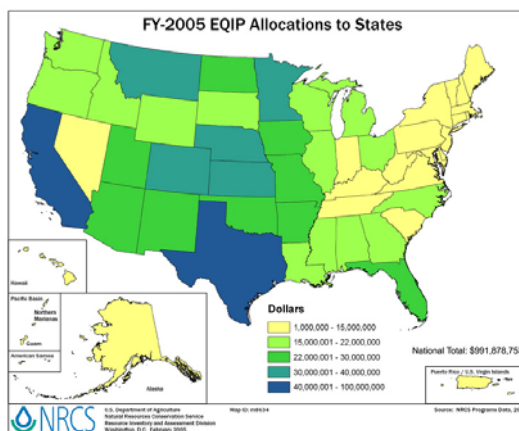
Benefits

The increased funding for EQIP in the 2002 Farm Bill greatly expanded program availability for optimizing environmental benefits. Including funding obligated in FY 2002 through FY 2006, totaling almost \$3.1 billion, EQIP will benefit close to 185,000 participants. In addition, EQIP leverages additional funding from landowner match requirements on individual practices ranging from 10 percent for limited resource farmers, to 75 percent, and State and local cost-share programs.

FY 2006 Allocations, Dollars



FY 2005, Allocations



EQIP participation with American Indians, Alaska Natives and Indian tribes has increased from \$6.8 million in FY 2002 to almost \$20 million in FY 2005.

Producer demand continues to be high for EQIP assistance. NRCS has been able to significantly address the unfunded list of producers requesting assistance through EQIP since the passage of the 2002 Farm Bill. In FY 2002, the Agency was able to fund one in every five requests for contracts; in FY 2005, we funded one in every two requests for a total of 49,406 producers receiving a contract through this program.

We believe that the increased program flexibility and improved program features will continue to make EQIP one of the most popular and effective conservation efforts Federal Government-wide.

Ground and Surface Water Conservation (GSWC). GSWC is authorized by Section 1240I of the Food Security Act of 1985, as added by Section 2301 of the 2002 Farm Bill. GSWC promotes ground and surface water conservation by providing cost-share and incentive payments to producers to carry out eligible water conservation activities related to agricultural production.

NRCS is working closely with landowners on practices and projects aimed to increase irrigation efficiency, and achieve net reductions in water use. Through the Ground and Surface Water Conservation (GSWC) component of the Environmental Quality Incentives Program, NRCS has provided more than \$150 million in financial and technical assistance.

Activities under the GSWC program include improving irrigation systems, enhancing irrigation efficiencies, converting to the production of less water-intensive agricultural commodities, converting to dryland farming, improving the storage of water through such measures as water banking and groundwater recharge, and mitigating the effects of

drought. Projects must result in a net savings of groundwater or surface water resources in the agricultural operation of the producer.

Since GSWC was authorized in 2002, NRCS has entered into over 9,750 contracts, enrolled more than 1.5 million acres into the program to help producers conserve ground and surface water resources. An additional \$49 million in GSWC funding has been obligated in FY 2006 nationwide in 1, 951 contracts.

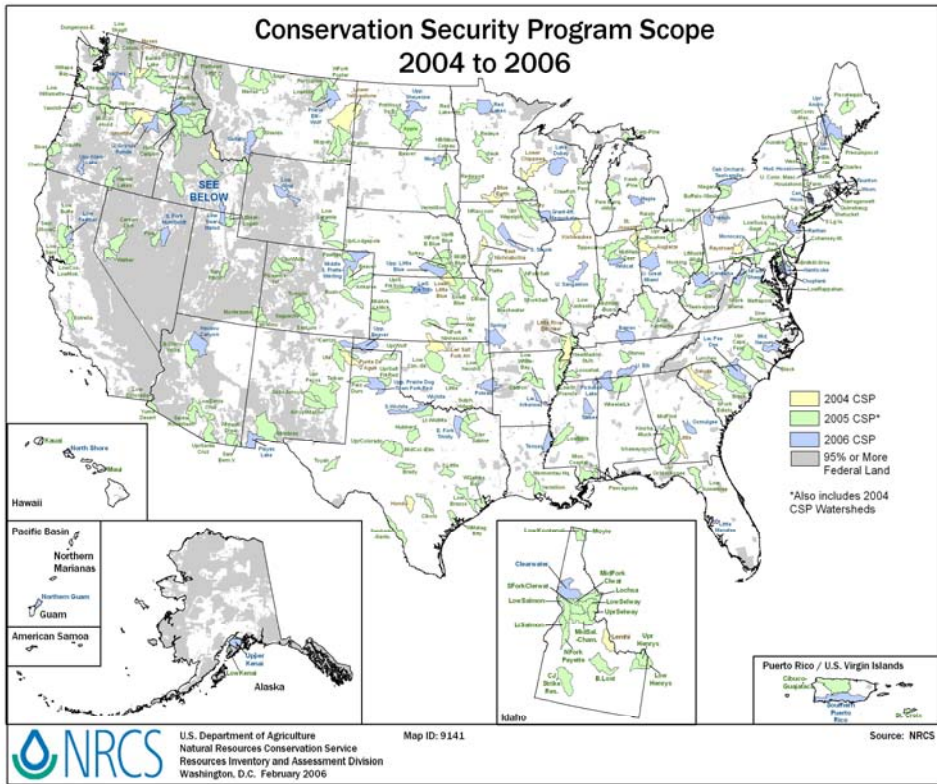
Klamath Basin Funding. The 2002 Farm Bill authorized \$50 million to carry out water conservation activities in the Klamath Basin in Oregon and California to help producers establish conservation measures leading to an on-farm net savings in ground or surface water resources.

Since the passage of the Farm Bill, NRCS has allocated over \$43.6 million in financial assistance in the Klamath Basin through FY 2006. More than 2,800 local landowners received Farm Bill assistance under this effort through the end of FY 2005. This funding, and the technical assistance provided, addressed natural resource concerns on over 84,000 acres in the Basin. With proper irrigation management and application, landowners have been able to lower their on-farm water use by 24,000 acre-feet. Converting from flood systems to more efficient irrigation systems can typically result in an average of 30 percent on-farm savings.

Mr. Chairman, the Klamath Basin represents a challenging situation, as farmers are faced with the need to conserve water use and still farm in an environmentally friendly and cost-effective manner. We believe our work in this area showcases how rural landowners can rise to the challenge of addressing limited water availability while meeting environmental objectives.

Conservation Security Program (CSP). CSP, authorized by the 2002 Farm Bill, provides payments to producers who practice good stewardship on their agricultural lands and incentives for those who want to do more. The program is voluntary and provides financial and technical assistance for the conservation, protection, and improvement of natural resources on tribal and private working lands.

In its first 3 years, CSP has generated much interest with our Nation's producers. The first CSP sign-up was held in July 2004, in 18 priority watersheds within 22 States. In 2005 and 2006, CSP was expanded and implemented in a total of 280 watersheds nationwide, including watersheds in every State, Puerto Rico and Guam. Including the most recent sign-up, CSP has invested in the operation of nearly 19,200 stewards on 14.6 million acres of working agricultural land with annual payments that average about \$11,000 but range from less than \$500 to \$45,000.



Through the CSP enhancement provisions and the application of intensive management measures, producers are achieving even greater environmental performance and additional benefits for society. Several new conservation activities will enable producers to further enhance their operation and the natural resources. For example, the energy component of CSP is rewarding farmers and ranchers for converting to renewable energy fuels such as soy bio-diesel and ethanol. Because CSP enhancements go beyond the minimum requirements, innovative producers are pushing conservation technology to produce even greater conservation benefits.

The President's FY 2007 budget requests \$342.2 million for CSP, which includes an increase of \$83 million to continue expanding the program and rewarding excellent conservation stewards.

NRCS intends to offer the program each year, on a rotational basis, in as many watersheds as funding allows. Most working agricultural land is eligible for CSP. Producers on cropland, orchards, vineyards, pasture and range may apply for the program, regardless of size, type of operation, or crops produced. Our data show that CSP touches all sectors of agriculture from livestock operations to cropland, from orchards, vineyards and truck crops to sugar beets and cranberries.

The CSP sign-up was offered this year from February 13th to March 31st in 60 priority watersheds nationally. Nearly 4,400 applications were approved based on the available funding. These contracts, mostly in Tier III, the highest level of conservation stewardship, represent more than 75,000 farms and ranches covering over 25 million

acres of cropland and grazing lands. During the sign-up, over 8,570 CSP applicants completed their interviews resulting in 7,548 eligible applicants for about \$99.2 million. Enrollment data show that approximately 24 percent of the land in those watersheds was signed up for CSP. This response indicates that some of the best conservationists are willing to do even more conservation through CSP. Environmental enhancement activities offered by applicants include improving soil quality, water quality, wildlife habitat management, nutrient and pest management, air quality management and on-farm energy management.

The CSP self-assessment and the new water quality tool helped producers identify whether their agricultural operation met sign-up requirements. Producers who were not eligible learned of other programs available to assist in achieving the high level of conservation necessary to qualify for CSP in the future.

The Government Accounting Office (GAO) recently did a thorough review of the implementation of CSP, specifically for the 2004 and 2005 CSP sign-ups. GAO was asked to determine: (1) why the Congressional Budget Office (CBO) and Office of Management and Budget (OMB) cost estimates for CSP generally increased over time; (2) what authority USDA has to control CSP costs and what cost-control measures are in place; and (3) what legislative and regulatory measures exist to prevent duplicative payments between CSP and other USDA conservation programs.

GAO was able to produce a timeline of CBO and OMB 10-year estimates of CSP costs that resulted from the seven legislative actions on the CSP statute since its enactment 4 years ago. In order to operate the program, NRCS had to implement CSP in a flexible approach using watersheds, enrollment categories, sign-up periods, and self-assessment processes in order to quickly adapt to continued congressional funding changes.

Regarding program financial management, NRCS has implemented a number of CSP measures to prioritize program spending primarily by delivering the program in priority watersheds, targeting enrollment to include good conservation stewards, and concentrating payments on conservation enhancement activities that generate additional resource benefits. Additionally, NRCS has instituted several internal control mechanisms since the audit was complete. Automation of producer eligibility and checking for potentially duplicative payments has been completed and tested in the FY 2006 sign-up. NRCS has added staff to our data warehouse in Ft. Collins to assist States with quality control and technical questions. Direction to field employees regarding compliance reviews has been transmitted and those reviews are currently underway. The CSP manual has been updated to streamline the process of contract administration to conform to the other financial assistance programs and to clarify the State Conservationist's authority to make decisions regarding wildlife habitat criteria for CSP.

I am proud of the implementation of CSP to date and I believe that the 19,200 contract holders are pleased as well; but there is definitely more to do.

Wildlife Habitat Incentives Program (WHIP). WHIP was re-authorized by Section 2502 of the 2002 Farm Bill. The program continues to develop habitat for upland wildlife, wetlands wildlife, threatened and endangered species, fish, and other wildlife.

Under WHIP, NRCS provides technical and financial assistance to landowners to improve wildlife habitat conditions on their property. NRCS enters into five- to 10-year cost-share agreements with landowners, providing up to 75 percent of the funds needed to implement wildlife habitat development practices. NRCS also can enter into less than 1-year wildlife emergency agreements in cases where a wildlife habitat is modified as a result of a catastrophic, natural, or man-made event to help landowners address the potential for dramatic declines in one or more wildlife populations.

The 2002 Act also authorizes NRCS to provide additional cost-share assistance to landowners who enter into 15-year agreements to develop essential plant and animal habitat.

Since passage of the 2002 Farm Bill, NRCS has utilized more than \$165 million in financial and technical assistance to enroll nearly 9,500 agreements on over 1.4 million acres. NRCS reimbursed participants approximately \$8,800 for each long-term agreement. The average agreement covers 148 acres. Originally authorized by Section 387 of the 1996 Farm Bill, since launching the program in 1998 a total of 23,100 agreements have been signed covering more than 3.3 million acres. In FY 2006, NRCS has allocated \$43 million in financial and technical assistance to WHIP contracts with landowners.

WHIP is effective in serving landowners who want to help provide habitat for species in decline. Of all the cost-share programs WHIP has the lowest backlog numbers. NRCS is working with landowners and partners to assist with habitat development projects for the Ivory-billed woodpecker, sage grouse, salmon, bog turtle, red-cockaded woodpecker, Klamath Basin Lost-River sucker, pacific salmon, and northern bobwhite quail.

Agricultural Management Assistance (AMA) Program. AMA provides financial assistance to producers to construct or improve water management or irrigation structures, plant trees for windbreaks, or improve water quality. The program also offers financial assistance to mitigate crop failure risks through diversification or resource conservation practices.

The 2002 Farm Bill provides \$20 million annually for financial assistance in 15 States, in which participation in the Federal Crop Insurance Program is historically low as determined by the Secretary. The 15 States designated by the Farm Bill to participate in the program are Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

NRCS implemented 2,682 contracts on 466,800 acres with \$33.2 million obligated for implementing conservation practices in FY 2001 through FY 2006. In FY 2006, \$5 million is available for AMA.

Competitive Grant Programs

NRCS first added competitive grant programs to its portfolio of conservation programs in FY 2004. Grant programs, such as Conservation Innovation Grants (CIG), can create new and innovative partnerships extending beyond the individual farm, bringing additional matching resources to the table, to foster the growth of innovative technologies and approaches to voluntary private lands conservation. NRCS is now in its third year of awarding competitive grants; and by the close of FY 2006, we will have awarded grants totaling approximately \$90 million to over 400 individuals, tribes, non-governmental organizations, and State agencies. This NRCS funding is matched by the grant recipients, who bring an even greater financial contribution to the conservation table since the grants require matching funds of at least 50 percent.

These new competitive grant programs are carried out under both Farm Bill and discretionary program authorities. Under the 2002 Farm Bill authorities, NRCS delivers the Environmental Quality Incentives Programs' Conservation Innovation Grants and the Wetlands Reserve Program's Enhancement Grants. Under the discretionary Conservation Technical Assistance Program authority, NRCS delivers Cooperative Conservation Partnership Initiative Grants and Grazing Land Conservation Initiative Invasive Species Control Grants. As a suite of programs, these grants accomplish such conservation objectives as proving the economical and practical application of new technologies and approaches to conservation; creating partnership efforts to plan for and address natural resources concerns on a watershed basis; accelerating wetlands creation, protection, and restoration; and, helping to focus increased attention on controlling invasive species in grazing land situations--among other high-priority natural resource concerns and conservation opportunities.

Additionally, we expect to transfer the lessons learned to broader audiences and institutionalize the successful results in other programs. Without question, these grants have and will continue to accelerate NRCS' efforts to expand partnerships and bring diverse interests to the table to foster sound, voluntary private lands conservation.

Portfolio of Easement Programs

During the period FY 2002 through 2005, NRCS enrolled 748,337 acres in WRP, 449,177 acres in FRPP and 379,498 acres in GRP easements, for a total acreage enrollment in conservation easement programs of over 1.6 million acres.

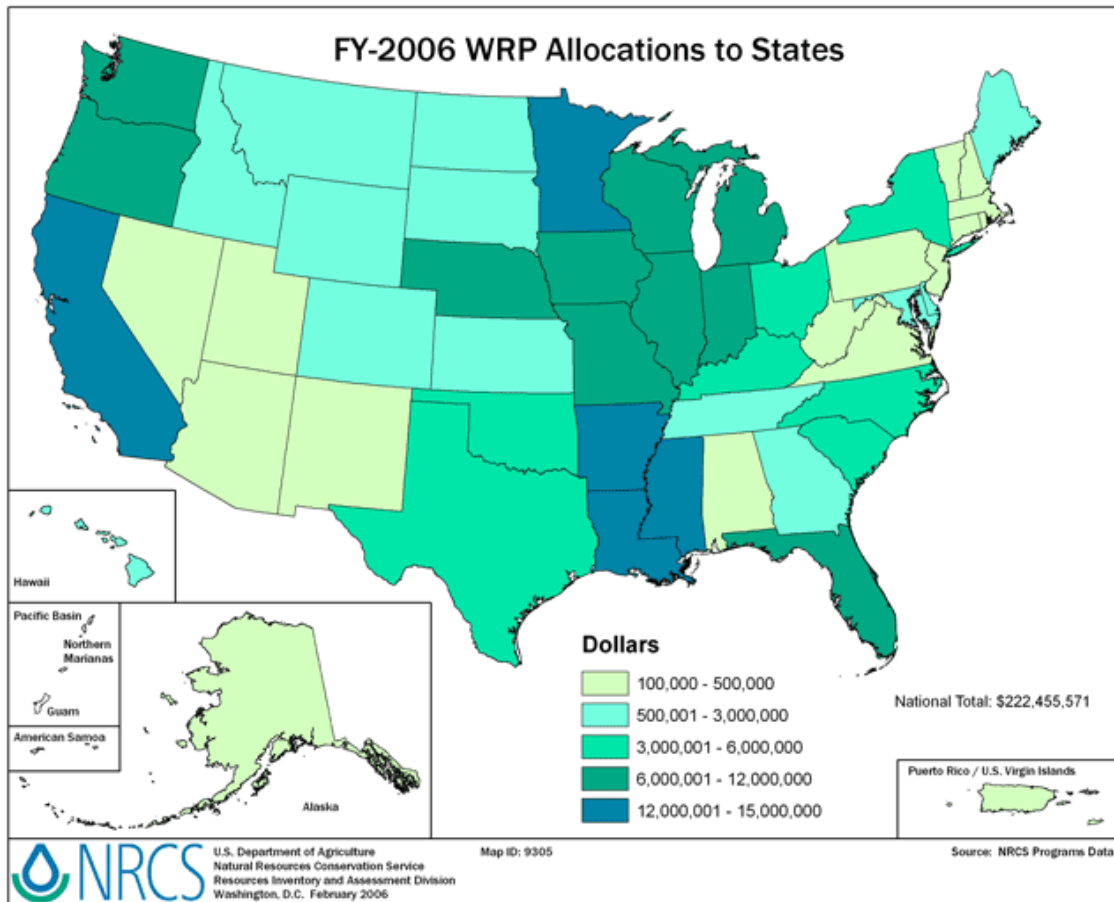
Wetlands Reserve Program (WRP). WRP is a voluntary program offering landowners the opportunity to protect, restore, and enhance wetlands on their property. NRCS provides technical and financial support to help landowners with their wetland restoration efforts to retire eligible agricultural lands with a long-term or permanent easement.

Landowners receive an easement payment based on the lands' fair market value, less the residual value of the land after it is encumbered by an easement. The 2002 Farm Bill increased the program enrollment cap to 2,275,000 acres.

To leverage NRCS program delivery costs, NRCS initiated the Wetlands Reserve Enhancement Program (WREP) in FY 2004. The objectives of WREP are the same as WRP; however, the purpose of WREP is to stimulate the development of partnerships that lower the NRCS' technical assistance costs by requiring the cooperating entity to provide at least 50 percent of the technical assistance costs. In FY 2005 and FY 2006, NRCS awarded \$24 million to 13 separate partnerships in 12 States through WREP.

At the end of FY 2005, WRP had a total enrollment level of 1,743,671 acres on 9,226 projects. Approximately 80 percent of these acres are subject to permanent easement; 14 percent are 30-year easements; and 6 percent are restoration cost-share agreements.

FY 2006 WRP Allocations



On April 22, 2004, USDA announced that farmers and ranchers had produced an estimated gain of 131,400 acres of wetlands from 1997 through 2002 according to the National Resources Inventory (NRI).

The NRI reports changes in the Nation's private-land use. The greatest wetland gains occurred in the Corn Belt and Delta States where farmers and ranchers have created, maintained or enhanced numerous wetlands through conservation programs such as the Wetlands Reserve Program and Conservation Reserve Program.

WRP also is the principal USDA program to help meet the President's Wetlands Initiative goal to create, restore, enhance, and protect 3 million acres of wetlands by 2009. The President's 2007 budget proposes \$403 million for WRP, an increase of \$153 million over the 2006 level. This will enable an annual enrollment of 250,000 acres; an increase of 100,000 acres over FY 2006, and will bring total cumulative enrollment to 2,143,671 acres.

NRCS also recently announced the availability of \$10 million for a WRP reverse auction initiative to identify more effective and efficient methods of reducing the cost of WRP easement acquisition. The sign up for this program will run through July 28, 2006, and is being offered to eligible landowners in select counties of Delaware, Georgia, Kentucky, Missouri, Idaho, California, and Colorado.

WRP is a great way to provide incentives to landowners to contribute to the increase of wetlands in America. Wetlands protect water quality by filtering out pollutants, recharging groundwater, absorbing excess water for natural flood control, buffer coastal areas from erosion, supporting waterfowl and fish, and offering recreational areas and scenic beauty.

Grassland Reserve Program (GRP). New in the 2002 Farm Bill, GRP assists landowners in restoring and protecting grassland by enrolling up to 2 million acres under easement or long-term rental agreements. Program participants can also enroll in restoration agreements to restore the functions and values of grassland. The 2002 Farm Bill authorized \$254 million for implementation of this program during the period 2003 through 2007. This program is administered in cooperation with the Farm Service Agency (FSA).

In fiscal years 2003 through 2005, \$178.5 million in financial assistance was allocated. Through fiscal year 2005, 3,003 landowners enrolled 909,000 acres in both rental and easement agreements. Approximately 380,000 acres were enrolled in easement projects, and 529,000 acres were enrolled as rental agreements.

In fiscal year 2004, NRCS provided \$2 million in GRP financial assistance to four western States for Greater Sage Grouse conservation and recovery on lands identified by State wildlife agencies as containing critical sage grouse habitat. The funds supported GRP easements on private lands in Colorado, Idaho, Utah and Washington, with technical assistance and additional financial assistance provided by State and local

partnerships. For example, in St. Anthony, Idaho, ranchers have learned ways to improve grazing operations while balancing wildlife habitat, and in Olympia, Washington, more than 200 acres of historic prairie land is being preserved. In FY 2005 and FY 2006, NRCS has devoted \$1 million each year of GRP funds for continued support of the sage grouse's recovery.

Mr. Chairman, this program is one of the most highly demanded programs we have to date. Ranching families in America are excited about this program and eager to participate. We are excited about the future opportunity this program represents.

Farm and Ranch Lands Protection Program (FRPP). Section 2503 of the 2002 Farm Bill re-authorized the Farm and Ranch Lands Protection Program, and placed it within Title XII of the Food Security Act of 1985.

Through the FRPP, the Federal Government establishes partnerships with State, local or tribal government entities or nonprofit organizations to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural uses. FRPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil or that contains historical or archaeological resources. FRPP provides matching funds of no more than 50 percent of the purchase price for the acquired easements.

Prior to the 2002 Farm Bill, NRCS protected 540 farms covering 113,700 acres with \$53 million. Since the 2002 Farm Bill, FRPP has enrolled nearly 449,177 acres.

Healthy Forests Reserve Program (HFRP). While not authorized in the Farm Bill, the HFRP was created by Congress with the enactment of the Healthy Forests Restoration Act of 2003, and has the potential to become an integral part of conservation efforts on private forest lands. HFRP is a voluntary program established to restore and enhance forest ecosystems to: 1) promote the recovery of threatened and endangered species; 2) improve biodiversity; and 3) enhance carbon sequestration.

The program is authorized through 2008. Restoring and protecting forests contributes positively to the economy of our Nation, provides biodiversity of plant and animal populations, and improves environmental quality. HFRP includes a safe harbor provision for landowners who enroll and agree, for a specified period, to restore or improve their land for threatened or endangered species habitat. In exchange, they avoid future regulatory restrictions on the use of that land protected under the Endangered Species Act.

On May 18, 2006, NRCS announced the availability of \$2.3 million for the HFRP in selected forest ecosystems. In FY 2006, HFRP will focus on habitat recovery for the endangered red-cockaded woodpecker in the Lower Ouachita River Flatwood region of Arkansas, the Canada lynx in the northern boreal forest of Maine, and the gopher tortoise in the longleaf pine ecosystem along the Gulf Coast in Mississippi. The work in the Lower Ouachita River area will also benefit the rare Ivory-billed woodpecker.

Easement Monitoring. With these easement programs, NRCS has and will be acquiring a large portfolio of easements that we must manage, enforce and monitor on behalf of the Federal Government. NRCS currently has approximately 10,000 existing easements to manage, monitor, and enforce. At the current level of participation, this number could increase, annually, by 1,500. NRCS is developing plans for an easement monitoring strategy. This effort will involve the testing of remote sensing techniques for our monitoring and enforcement activities to determine if they are more efficient and effective than annual field visits.

Additional Conservation Features

Aside from the core conservation programs, the 2002 Farm Bill included additional legislative language that makes important conservation contributions.

Resource Conservation and Development (RC&D) Program. The 2002 Farm Bill provided permanent authorization for the RC&D program and required the Secretary, in consultation with RC&D councils, to evaluate if the program was effectively meeting the needs of States, units of government, Indian tribes, non-profit organizations, and councils. The Secretary recently submitted the report and his recommendations to improve the program. Overall, the program has been successful in establishing locally led conservation and economic development efforts and developing effective community leadership. Participants in the evaluation said the major contributions of the program are establishing area plans. They valued the Federal non-profit status of councils and perceived the Federal coordinator, public participation and program flexibility as key factors to the success of the program. NRCS expects the program will continue to incorporate emerging concerns such as ecosystem services, biomass energy production and innovative conservation technology into local council area plans and projects. The President's FY 2007 budget proposes to reduce funding for the RC&D program and consolidate the number of RC&D coordinator positions. The reduction in funding for the RC&D program will require that it be more focused on multi-county/parish planning, intergovernmental relations, and improving efficiencies. NRCS has 37 applications on-hand requesting designation of new RC&D areas.

Watershed Rehabilitation Program. One of the Agency's strategic goals is to reduce risks from drought and flooding in order to protect community health and safety. A tool in meeting this goal is providing financial and technical assistance to communities and implementing high-priority watershed rehabilitation projects to address dam safety. The Watershed Rehabilitation Program is authorized under section 14 of the Watershed Protection and Flood Prevention Act, approved August 4, 1954, as added by section 313 of Public Law 106-472, November 9, 2000.

This program assists communities in addressing public health and safety concerns and environmental impacts of aging dams. Rehabilitation may also provide new benefits to communities, such as additional municipal and irrigation water supplies, recreation, and wetland and wildlife enhancement.

To date, almost \$130 million has been appropriated for watershed rehabilitation in fiscal years 2002 through 2006. Considerable progress has been made in a very short time since this new authorization was provided and funded. NRCS has worked with communities to identify dams that are nearing the end of the designed lifespan and need rehabilitation not only to ensure that the dams are safe and protect the people and infrastructure of the community, but also so they continue to provide flood control and recreation for another 50 to 100 years.

Plans have been authorized for rehabilitating 103 dams. The 47 dams that have been rehabilitated to date have reduced the risks to downstream living and maintained \$3 million in average annual flood damage reduction.

Regional Equity. The 2002 Farm Bill gives priority to States that have not received each fiscal year, an aggregate amount of at least \$12 million under the Environmental Quality Incentives Program, including the Ground and Surface Water Conservation Program and the Klamath Basin, the Grassland Reserve Program, and the Farm and Ranch Lands Protection Program.

As a result, for FY 2004, regional equity adjustments of \$67.5 million were allocated to 13 States and the Caribbean Area, including Alaska, Connecticut, Delaware, Hawaii, Maine, Massachusetts, Nevada, New Hampshire, New Jersey, Rhode Island, South Carolina, Vermont, West Virginia, and Puerto Rico.

The Agency has put into place a mechanism to assess and reevaluate excess program funding in the regional equity States should they not be able to obligate all the allocation in the allotted timeframe. As the fiscal year progresses, we can redirect unobligated dollars to States that can utilize the funds by the end of the fiscal year, if needed.

Measuring Success

Mr. Chairman, we have made significant progress in making our funding and allocation formulas more transparent and easily accessible to our customers. Program allocations, contract information, and backlog data are all available in table and map form on our Web site.

But while we have excellent information about our program outputs, we still need better data about the environmental outcomes of our programs.

As a result, starting in 2003, NRCS, in collaboration with other USDA and Federal agencies, initiated the Conservation Effects Assessment Project (CEAP) to scientifically assess the environmental and related outcomes from Farm Bill conservation programs at both the national and watershed scale through 2008.

The national assessment initially focuses on water quality, soil quality, and water conservation benefits from cropland, including the Conservation Reserve Program.

Using the Natural Resources Inventory (NRI), supplemented by farmer surveys and verified by USDA computer models, CEAP will estimate national benefits from conservation practices and programs. In addition, our future plans include estimates for wildlife, grazing lands, and wetlands benefits from conservation activities.

We know that farmers and ranchers are making important gains in conservation on working lands and that is clear because they have installed over 39 million acres of conservation systems applied to cropland, over 80 million acres of conservation systems applied to grazing lands, and 40 million wildlife habitat improved. We are excited to capture these data and more precisely measure the real results we are helping our customers achieve.

Economic Impacts of Conservation Activities

The financial and technical assistance that NRCS delivers to farmers and ranchers to assist them in “putting conservation on the ground,” not only creates clean water, healthy soil, and wildlife habitat, it also creates a positive indirect effect on local rural economies. Although the overall effect is small and varies by region, regional impact analysis modeling estimates that, on average, about \$1.60 to \$1.80 in additional economic activity is produced in rural areas over and above every dollar of NRCS conservation program expenditures. This figure was based on a study done by NRCS and Economic Research Service economists. This kind of economic activity—ranging from businesses supplying conservation-related materials and expertise to businesses supplying other goods and services—helps in rural job retention and help boost rural household incomes.

Our Goals

As we are looking ahead to the next Farm Bill, we have been discussing where conservation on working agricultural lands needs to go in the upcoming years—and even decades—ahead.

I mentioned earlier our mission— helping people help the land—which enables us to reach our ultimate objective: productive lands and a healthy environment.

With input from our customers, stakeholders, and partners, we have recently developed a strategic plan designed to help us move from vision to reality. We have identified six goals—three foundation goals and three venture goals.

Our foundation goals cover traditional NRCS activities: (1) high quality, productive soils; (2) clean and abundant water; and (3) healthy plant and animal communities. Our venture goals focus on emerging resource concerns related to current economic and demographic trends. These include: air quality, an adequate energy supply and working farms and ranch lands.

The plan also identifies three overarching program delivery strategies we will use to address all of these concerns— cooperative conservation, a watershed approach and a market-based approach— as well as strategies specific to each concern.

This plan is a solid blueprint that will drive us forward, under the 2002 Farm Bill and the Farm Bills of the future. At the same time, there is sufficient flexibility in the plan to enable us to adjust to the inevitable changes that will occur—including whatever the next Farm Bill brings—and to recognize local priorities.

Conclusion

As we look ahead, it is clear that the challenge before us will require dedication of all available resources – the skills and expertise of the NRCS staff, the contributions of volunteers, and continued collaboration with partners. Conservation Districts, Resource Conservation and Development Councils, State and local agencies, and other valuable partners continue to make immeasurable contributions to the conservation movement. It is this partnership at the local level that makes a real difference to farmers and ranchers. As we move forward, we will accelerate the use of third-party sources of technical assistance as well. We recognize that the workload posed by future demand for conservation will far outstrip our capacity to deliver, and seek to complement our resources with an appropriate system of qualified expertise.

Conservation programs on working agricultural lands bring environmental benefits to both producers and the public. Conservation thus represents a double value for the taxpayers by supporting sustainable agriculture and also enhancing the environment.

I thank the Chairman and Members of the Subcommittee for the opportunity to appear here today, and for your ongoing support and attention to implementation of the Conservation Provisions of the 2002 Farm Bill. I would be happy to respond to any questions that Members might have.