

**TITLE II**  
**CONSERVATION**

# **SUMMARY OF CONSERVATION TITLE REFORM**

## ***Recommendations In Brief***

Improve and increase funding of USDA conservation programs to better serve farmers, the environment, and all U.S. citizens.

## ***Problem***

USDA has multiple conservation programs within several agencies that can often lead to overlap and redundancy. Each of these conservation programs has its own eligibility requirements, regulations, policies, applications, and administrative actions that can lead to confusion and complications for producers seeking help. These inefficiencies result in increased administrative costs, leading to fewer dollars available for producers and fewer environmental benefits.

These disparate conservation programs are sometimes ill-equipped to solve complex agricultural landscape problems. These problems point to a need for streamlining, consolidation, and simplification. John from Maryland noted, “Currently, programs are implemented in a piecemeal fashion with no integration or connection with other programs or activities with similar objectives. We urge better integration and implementation of conservation programs...to ensure the conservation and environmental benefits of these programs can be most effectively realized.”

Each program has strengths and administrative flexibilities, but these beneficial attributes are not applied across all relevant programs. Additionally, many of these programs do not have market-based or merit-based funding mechanisms to ensure limited conservation funding is allocated to the highest needs and best uses.

At the same time, the needs of beginning and socially disadvantaged producers are not being fully addressed, and demand for existing conservation programs often outpaces resources available. Tim from Oklahoma mentioned, “The biggest problem has been an under-funding of existing conservation title programs.” And Philip, from California said, “A strong conservation title in the 2007 farm bill benefits everyone.”

## ***Recommended Solution***

The Administration is recommending several changes to Title II of the farm bill – entitled “Conservation.” Following is a list of the major components of the package.

1. Consolidate existing programs (Environmental Quality Incentives Program, Wildlife Habitat Incentives Program, Agricultural Management Assistance Program, Forest Land Enhancement Program, Ground and Surface Water Conservation Program, and the Klamath Basin Program) that provide financial assistance to customers through cost-share and incentives for working lands under a newly-designed Environmental Quality Incentives Program (EQIP). Simplify and streamline these activities, reduce redundancies, and produce more cost-effective environmental benefits. Create a new Regional Water Enhancement Program (RWEPP) that focuses on cooperative

approaches to enhancing water quantity and/or quality on a regional scale, and invest additional resources in the Conservation Innovation Grants program. These important changes to the EQIP program would invest an additional \$4.250 billion. (For further information, see the proposal entitled “Environmental Quality Incentives Program” on pages 43 – 45.)

2. Modify the Conservation Security Program (CSP) to create a stewardship program that emphasizes incentives for implementing higher levels of conservation practices. Expand CSP enrollment from its current 15.5 million acres to an estimated 96.5 million acres over the next 10 years, increasing investment by an additional \$500 million funding over the 10 year baseline. (For further information, see the proposal entitled “Conservation Security Program” on pages 46 – 48.)
3. Consolidate three existing easement programs for working lands into one new Private Lands Protection Program to streamline processes, eliminate redundancies, and expand the strengths of each program. Invest an additional \$900 million over 10-year baseline in this new easement program. (For further information, see the proposal entitled “Private Lands Protection Program” on pages 49 – 50.)
4. Reauthorize and enhance the Conservation Reserve Program (CRP) to focus on lands that provide the most benefits for environmentally sensitive lands. And in addition, give priority within whole-field enrollment for lands utilized for biomass production for energy. (For further information, see the proposal entitled “Conservation Reserve Program” on pages 51 – 52.)
5. Reauthorize the Wetlands Reserve Program (WRP) and consolidate the floodplain easements program of the Emergency Watershed Program into the WRP. Increase the total enrollment cap to 3.5 million acres, but maintain the fiscal year enrollment goal of 250,000 acres. This increase in acreage equates to an investment of \$2.125 billion over ten years. Also introduce popular attributes of other easement programs into WRP. (For further information, see the proposal entitled “Wetlands Reserve Program” on pages 53 – 54.)
6. Expand conservation compliance to include “Sod Saver” to discourage conversion of grassland to crop production. (For further information, see the proposal entitled “Implement ‘Sod Saver’ to Discourage the Conversion of Grassland into Cropland” on pages 55 – 56.)
7. Designate a portion of each conservation program specifically for beginning farmers and ranchers, as well as socially disadvantaged producers. (For further information, see the proposal entitled “Conservation Access for Beginning and Socially Disadvantaged Producers” on pages 57 – 58.)
8. Invest \$50 million over ten years to encourage new private sector environmental markets to supplement existing conservation and forestry programs. Introduce market forces into existing conservation programs to provide greater environmental returns from federal and landowner investments in conservation. (For further information, see the proposal entitled “Market-Based Approach to Conservation” on pages 59 – 60.)
9. Repeal Section 1241(d) of the 1985 Food Security Act, the regional equity provision, to allow funding to be allocated based on the highest need and best use of conservation funding. (For further information, see the proposal entitled “Merit-Based Funding Allocation” on page 61.)

10. Consolidate two emergency response programs - the Emergency Watershed Protection (EWP) and the Emergency Conservation Program (ECP) - into a new Emergency Landscape Restoration Program. Provide a one-stop source for landowners who need assistance after a catastrophic event to restore land to its productive state and prevent further land and water impairments. (For further information, see the proposal entitled “Emergency Landscape Restoration Program” on pages 62 – 63.)

# ENVIRONMENTAL QUALITY INCENTIVES PROGRAM

## *Recommendation in Brief*

Consolidate existing programs (Environmental Quality Incentives Program, Wildlife Habitat Incentives Program, Agricultural Management Assistance Program, Forest Land Enhancement Program, and Ground and Surface Water Conservation Program, and reauthorize the Klamath Basin Program) that provide financial assistance to customers through cost-share incentives for working lands under a newly-designed Environmental Quality Incentives Program (EQIP). Simplify and streamline these activities, reduce redundancies, and produce more cost-effective environmental benefits. Create a new Regional Water Enhancement Program (RWE) that focuses on cooperative approaches to enhancing water quantity and/or quality on a regional scale, and invest additional resources in the Conservation Innovation Grants program. These important changes to the EQIP program would invest an additional \$4.250 billion.

## *Problem*

Multiple USDA cost-share programs are redundant and overlap. Each of the current programs has specific land and producer eligibility requirements, regulations, policies, applications, and administrative actions that can be confusing and time-consuming to producers. Additionally, multiple, redundant programs result in increased administrative costs, reducing funding available to producers. As we heard from Austin at the Delaware Farm Bill Forum, “there are numerous programs out there. It’s hard for landowners to keep them all straight...any way we can work to streamline those and make it easier, I think while it’s obvious, it’s certainly very important.” The complexity also impacts the program’s ability to assist producers. As we heard from Bill in Nebraska “the process for applying and obtaining EQIP funds remains an obstacle to successfully helping many producers.”

These disparate conservation programs do not always provide the correct combination of treatment needed to resolve complex agricultural landscape problems. Under the current system, the focus is often on an individual resource concern. For example, the Wildlife Habitat Incentives Program (WHIP) only focuses on wildlife habitat while the Ground and Surface Water Conservation Program (GSWC) of EQIP only focuses on water quantity, instead of focusing on what is the best for the ecosystem as a whole.

Additionally, USDA is limited in the area of technology transfer and farmer-to-farmer demonstrations, which could rapidly accelerate adoption of conservation practices. Current programs are achieving results; however, limited mechanisms are available to transfer those results to the general public.

## *Recommended Solution*

The Administration proposes consolidating the existing agricultural conservation cost-share programs to strengthen, streamline, and improve current assistance while increasing the simplicity, accessibility, and understandability of these services. One program would

greatly simplify the application process for landowners, which can be especially burdensome for those with multiple land uses on their farms or ranches. Funding for EQIP would be increased by \$4.25 billion during FY 2008-2017, a 30 percent increase in mandatory funding.

Additionally, the newly enhanced EQIP would be expanded to a broader cross-section of agricultural producers and private landowners. Eligibility for EQIP cost-share assistance would include the following: cropland (including organically farmed land), grazing lands, agricultural production areas, confined feeding operations, irrigated land, wildlife habitat, native prairie, and private non-industrial forest lands. This broader range of land uses should avoid the need for separate programs under the farm bill to address niche interests.

A more comprehensive program would allow the Department to work with a landowner to address all the resource concerns identified on America's working lands instead of issuing one contract for one environmental solution and a second contract for another environmental fix. This new approach would allow USDA to address more resources on a wider variety of land uses as well as optimize technical assistance funding. The new program would allow for a combination of treatments that effectively target complex agricultural landscape concerns, such as air quality in the San Joaquin Valley, nutrient loading in the Chesapeake Bay, hypoxia in the Gulf of Mexico, or water needs in the Klamath Basin.

**The program could be utilized to address major resource concerns such as air quality, water quality and quantity, soil erosion, and wildlife yet still effectively target specific concerns such as controlling invasive species, re-establishing native vegetation, managing non-industrial forestland, stabilizing streambanks, protecting, restoring, developing or enhancing unique habitats, removing barriers that impede migration of certain species, and addressing the needs of threatened and endangered species across ecosystems.**

In addition to the traditional EQIP cost-share program, the Administration proposes the creation of a new Regional Water Enhancement Program (RWEP) that focuses on cooperative approaches to enhancing water quantity and/or quality on a regional scale. The RWEP would invest mandatory funding of \$175 million to producers annually to address an important missing component in the federal government's conservation delivery system-large-scale, coordinated water conservation projects. This new program would:

- Coordinate and competitively fund large-scale (watershed or irrigation district level) water conservation projects
- Target working agricultural landscapes, including crop, pasture, grazing, and orchard lands
- Focus on one to two key water quantity/quality objectives per area
- Include performance incentives to encourage a high percentage of producer participation in a project area and achieve cooperative conservation outcomes
- Establish interim performance targets that must be achieved in order to renew project funding.

This new program in tandem with multiple conservation tools (including farmland management practices, easement purchases, and ecosystem restoration assistance) would provide flexibility to cooperative conservation partners to achieve improved water quantity and quality goals.

Additionally, a more robust Conservation Innovation Grants (CIG) program, funded at \$100 million annually (currently funded at \$20 million), would provide opportunities to stimulate the development of innovative practices, accelerate development of market-based models, result in emphasis and creativity in addressing regional resource concerns (i.e., Klamath Basin, Chesapeake Bay, and San Joaquin Valley), and find tools to assist small-scale producers. Grants would be used for technology transfer and farmer-to-farmer workshops and demonstrations of conservation success. These activities will encourage producers to further adopt innovative conservation practices.

### ***Background***

The 2002 Farm Bill contains six voluntary conservation cost-share programs, each providing a Federal payment to share in the cost of implementing conservation practices on private land. The current programs provide assistance to eligible producers for specific resource concerns or specific types of land.

EQIP addresses soil, water, air, and related natural resource concerns, with two EQIP components focusing on specific concerns: the GSWC addresses irrigated land; the Klamath Basin program addresses specific concerns to that region of the country; WHIP addresses development of habitat for upland wildlife, wetland wildlife, threatened and endangered species, and fish; the conservation portion of the Agricultural Management Assistance Program addresses risk management activities related to irrigation, grazing lands, and organic growers; and the Forest Land Enhancement Program addresses resource concerns on private forest lands. Each program has a unique regulation, unique programmatic requirements for participation, and unique application, contracting, and payment processes. Programs are implemented through landowners and land users who apply structural, vegetative, and land management practices on eligible lands on a voluntary basis. All of the programs are delivered locally with local producers, producer groups, and other interests having input into the solutions to resource problems.

CIG is a voluntary program to leverage Federal investment to stimulate the development and adoption of innovative conservation approaches and technologies. Under CIG, EQIP funds are used to award competitive grants to non-Federal governmental or non-governmental organizations, Tribes, or individuals. CIG enables the Administration to work with other public and private entities to accelerate technology transfer and adoption of promising technologies and approaches to address some of the Nation's most pressing natural resource concerns. CIG benefits agricultural producers by providing more options for environmental enhancement and compliance with Federal, State, and local regulations.

# CONSERVATION SECURITY PROGRAM

## *Recommendation in Brief*

Modify the Conservation Security Program (CSP) to create a stewardship program that emphasizes incentives for implementing higher levels of conservation practices. Expand CSP enrollment from its current 15.5 million acres to an estimated 96.5 million acres over the next 10 years, increasing investment by an additional \$500 million funding over the 10 year baseline.

## *Problem*

CSP is complicated for customers and staff. Complaints about its complexity surfaced during the USDA Farm Bill Forums, during recent Congressional farm bill hearings, in correspondence from Members of Congress, and in applicant complaints and appeals. Another problem with the current program is the low level of environmental benefit per dollar invested.

CSP does not have the resources to accept every eligible applicant, despite being viewed by some as an entitlement. The level of funding available for the program has changed six times. At the Farm Bill Forums, Art from Washington State contended, “to only offer this program to certain identified watersheds creates an uneven playing field amongst neighboring farmers.” While Gary in Ohio added, “the CSP must be available to all producers, implemented as a nationwide program that is workable, and adequate funds must be appropriated to make it an effective program.”

An additional concern with the CSP program, as currently structured, is that some of the payments may be taxable and/or considered trade-distorting under World Trade Organization (WTO) guidelines.

## *Recommended Solution*

The Administration proposes reauthorization of CSP with the following adjustments: reduce complexity and increase the level of conservation by moving from three tiers to two; remove base, maintenance, and cost-share payments; provide for ranking of applications; expand the program by increasing funding during FY 2008-2017 to approximately \$8.5 billion, \$0.5 billion above the budget baseline for the current program; and allow the program to reward the best stewards in the nation. These changes would protect the program from WTO challenges, result in more equity in availability and distribution of the program, and provide a greater environmental return.

A tier of the existing CSP would be eliminated, resulting in a two-tiered system with a Progressive Tier and a Master Tier. This simplification would allow USDA to more easily delineate those who are performing conservation and want to do more, and those who are currently performing at the master conservation level. Combining aspects of current Tier I and Tier II requirements, the Progressive Tier would be available in five year contracts to producers who have addressed water and soil quality concerns to a sustainable level and agree to address a third resource concern to a sustainable level by



the end of the contract. Like the current Tier III, the Master Tier would be available in 10 year contracts to producers who have addressed all existing resource concerns to the sustainable level and will undertake additional activities, such as higher levels of conservation treatment, on-farm demonstrations, and field trials.

The enhanced CSP would enroll about 10 percent of the Nation's eligible land, or 96.5 million acres, during the 10 year period FY 2008-2017, compared with 15.5 million acres participating in the program in 2006.

Providing financial assistance for CSP through enhancement payments rewards exceptional conservation efforts and additional activities that provide increased environmental benefits above the normal level required to sustain a natural resource. By removing the base and maintenance payments, the new program eliminates payments that may be taxable and/or considered potentially trade-distorting under WTO criteria. Eliminating the cost-share payments eliminates a redundancy with the Environmental Quality Incentives Program, which also simplifies the program.

The current program prohibits ranking of applicants. As such, it requires a complex process for selecting applications when applications exceed the available funding. By ranking applications the best may be rewarded and technical assistance costs reduced. A simplified two-tier system, with ranking, would allow the program to be offered annually on a broader geographic basis rather than only in a limited number of watersheds. This competition raises the level of conservation practiced nationally and provides additional environmental benefits generated by program participants.

### ***Background***

The Conservation Security Program (CSP) is authorized by the Farm Security and Rural Investment Act of 2002. The CSP is a voluntary program that provides financial and technical assistance to producers who advance the conservation and improvement of soil, water, air, energy, plant and animal life on Tribal and private working lands.

The current program, which provides stewardship payments to producers, has increased the level of conservation across the country as producers seek to become eligible for the program. However, statutory changes in the program and a complex structure have hindered its potential.

CSP emphasizes water quality and soil quality as nationally significant resource concerns. Currently, the CSP rewards three levels of conservation treatment. Tier I participants must address water quality and soil quality concerns to the sustainable level *on part of their operation prior to application*. Tier II participants must have addressed water quality and soil quality concerns to the sustainable level *on their entire operation prior to application*. Tier II contract participants must also treat an additional significant resource concern by the end of the contract period. For Tier III, the contract participant must have addressed *all existing resource concerns to the sustainable level on their entire agricultural operation before application*.

USDA currently uses a watershed approach to administer CSP. Watersheds are prioritized based upon a nationally consistent process that uses existing natural resource, environmental quality, and agricultural activity data. Sign-ups for CSP participation are rotated between watersheds on an annual basis. This priority watershed delivery approach has reduced the administrative burden on applicants and minimized the cost of processing a large number of applications that could not be funded.

Technical assistance is available to the participants through USDA or an approved Technical Service Provider. These services include application assistance, conservation stewardship plan development, and conservation application. CSP financial assistance payments include:

- An annual stewardship component for the base level of conservation treatment;
- An annual existing practice component for the maintenance of existing conservation practices;
- An enhancement component for exceptional conservation effort and additional activities that provide increased resource benefits beyond the prescribed level; and
- A one-time new practice component for additional needed practices.

# PRIVATE LANDS PROTECTION PROGRAM

## *Recommendation in Brief*

Consolidate three existing easement programs for working lands into one new Private Lands Protection Program to streamline processes, eliminate redundancies, and expand the strengths of each program. Invest an additional \$900 million over 10 year baseline in this new easement program.

## *Problem*

USDA has multiple working-lands easement programs with the shared goal of protecting agricultural lands and open spaces. Each has unique land and producer eligibility requirements, regulations, policies, applications, and administrative actions. Multiple programs result in increased administrative costs, which reduce the efficiency of the programs and resources available to expand environmental benefits.

A concern commonly expressed during Farm Bill Forums was articulated by Gordon in Connecticut, who said, “We have some of the best farmland in the world...But, we are rapidly losing it irretrievably to development.” Wayne in Missouri added, “the reason grassland is so expensive depends less on the price of cattle than the amount speculators are willing to pay for it to turn it into 10-acre ranchettes and strip malls.” While Bruce in Montana noted a consolidated program would provide additional benefits for producers suggesting, “The Wetlands Reserve Program, the Farmland Protection Program, the Grassland Reserve Program might be combined under one umbrella.”

Currently, flexibilities and strengths of individual programs are not applied across all easement programs, such as the leveraging of Federal funds with State, local, and private contributions under the Farm and Ranchland Protection Program (FRPP). Additionally, regulatory assurances, such as those provided under the Healthy Forest Reserve Program (HFRP), are not currently available when protecting and restoring native grasslands under the Grasslands Reserve Program (GRP).

## *Recommended Solution*

The Administration proposes consolidating the existing working-lands easement programs (FRPP, GRP, and HFRP) into a new Private Lands Protection Program.

The new easement program would invest an additional \$90 million in annual mandatory funding over the current baseline of \$97 million. This near-doubled funding commitment would preserve prime and unique cropland, open space, grazing lands, native prairie, floodplains, and associated private non-industrial forest lands. The single program would reduce the variety of standards and regulations that result in increased complexities and add to the length of time to consider applications. The program also would provide mechanisms to support the monitoring necessary to ensure compliance and demonstrate the long-term benefits of the program. The program would provide additional consideration in the ranking process for landowners who provide open access for public recreation on easement lands.

The program would build on the popular attributes of existing programs:

- As with GRP, it would allow for third parties to hold easements while preserving the option for the federal government to hold the easement, as well.
- The new program would incorporate market-based features, such as including landowner contributions and other leveraging opportunities of FRPP as a key feature of the new combined program and a means of gaining the maximum benefit for the investment of taxpayer dollars.
- As with HFRP (and similar to the Wetlands Reserve Program), a key feature of the combined program would involve allowing the landowner to perform restoration of the site.
- As with HFRP, the new program would provide assurances and certainty in compliance with Federal and State regulations using a cooperative conservation approach.

### ***Background***

The 2002 farm bill contains two voluntary conservation easement programs for working-lands; each provides a federal payment to secure certain rights desired by the public. While the statutory purposes of each program slightly differs, there is a common theme to each of the programs – protect the Nation’s agricultural lands, including its natural resources, from land fragmentation and transition to other land uses.

The current programs pay eligible producers for specific rights on their land. FRPP addresses protection of prime and unique farm and ranch land; GRP addresses grasslands; and HFRP, which was authorized in the Healthy Forest Restoration Act, addresses forest land which provides habitat for threatened and endangered species.

These easement programs are implemented through landowners who voluntarily agree to a deed restriction and some degree of landscape and resource restoration. Each program has unique regulations, unique programmatic requirements for participation, and unique application, contracting, and payment processes.

# CONSERVATION RESERVE PROGRAM

## *Recommendation in Brief*

Reauthorize and enhance the Conservation Reserve Program (CRP) to focus on lands that provide the most benefits for environmentally sensitive lands. And in addition, give priority within whole-field enrollment for lands utilized for biomass production for energy.

## *Problem*

As CRP contracts expire in the coming years, high commodity prices and other market forces within agriculture will likely provide incentives for producers to convert current CRP land into agricultural production. Growing demands for agricultural commodities globally and for use in energy production have increased the competition for land. As Eric from Alabama told us during a Farm Bill Forum, “Many of the landowners in my area... appreciate it. However... our area needs that land back in production... We suggest that you take a deeper look at this program in the future.” And many wanted the CRP program to have a stronger focus on environmentally-sensitive lands, such as Jane, from Montana who said, “The Conservation Reserve Program should place its highest emphasis on environmentally-sensitive land and practices that will improve the soil and water quality in the long term.”

## *Recommended Solution*

The Administration proposes to focus CRP on lands that provide the most effective environmental benefit. Under the proposal, these environmentally sensitive lands would continue to be enrolled in continuous CRP and the Conservation Reserve Enhancement Program (CREP). The criteria for continuous CRP would be revised to ensure at-risk landscapes would be considered, such as enrollment of partial fields or irrigated land in areas where water availability is limited.

General CRP sign-ups would continue to give priority to environmentally sensitive land. However, USDA would also prioritize farmland planted in a biomass reserve of perennial crops used for cellulosic energy production. Currently, over 27 million acres of Conservation Reserve Program (CRP) contracts are on farmland capability classes I to IV, lands that are suited for growing crops. These lands could continue to provide various environmental benefits while being used for biomass production. These lands would also retain the ability to fulfill wildlife habitat needs. The program would establish clear requirements that biomass could only be harvested after nesting season. The rental payment would be limited to income forgone or costs incurred by the participant to meet conservation requirements in those years biomass was harvested for energy production.

## *Background*

The CRP was established by the Food Security Act of 1985 with the dual purposes of preventing soil erosion and achieving crop supply control. The program grew into its current emphasis on soil erosion, water quality, air quality, and wildlife habitat through a succession of Farm Bill amendments over the years. The CRP and the CREP are

voluntary programs for agricultural landowners or operators. Both programs provide annual rental payments based on the agricultural rental value of the land and cost-share assistance. The program currently has 37 million acres of agricultural land, with about 7 million acres reserved for continuous CRP and CREP.

The CRP is notified to the World Trade Organization (WTO) as a program of structural adjustment through resource retirement. Under WTO criteria, to be eligible for “green box” status, such payments must be part of a well-defined government program that removes land or other resources from marketable agricultural production for a minimum of three years (permanently for livestock). Payments shall not require or specify an alternative use for the retired resources that involves the production of marketable agricultural products. CRP is notified as “green box” by the United States.

Because biomass would be harvested for commercial use, the payments made to biomass reserve participants would not qualify for “green box” status as a structural adjustment program. However, the payments under the biomass reserve would be designed to qualify for “green box” status as an environmental program. To be eligible for green box status as an environmental program, payments must be part of a clearly-defined government environmental or conservation program and must fulfill specific conditions under the program, including those related to production or inputs. In addition, payments must be limited to the extra costs or loss of income involved in complying with the program.

# WETLANDS RESERVE PROGRAM

## *Recommendation in Brief*

Reauthorize the Wetlands Reserve Program (WRP) and consolidate the floodplain easements program of the Emergency Watershed Program into the WRP. Increase the total enrollment cap to 3.5 million acres, but maintain a fiscal year enrollment goal of 250,000 acres. This increase in acreage equates to an investment of \$2.125 billion over ten years. Also introduce popular attributes of other easement programs into WRP.

## *Problem*

The WRP has active projects in all 50 States and Puerto Rico and a total acreage enrollment of 1,893,671, with an additional 250,000 acres expected to be enrolled in calendar year 2007. The program is scheduled to expire in 2007. USDA heard broad support for this program in the farm bill forums; comments like those of Cheryl in Georgia, “these programs provide benefits to all taxpayers by providing clean water and air, healthy soil, recreation opportunities and wildlife habitat...these conservation programs should be reauthorized...the level of funding should be increased and the allowable acreages for these programs should be increased.”

Currently, flexibilities and strengths of working lands programs, such as leveraging of federal funds with state, local, and private contributions under the Farm and Ranchland Protection Program (FRPP), are not applied to the WRP. The Federal government pays the entire cost of the easement and incurs all the long-term costs associated with managing the easement. The program offers no regulatory protections for performing activities that result in a net-benefit to the environment. For example, under the Healthy Forest Reserve Program (HFRP), landowners can receive certain regulatory protections when performing activities that will result in a net-benefit to species. However, WRP participants do not receive these same regulatory assurances.

## *Recommended Solution*

The Administration proposes consolidating the floodplain easement function of the Emergency Watershed Program into a new WRP and increasing the enrollment cap from 2,275,000 acres to 3,525,000 acres. Similar to the 2002 farm bill, the authorization for WRP would only extend for the five years covered by the new farm bill, adding \$2.125 billion in mandatory funding to the program.

This expansion would be critical to meeting the Nation’s environmental goals, including the President’s Wetlands Initiative to restore, protect, or enhance 3 million acres of wetlands by 2009. The single program would reduce the variances in standards and regulations, which result in increased complexities and length of time required to review applications.

Additionally, we recommend maintaining the annual enrollment goal of 250,000 acres, but basing the goal on fiscal year instead of calendar year. This policy change would be consistent with how funds are appropriated by Congress and would improve overall

program administration. Enhanced WRP monitoring and compliance activities should be explicitly authorized to demonstrate the long-term environmental and taxpayer benefits of the program.

This enhanced WRP should also build on the popular attributes of other existing programs:

- Like FRPP, it would allow for third parties to hold easements while preserving the option for the federal government to hold easements, as well.
- The new program would incorporate market based features, such as including landowner contributions and other leveraging opportunities of FRPP as a key feature of the new combined program and a means of gaining the maximum benefit for the investment of taxpayer dollars. For example, the reverse auction piloted in WRP in 2006 reduced easement acquisition costs by 14 percent.
- As with HFRP, the new program would provide assurances and certainty in compliance with federal and state regulations using a cooperative conservation approach.
- The Wetlands Reserve Enhancement Program (WREP) should be modified to model the Conservation Reserve Enhancement Program, which would encourage partnerships with States to provide flexibility and cost-share for easement acquisition and activities associated with wetland restoration, creation, or enhancement within the state.

### ***Background***

The WRP and the WREP are voluntary programs that provide technical and financial assistance to enable qualified landowners to address wetland, wildlife habitat, soil, water, and related natural resource concerns on private lands in an environmentally beneficial manner. This program offers landowners an opportunity to establish, at minimal cost, long-term conservation and wildlife habitat enhancement practices through permanent easements, 30 year easements, and restoration cost-share agreements. WRP was reauthorized in the 2002 farm bill with a total enrollment cap of 2,275,000 acres.

A national shift from substantial wetlands losses to wetlands protection has occurred over the past 50 years, driven by changing public perception, scientific understanding, and policy direction. In April 2004, the President announced a national Wetlands Initiative to accelerate net-wetlands gains over the next five years and restore, protect, or enhance 3 million acres of wetlands by 2009.

The WRP goal is to achieve the greatest wetland functions and values, along with optimum wildlife habitat on every acre enrolled in the program. At least 70 percent of the wetland and upland areas will be restored to the original natural condition to the extent practicable. The remaining 30 percent of the project area may be restored to other than natural conditions. The WRP focuses on:

- Enrolling marginal lands that have a history of crop failures or low yields
- Restoring and protecting wetland values on degraded wetlands
- Maximizing wildlife benefits
- Achieving cost effective restoration with a priority on migratory bird benefits



- Protecting and improving water quality
- Reducing the impact of flood events

# **IMPLEMENT “SOD SAVER” TO DISCOURAGE THE CONVERSION OF GRASSLAND INTO CROPLAND**

## ***Recommendation In Brief***

Expand conservation compliance to include “Sod Saver” to discourage conversion of grassland to crop production.

## ***Problem***

Properly managed grasslands provide important ecological functions. Grasslands help to maintain habitat and migration corridors for wildlife, supporting a rich biodiversity of plant and animal species. Since grasslands account for large acreages in many U.S. river basins, they are important in hydrologic processes involving stream flow, aquifer recharge, and water filtration. In addition, grasslands sequester substantial amounts of atmospheric carbon. In addition, grasslands support livestock production and contribute importantly to rural economies, including hunting and fishing, wildlife viewing, and ranch-based recreation.

According to USDA's Natural Resources Conservation Service, acreage in non-Federal grasslands fell by 24 million acres from 1982-2002. A major factor contributing to the loss of grasslands in recent years has been urban development and the conversion of grasslands to roads, shopping centers, and housing developments. In addition, cropland expansion has contributed to grassland conversion, particularly in years of strong crop demand. The rate of conversion of grassland to cropland could increase greatly over the next several years as increased production of biofuels boosts the demand for corn and other crops.

Under current conservation compliance provisions, producers must adopt soil and wetland conservation practices on fragile lands to be eligible for farm price and income support and other USDA program benefits. However, current conservation compliance provisions do not apply to the conversion of grassland to cropland, unless the converted grassland is considered to be highly erodible. Even in this situation, a producer can elect to convert the grassland to cropland and remain eligible for farm price and income support and other USDA program benefits, if the converted grassland is farmed according to a USDA-approved conservation system that provides for a specified level of erosion control.

## ***Recommended Solution***

The Administration recommends broadening conservation compliance provisions to include “Sod Saver.” Under the proposed sod saver provision, grassland (rangeland and native grasslands, not previously in crop production) converted into crop production would be permanently ineligible for farm price and income support and other USDA program benefits.

## ***Background***

The 1985 and succeeding farm bills have included conservation compliance requirements for farmers who utilize certain USDA benefits. Conservation compliance provisions for highly erodible land (HEL) are commonly referred to as Sodbuster, and wetland conservation (WC) compliance provisions are often called Swampbuster. While the legislation has been amended several times over two decades, the central premise of wetland and highly erodible land preservation remains in place.

The objectives of conservation compliance are to: (1) reduce soil erosion on the Nation's cropland; (2) protect the Nation's long-term capability to produce food and fiber; (3) reduce sedimentation and improve water quality; and (4) preserve and protect the Nation's wetlands.

To be eligible for a USDA program benefit when producing an annual agricultural commodity, USDA program participants must apply an approved conservation system that provides a substantial reduction in soil erosion or a substantial improvement in soil conditions on a field or fields that contain highly erodible land. To maintain program eligibility, in most cases participants must also certify that they have not produced crops on wetlands converted after December 23, 1985, and did not convert a wetland to agricultural production after November 28, 1990.

The following USDA benefits may be affected:

- (a) Direct and Counter-Cyclical Payments
- (b) Marketing assistance loans, including loan deficiency payments and marketing loan gains
- (c) Farm storage facility loans (not subject to WC)
- (d) Disaster payments
- (e) Farm Operating Loans authorized under the Consolidated Farm and Rural Development Act
- (f) Conservation Security Program (CSP)
- (g) Conservation Reserve Program (CRP)
- (h) Environmental Quality Incentives Program (EQIP)
- (i) Farm and Ranch Land Protection Program (FRPP)
- (j) Grassland Reserve Program (GRP)
- (k) Wetlands Reserve Program (WRP)
- (l) Wildlife Habitat Incentives Program (WHIP)
- (m) Agricultural Credit Act of 1976 payments (not subject to WC)
- (n) Public Law 83-566, Small Watershed Program contracts

# CONSERVATION ACCESS FOR BEGINNING AND SOCIALLY DISADVANTAGED PRODUCERS

## *Recommendation in Brief*

Designate a portion of each conservation program specifically for beginning farmers and ranchers, as well as socially disadvantaged producers.

## *Problem*

Natural resource concerns are indiscriminate with regard to landowner boundaries. Beginning farmers and ranchers, as well as socially disadvantaged producers, often have less exposure to USDA programs and less familiarity with conservation practices. However, when provided information and tools to assist them with their long-term conservation goals, they take full advantage of the assistance.

Beginning farmers and ranchers, as well as socially disadvantaged producers, are underserved by USDA programs. Beginning farmers and ranchers are an important component of all principle operators, yet less than one percent of this producer group applied for the Environmental Quality Incentives Program in fiscal year 2006. These producers have not traditionally worked with farm bill programs and are often not aware of the types of practices needed to address common soil and water conservation problems. Extensive outreach is appropriate to ensure these producers are aware of these programs and practices. As Lorette noted at the North Carolina Farm Bill Forum, “the current programs cannot be accessed by small and particularly minority farmers. We need a lot more resources to work one-on-one with farmers to eradicate all the problems in the system, to get farmers into the programs that do exist.”

Economies of size enable larger commercial farms to have low unit costs when implementing conservation measures while addressing large resource concerns. As with socially disadvantaged producers, the majority of beginning farmers and ranchers have small operations (the majority of beginning farmers and ranchers have operations of fewer than 50 acres). Without special incentives, these producers are less likely to have competitive applications for farm bill programs that target more complex resource needs.

## *Recommended Solution*

To increase adoption of conservation practices, the Administration proposes reserving 10 percent of farm bill conservation financial assistance for beginning farmers and ranchers, as well as socially disadvantaged producers under a new Conservation Access Initiative. This new initiative would maintain the higher rates of Federal cost-share, but also direct a greater technical assistance percentage than the traditional program to better address the needs of socially disadvantaged agricultural producers.

Funds set-aside under the Conservation Access Initiative within the Conservation Innovation Grants would be used for technology transfer, farmer-to-farmer workshops, and demonstrations of conservation success to further adoption of innovative conservation practices.

Demonstrating benefits of conservation in communities without high adoption of conservation practices is critical to national conservation goals. To expand the horizons of USDA conservation activities, setting aside funds specifically for competition among beginning farmers as well as socially disadvantaged producers will result in greater environmental benefits for society.

The Administration also supports statutory flexibility within this program to allow the Secretary to reallocate these reserved funds if projections indicate that some of this funding will go unused.

### ***Background***

The 2002 farm bill recognizes the unique challenges of farmers and ranchers who are just beginning their agricultural businesses. These beginning farmers and ranchers are given special recognition in the farm bill to encourage Americans to take up careers as farmers and ranchers and help them succeed.

The number and percentage of beginning farmers and ranchers drops as operation size increases. Minorities represent around 5.1 percent of all farmers and ranchers in the United States. They operate almost 80 million acres, 8.4 percent of U.S. farmland, which is an 8 million acre increase from 1997 to 2002.

# MARKET-BASED APPROACH TO CONSERVATION

## *Recommendation in Brief*

Invest \$50 million over 10 years to encourage new private sector environmental markets to supplement existing conservation and forestry programs. Introduce market forces into existing conservation programs to provide greater environmental returns from Federal and landowner investments in conservation.

## *Problem*

Many conservation and environmental benefits produced on U.S. farms and private forestlands do not have an assigned value in the market place or lack a private market altogether. Consequently, farmers, ranchers, and forestland owners have little financial incentive to provide these public goods and services.

While private markets for environmental goods and services are emerging, their viability has been hampered by several barriers including; high transaction costs, the small quantity of benefits that can be provided by individual farmers or landowners, performance risks and liability, and uncertainties in quantifying benefits. New authorities could overcome these barriers and promote the establishment of markets for agricultural and forestry conservation activities.

In addition, several current conservation programs use static payment systems for cost-share, rental, and easement payments. Under more market-based approaches, existing conservation programs could be restructured to foster competition, allowing resources to reach more farmers and landowners.

Support for this concept was articulated by John from California who said, “We urge consideration of programs that leverage private dollars for the provision of public benefits and we look forward to exploring options such as carbon sequestration, threatened and endangered species mitigation banking, and other possibilities that can help landowners continue to provide natural resource services and goods to the nation.”

## *Recommended Solution*

The Administration recommends USDA and other federal agencies be authorized to ensure that environmental goods and services produced by agriculture and forests can be used as offsets in regulatory, voluntary partnerships and incentive programs. Generating substantial private-sector demand for environmental goods and services hinges on the ability to use environmental credits generated by agricultural and forest conservation activities. For example, a business that is a point source of water pollution could pay a farmer to establish buffer strips to reduce nutrient runoff. These buffer strips might also rehabilitate wetlands, sequester carbon and provide wildlife habitat.

Mandatory funding of \$50 million dollars is recommended to be available until expended to be utilized to develop uniform standards for quantifying environmental services;

establish credit registries; and offer credit audit and certification services. Additionally, existing programs should be amended to allow for market-based and price discovery mechanisms, such as bidding and reverse auctions.

### ***Background***

Agriculture and forestry conservation activities can produce environmental services, such as clean air and water, at lower costs than conventional pollution controls on industrial emissions and effluent. Traditional environmental regulations require firms to reduce pollution to a set level or to install specific technologies and practices. While fairly straightforward, this approach can be costly both to the firms and to society because firms with high costs of pollution reduction and those with low costs are required to meet the same requirements, which may waste resources. In addition, voluntary private-sector partnerships, and incentive programs, both public and private, are generating demand for environmental goods and services associated with agricultural and forest conservation activities. Private sector environmental markets can offer efficiency improvements over traditional regulations and could result in overall increases in environmental and conservation benefits.

In current programs such as the Environmental Quality Incentives Program, the Conservation Security Program, and the Farm and Ranchlands Protection Program, USDA does not have the authority to rank applications based on bidding and consideration of an applicant's willingness to increase their share of funding contributed. As part of the continued efforts to improve the efficiency of conservation programs, market-based and price discovery mechanisms should be added to USDA's authorities.

# MERIT-BASED FUNDING ALLOCATION

## ***Recommendation in Brief***

Repeal Section 1241(d) of the 1985 Food Security Act, the regional equity provision, to allow funding to be allocated based on the highest need and best use of conservation funding.

## ***Problem***

Section 1241(d) of the 2002 farm bill, the regional equity provision, fails to allocate funding based on the highest need and best use of limited conservation funding. Section 1241(d) allocations have also resulted in questionable program projects and diverted USDA attention and capacity away from other priority conservation initiatives.

Using non-merit based factors in allocating resources results in inefficient allocation of resources and less benefit per dollar invested. From fiscal year 2004-2006, more than \$150 million have been diverted to other regions compared to a merit-based, resource allocation process. As John, from Oregon, suggested, “Dollars for conservation and environmental objectives should be prioritized to ensure resources are addressing the most important needs of the landscape.”

## ***Recommended Solution***

The Administration recommends the elimination of Section 1241(d) of the 2002 farm bill, the regional equity provision. This policy change will recognize merit-based, quantitative program allocation and ranking processes as the most efficient and cost-effective method of allocating Federal resources.

## ***Background***

The 2002 farm bill requires that “*Before April 1 of each fiscal year, the Secretary shall give priority for funding under the conservation programs under subtitle D to approved applications in any State that has not received, for the fiscal year, an aggregate amount of at least \$12,000,000 for those conservation programs.*” Programs covered by this regional equity provision include the Environmental Quality Incentives Program (EQIP), the Wildlife Habitat Incentives Program (WHIP), the Farm and Ranchland Protection Program (FRPP), the Grassland Reserve Program (GRP), and the Conservation on Private Grazing Lands Program.

In FY 2005, the regional equity provision was fully implemented. A total of \$80 million was shifted from initial allocation totals and redistributed to 13 states which fell below the \$12 million threshold. More meritorious applicants in other states were denied \$40 million in EQIP funding, \$10 million in WHIP funding, \$15 million in FRPP funding, and \$15 million in GRP funding due to this provision.



# EMERGENCY LANDSCAPE RESTORATION PROGRAM

## *Recommendation in Brief*

Consolidate two emergency response programs - the Emergency Watershed Protection (EWP) and the Emergency Conservation Program (ECP) -- into a new Emergency Landscape Restoration Program. Provide a one-stop source for landowners who need assistance after a catastrophic event to restore land to its productive state and prevent further land and water impairments.

## *Problem*

Although natural disasters are unpredictable, the fact that they will occur is certain. The devastation caused by Hurricane Katrina demonstrated that the distinction is not always clear between activities covered under the ECP and those covered under the EWP, leading to further confusion and frustration among citizens facing a natural disaster. Lines of authority between individual federal disaster programs sometimes lead to duplication or gaps between programs.

## *Recommended Solution*

The Administration proposes a new Emergency Landscape Restoration Program to restore agricultural landscapes from the devastation of fire, drought, flood, and other resource impacting natural events. The new program would provide a one-stop source of assistance for restoring land back into its productive state, preventing further impairment of land and water, and further protecting our natural resources.

The Emergency Landscape Restoration Program would eliminate unclear areas in statutory authority between rehabilitating watersheds versus rehabilitating agricultural lands. Providing this comprehensive landscape approach will allow better and more comprehensive natural resource benefits to be realized in the wake of disasters.

Funding for this new program would be subject to appropriations, similar to current law funding of the ECP and the EWP. Funding would be provided for an individual assistance pool and a public assistance pool. Over the ten year period from 1997-2006, annual appropriations have averaged \$158 million for EWP and \$58 million for ECP.

## *Background*

EWP implements recovery measures to address natural disasters that have caused an impairment of a watershed. The program works through providing assistance to local sponsors such as neighborhood associations, cities, counties, watershed councils, and conservation districts. EWP provides financial and technical assistance to remove debris from streams, implement measures that protect destabilized streambanks, establish cover on critically eroding lands, repair conservation practices, and purchase flood plain easements.

ECP provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures in periods of severe drought. The funds are utilized to rehabilitate farmland, which may include debris removal, restoration of fences and conservation structures, and the providing of water for livestock in drought situations. The program works on a reimbursable basis of up to 75 percent of the cost to implement the approved conservation practices. Funds are available when appropriated by Congress.