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Soil and Water Conservation Issues

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Soil and Water Conservation Issues

SUMMARY

Soil and water conservation may be prominent farm policy topics in the 109th Congress as the Administration continues to implement provisions in the 2002 farm bill (P.L. 107-171) and starts to prepare for the next farm bill. The 2002 farm bill increased spending and expanded the scope of the conservation effort by reauthorizing and amending many conservation programs and enacting new ones, mostly through FY2007.

The Congressional Budget Office (CBO) estimated that conservation spending would increase by \$9.2 billion in new mandatory budget authority above the April 2001 baseline through FY2007 (and the March 2004 baseline raised this total by an additional \$2.3 billion). Examples of increases include the Environmental Quality Incentives Program (from \$200 million annually to \$1.3 billion in FY2007) and the Farmland Protection Program (from a total of \$35 million to \$125 million annually starting in FY2004). Enrollment ceilings were raised for the Conservation Reserve Program (CRP) (from 36.4 million acres to 39.2 million acres) and the Wetlands Reserve Program (from 1,075,000 acres to 2,275,000 acres).

Several new programs expand the scope of the conservation effort. The largest of these (potentially), the Conservation Security Program (CSP), provides payments to producers who address natural resource concerns on private lands in specified locations. Other new programs conserve grasslands, address surface and ground water conservation needs and conservation issues in certain regions, permit approved third parties to provide conservation assistance, and (in the forestry title) replace existing programs with a new consolidated financial assistance program.

Two Department of Agriculture agencies implement most agriculture conservation programs, which attract voluntary participants by providing financial and technical incentives. The Natural Resources Conservation Service provides technical assistance and administers most programs, and the Farm Service Agency administers the most expensive program currently (the CRP) and an emergency program.

As both agencies implement the farm bill, controversies arise, especially when interested Members disagree with the Administration's interpretation of the law. Controversies have included (1) how to fully fund technical assistance in support of the mandatory programs, and (2) how to implement the Conservation Security Program (CSP).

To address the first issue, the 108th Congress considered a legislative proposal (H.R. 1907) and inserted a one-year response in FY2004 appropriations before enacting a permanent fix in P.L. 108-498. The second issue became more prominent after NRCS published rules and held the initial CSP sign-up in summer 2004 in 18 specified watersheds. It is currently holding a second sign-up in 202 other watersheds and the 18 original watersheds.

The Senate Agriculture Committee's conservation subcommittee focused on CSP at a May 11, 2004 oversight hearing, while the House Agriculture Committee's conservation subcommittee examined other topics at a June 15, 2004 hearing. Appropriators continue to influence some conservation topics, including these issues, through their actions. They may play a greater role this year in responding to the Administration's proposed budget cuts.

MOST RECENT DEVELOPMENTS

The FY2006 funding request for conservation calls for several reductions below both last year's funding levels and authorized funding levels. Funding reductions would be accompanied by a reduction of almost 2,000 staff years at the Natural Resources Conservation Service. Agriculture appropriations subcommittees in both chambers have held hearings on these proposals.

Late in the second session, the 108th Congress enacted P.L. 108-498 (S. 2856), which amended the 1985 Food Security Act (farm bill) to require that each of the mandatory conservation programs pay for its own technical assistance and that no funds can be transferred between these programs to pay for technical assistance, starting in FY2005.

Agencies at USDA continue to make announcements about implementing provisions in the 2002 farm bill. Among those that received the most attention in the past year were an August 2004 announcement that nearly 2,200 participants had been enrolled into the Conservation Security Program (CSP) in 18 selected watersheds; a November 2004 announcement of the 202 watersheds that will be eligible for the FY2005 CSP sign up; an August 2004 announcement soliciting input about the future of the Conservation Reserve Program; and an April 2005 announcement soliciting input about future priorities for the Environmental Quality Incentives Program.

BACKGROUND AND ANALYSIS

Evolution of Federal Resource Conservation Issues

Conservation of soil and water resources has been a public policy issue for more than 60 years, an issue repeatedly recast as new problems have emerged or old problems have resurfaced. Two themes involving farmland productivity dominated debate on this issue until 1985. One was to reduce the high levels of soil erosion, and the other was to provide water to agriculture in quantities and quality that enhance farm production.

Congress responded repeatedly to these themes by creating or revising programs. These programs were designed to reduce resource problems on the farm. They combined voluntary participation with technical, educational, and financial assistance incentives. By the early 1980s, however, concern was growing, especially among environmentalists, that these programs were not adequately dealing with environmental problems resulting from agricultural activities (especially off the farm). Publicized instances of significant problems, especially soil erosion rates said to rival the dust bowl era, increased awareness and intensified the policy debate.

Congress responded, in a watershed event, by enacting four major new conservation programs in the conservation title of the 1985 Food Security Act. One of these programs, the Conservation Reserve (CRP), greatly increased the federal financial commitment to conservation and targeted federal funds at some of the most severe problems by retiring land under multi-year contracts. The other three, sodbuster, conservation compliance, and

swampbuster, created a new approach to conservation, by halting producer access to many federal farm program benefits if they did not meet conservation program requirements for highly erodible lands and wetlands.

Provisions enacted in the next farm bill, in 1990, reflected a rapid evolution of the conservation agenda, including the growing influence of environmentalists and other non-agricultural interests in the formulation of conservation policy, and a recognition that agriculture was not treated like other business sectors in many environmental laws. Congress expanded this agenda to address groundwater pollution, water quality, and sustainable agriculture, and allowed for the use of easements, as well as amending existing programs. Amendments to the CRP reflect these changes; its earlier focus on highly erodible land shifted to give greater emphasis to environmental concerns.

After the congressional party switch in 1994, conservation policy discussions shifted, with greater attention to identifying ways to make the conservation compliance and swampbuster programs less intrusive on farmer activities. It also reduced the influence of environmental interests in developing conservation policy. The 1996 farm bill included a wide ranging conservation title drafted by the Senate Agriculture Committee staff. The enacted bill gave considerable attention to wildlife. (For an overview of conservation provisions in the 1996 farm bill, see CRS Report 96-330, *Conservation Provisions in the Farm Bill: A Summary*.)

The nature of the conservation effort continued to evolve after 1996, as reflected in the provisions of the 2002 farm bill. Conservation themes included (1) increasing overall funding, (2) creating new programs and addressing new issues, (3) providing more conservation on lands that are in production (called working lands), and (4) using funding for conservation programs to meet world trade obligations. Major conservation activities are discussed below, followed by other new programs, then implementation activities. (Other activities that could be categorized as conservation are not discussed below, including those that center on research, forestry, and energy.) For detailed information about the enacted provisions in the farm bill's conservation title, including how they compare with prior law, see CRS Report RL31486, *Conservation Title of the 2002 Farm Bill: A Comparison of New Law with Bills Passed by the House and Senate, and Prior Law*.

Current Major Conservation Activities

USDA's conservation efforts, while increasingly diverse, have centered in recent years on implementing the Conservation Reserve Program (CRP), wetland protection programs, the Environmental Quality Incentives Program (EQIP), and the Conservation Security Program (CSP), and on funding technical assistance. USDA continues to adjust this effort to reflect the 2002 enactment. By FY2007, when the current law expires, funding for the overall conservation effort will be much larger. By that year, this effort will give proportionally less emphasis to land retirement programs and to land producing row crops, and more attention to conservation on other land and to livestock producers. Recognizing this expanding effort with additional programmatic components, Congress also included a provision in Section 2005 of the 2002 law that require the Secretary to submit a report to both agriculture committees by December 31, 2005 (with implementing recommendations) about how to better coordinate and consolidate conservation programs. Lead conservation

agencies continue to be the Natural Resources Conservation Service (NRCS), which provides technical assistance and administers most programs, and the Farm Service Agency (FSA), which provides cost-sharing assistance and administers the most expensive program currently, CRP.

Conservation Reserve Program (CRP)

Under the CRP, producers can bid to enroll highly erodible or environmentally sensitive lands into the reserve during signup periods, retiring it from production for at least 10 years. Successful bidders receive annual rental payments and cost-sharing and technical assistance. Enrollment is limited to 25% of the crop land in a county. Funding is mandatory spending. Section 2101 of the 2002 farm bill reauthorizes the CRP through FY2007 and raises the enrollment cap from 36.4 million acres to 39.2 million acres. Also, only land that was cropped in four of six years preceding enactment is eligible, thus making it more difficult to cultivate land primarily to gain access to the program. It makes the six-state pilot program to retire small, isolated farmable wetlands into a national program, with an enrollment ceiling of 1 million acres. Some economic uses of enrolled lands are being permitted for the first time, with a reduction in annual rental payments.

FSA issued an interim rule on May 8, 2003, that implements these changes. This rule was used to guide a summer 2003 signup, which enrolled 2.0 million acres selected from 4.1 million that were offered. Of this total, about 700,000 acres had been in the program and were being reenrolled. FSA held a second general signup on August 30, 2004, in which it enrolled 1.2 million acres of 1.7 million acres that were offered. FSA's summary of participation through January 2005 shows 34.8 million acres were enrolled, with almost 4 million acres in Texas and more than 3 million acres in Montana and North Dakota. Also, USDA announced that emergency haying and grazing would be allowed on CRP lands in areas affected by drought on June 24, 2004. In August 2004, USDA requested comments in response to 10 questions it posed about long-term policy topics related to the CRP, due December 8, 2004.

USDA has estimated that the average erosion rate on enrolled acres has been reduced from 21 to less than 2 tons per acre per year. Retiring these lands also expanded wildlife habitat, enhanced water quality, and restored soil quality. The annual value of these benefits has been estimated from less than \$1 billion to more than \$1.5 billion; in some regions where there is heavy participation, estimated benefits exceed annual costs. However, the Government Accountability Office (GAO, formerly called the General Accounting Office) and others have criticized the potentially ephemeral nature of these benefits, because the landowner is under no obligation to retain them after contracts expire, although they must follow a conservation plan on any previously enrolled highly erodible land.

In addition to general signups, FSA has enrolled about 2.5 million acres under several more targeted options, and an additional 2 million acres are being reserved for future enrollment. These acres can be enrolled continuously because they provide large environmental benefits. The newer options include enrolling up to 500,000 acres of floodplains to be planted in hardwood trees, with allotments specified for states; enrolling up to 250,000 acres of field borders for northern bobwhite quail habitat; and creating up to 250,000 acres of wetlands in non-floodplain areas. The three largest and oldest options are:

- Enrolling portions of fields with especially high environmental values. Through January 2005, more than 2.25 million acres had been enrolled, with more than 412,000 acres in Iowa. The most common conservation practice is buffer strips along water bodies (these strips are usually called riparian buffers by NRCS). NRCS estimated that almost 1.55 million miles of buffer strips had been enrolled. FSA enrollment data showed that 700,000 acres of buffer strips had been enrolled through January 2005.
- A state-initiated enhancement program (Conservation Reserve Enhancement Program, or CREP) under which states contribute funds so that higher rents can be offered to potential participants in smaller specified areas where benefits will be greater. For example, Maryland, the first state to implement a program, is enrolling stream buffers, restored wetlands, and highly erodible lands along streams in a portion of the Chesapeake Bay watershed. Currently, 25 states have one or more approved enhancement programs. FSA data show that more than 630,000 acres had been enrolled through January 2005, with more than 121,000 acres in Pennsylvania and almost 110,000 acres in Illinois.
- A program to enroll up to 1 million acres of small, isolated farmable wetlands. USDA offers signup bonuses to attract participation. Almost 123,000 acres had been enrolled through January 2005, with almost half those acres in Iowa.

NRCS provides technical assistance in support of CRP, but the 1996 farm bill placed a cap on funding from the CCC that can be used to reimburse agencies for services provided to deliver CCC programs. These funds have been insufficient to pay all related technical assistance costs in recent years, and in FY1999, NRCS briefly suspended CRP-related activities. Recent efforts to address this issue are discussed in the subsection titled *Technical Assistance*, below. (For more information on CRP, see CRS Report RS21613, *Conservation Reserve Program: Status and Current Issues*.)

Wetlands and Agriculture

Swampbuster and the Wetlands Reserve Program (WRP) have been the main agricultural wetland protection programs. (An expanded small, isolated farmable wetlands program, added to the CRP in the 2002 farm bill, is discussed above.) Under swampbuster, farmers who convert wetlands to produce crops lose many federal farm program benefits until the wetland is restored. Swampbuster includes four major exemptions. It allows a partial penalty once a decade.

Swampbuster has been controversial since it was first enacted. Some from the farm community view wetland protection efforts on agricultural lands as too extensive or overzealous. They observe that it protects some sites that appear to provide few of the values attributed to wetlands. A portion of this group also view these efforts as an unacceptable intrusion of government into the rights of private property owners, or “takings.” Environmental and other groups counter that the swampbuster program has been enforced weakly and inconsistently, with few violators losing farm program benefits. Controversies also arise over inconsistencies, such as when adjoining states use different interpretations of

rules that lead to different determinations. The only provision in the 2002 farm bill amending swampbuster addresses a concern expressed by the farm community by prohibiting USDA from delegating the authority to make wetland determinations to other parties.

Some concerns raised by the agricultural community about the potential roles of other federal agencies were thought to have been addressed when a Memorandum of Agreement (MOA) making NRCS responsible for all federal wetland determinations on agricultural lands under swampbuster (and the Clean Water Act's §404 Program) was signed by NRCS, the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, and the U.S. Environmental Protection Agency (EPA) in 1994. But these agencies were unable to revise the MOA to reflect changes in the 1996 farm bill.

An additional issue for agriculture was raised in January 2001 when the Supreme Court determined, in *Solid Waste Agency of Northern Cook County (SWANCC) v. U.S. Army Corps of Engineers*, that §404 (of the Clean Water Act) wetland permit program should not apply to certain "isolated waters." One result is that an estimated 8 million acres of agricultural wetlands that had been subject to the §404 program will now be subject only to swampbuster. Some of these wetlands (up to 1 million acres) may be enrolled in the new farmable wetland component of the CRP. For more information on this decision, see CRS Report RL30849, *The Supreme Court Addresses Corps of Engineers Jurisdiction Over "Isolated Waters": The SWANCC Decision.*)

The second wetlands program, the WRP, was established in the 1990 farm bill. It uses permanent and temporary easements and long-term agreements to protect farmed wetlands. Enrollment reached almost 190,000 acres in January 2005. Permanent easements account for more than 80% of the total. The Secretary may delegate the administration of easements to other federal or state agencies with the necessary expertise. Section 2201 of the 2002 farm bill reauthorizes the WRP through FY2007 and increases the enrollment cap to 2,275,000 acres, while limiting enrollment to 250,000 acres per year. On June 29, 2004, USDA announced a partnership initiative in Nebraska, modeled after the CREP component of the CRP, to enroll almost 19,000 acres. This may be a prototype for future initiatives. Another wetland protection program is created in Section 2101 to retire 1 million acres of small isolated agricultural wetlands as part of the CRP, and a more recent initiative taken administratively will be used to create 250,000 acres of wetlands (see the CRP discussion, above). (For more information about wetlands, see CRS Issue Brief IB97014, *Wetland Issues*, updated regularly.)

Environmental Quality Incentives Program (EQIP)

EQIP provides financial incentives to induce farmers to participate in conservation efforts. It pays a portion of the cost of installing or constructing approved conservation practices. EQIP is a mandatory spending program which supports structural, vegetative, and land management practices. Under provisions in the 2002 farm bill, annual funding is authorized to increase from \$200 million in FY2002 to \$1.3 billion in FY2007, with 60% of these funds each year to be used to address the needs of livestock producers. A plan is required to participate. The total of all EQIP payments a single entity can receive, combined, is \$450,000 through FY2007. Contracts can be 1 to 10 years in length. Producers with comprehensive nutrient management plans are eligible for incentive payments, and producers receiving funding for animal waste manure systems must have these plans. Cost share

assistance can be higher for beginning and limited resource producers. The implementing regulations list four national priorities that guide decisions about which producers receive assistance and help optimize environmental benefits from this program. NRCS has called for public comments about whether these priorities should be altered, and will hold a national listening session on May 5, 2005.

Three new subprograms are authorized under EQIP. First, a portion of EQIP funds in FY2003 through FY2006 can be used to make grants for innovative efforts, such as fostering markets for nutrient trading. On March 22, 2004, NRCS announced that it was soliciting proposals and making \$15 million available; it announced that it had awarded \$14.5 million to 41 entities on September 23, 2004. It is currently soliciting proposals for FY2005. Second, additional funds, starting at \$25 million in FY2002 and growing to \$60 million annually between FY2004 and FY2007 are provided for a new ground and surface water conservation program within EQIP. USDA announced on May 9, 2003 that it was providing \$53 million from these funds to 17 western states to implement water conservation practices in response to drought conditions. Third, an additional \$50 million is earmarked for the Klamath River basin in Oregon and California, and is to be provided as soon as possible; through FY2003, more than \$12 million had been allocated, and an additional \$19 million was released in FY2004.

Interest in participating in EQIP continues to far exceed available funds. For FY2004, for example, NRCS reports that it received more than 113,000 applications, but was only able to sign almost 48,000 contracts. The cost of funding the remaining 66,000 applications is \$1.026 billion. In early May 2004, USDA announced that it was making \$32 million available to low income farmers. (For further information on EQIP, see CRS Report RS22040, *Environmental Quality Incentives Program (EQIP): Status and Issues*.)

Conservation Security Program (CSP)

Section 2001 of the 2002 farm bill authorizes the new Conservation Security Program (CSP) to provide payments to producers on all agricultural land that was cropped in four of six years before 2002. Payments are based on which of three levels of conservation is planned for and practiced. The lowest level allows contracts of five years and annual payments up to \$20,000; the middle level allows contracts of 5 to 10 years and annual payments up to \$35,000; the top level allows contracts of 5 to 10 years and annual payments up to \$45,000. The lowest level requires a plan that addresses at least one resource concern on part of a farm; the middle level requires a plan that addresses at least one resource concern on the entire operation, and the top level requires a plan to address all resource concerns on the entire operation.

Implementation has proven controversial, as the authorizing legislation created this program as a true entitlement, but appropriators prohibited funding in FY2003, then allowed only \$41.4 million in FY2004 and \$202 million in FY2005 to implement this program. NRCS issued a draft rule that generated more than 10,000 comments, then issued an interim final rule on June 21, 2004. This rule requires interested producers to complete a self-assessment to determine their eligibility. NRCS designed the program so that it could be expanded or contracted from year to year based on funding levels, by limiting signup each year to producers in specified watersheds. Based on this rule, signups in the summer of 2004 enrolled nearly 2,200 producers in 18 specified "priority watersheds." On November 2,

2004, NRCS announced that 202 watersheds encompassing more than 83 million acres in every state would be eligible for the FY2005 signup. In a separate action that will affect CSP in the future, Congress capped total funding for CSP over the next 10 years at \$6.0 billion to pay for disaster assistance during October 2004 (Division B, P.L. 108-324). This action generated complaints from program supporters in Congress and elsewhere. (For more information, see CRS Report RS21739, *The Conservation Security Program in the 2002 Farm Bill*; and CRS Report RS21740, *Implementing the Conservation Security Program*.)

Technical Assistance

NRCS provides technical assistance (TA) at the request of the landowner to conserve and improve natural resources. TA includes professional advice on how to design, install, and maintain land management and structural practices that provide conservation benefits. NRCS combines that advice with knowledge of local conditions. TA is a component of most conservation programs, and NRCS estimates that the cost of providing it in FY2004 amounted to about \$1 billion. Almost \$400 million came from the CCC and the remainder was in the Conservation Operations as a line item.

A subsection of §2701 of the 2002 farm bill provided that technical assistance in support of each mandatory program come from the funding provided by the CCC for that program. However, the Office of Management and Budget, supported by the Department of Justice, issued an opinion in late 2002 that technical assistance funding for mandatory programs remains limited under a cap that has been placed in §11 of the CCC charter under prior law. Many in Congress had thought that the language in the 2002 farm bill had resolved this issue, and they were supported in this conclusion by a GAO opinion.

The Administration repeatedly proposed to address this limit in appropriations by creating a new farm bill technical assistance account, to be funded through annual appropriations in FY2003, FY2004, and FY2005. Congress rejected this proposal each year. In FY2003 and FY2004, Congress prohibited using any of the discretionary funds from Conservation Operations for technical assistance to implement any mandatory programs. This prohibition, combined with a retention of the cap on CCC funds that can be spent on administrative expenses, meant that some of the mandatory programs donated funding for technical assistance to other programs, thereby leaving less money available to implement their activities. In P.L. 108-498 (S. 2856), enacted December 23, 2004, Congress amended the 1985 farm bill to require that technical assistance for each mandatory program be paid from funds provided for that program annually, and that funding for technical assistance cannot be transferred among the mandatory funded programs, starting in FY2005.

Other actions related to technical assistance may also attract congressional interest. First, GAO released a report in November 2004 titled *USDA Should Improve Its Methods for Estimating Technical Assistance Costs* (GAO-05-58). This assessment may contribute to discussions about the cost of providing technical assistance, which critics state is too high and reduces the amount of money that goes to program participants. Second, in February 2005, NRCS announced new policy guidance for technical assistance that will establish national priorities. For the current year, national priorities center on helping producers comply more easily with environmental regulatory requirements.

Selected Other Conservation Activities

Federal conservation efforts include many additional activities and programs. The list below includes only selected conservation activities in USDA that are administered by NRCS and FSA. Other USDA agencies who make significant contributions to the conservation effort include the Agricultural Research Service (conducts research on numerous conservation topics); the Economic Research Service (provides economic analysis of many conservation topics and led the effort to develop the Environmental Benefits Index used to compare CRP bids); and the Forest Service (conducts research on forest and tree topics and administers programs to enhance timber stands on private lands). None of the many conservation programs that have been authorized but are not being implemented are included.

Watershed Programs. NRCS has worked with local sponsors under several authorities for more than 50 years to construct more than 10,500 structures to prevent floods, protect watersheds, control erosion and sediments, and other purposes. A rehabilitation program for aging small watershed structures was enacted in the Small Watershed Rehabilitation Amendments of 2000 (§313 of P.L. 106-472). Section 2505 of the 2002 farm bill authorizes both mandatory funding for the rehabilitation program, rising from \$45 million in FY2003 to \$65 million in FY2007, and additional appropriations, rising from \$45 million in FY2003 to \$85 million in FY2007. The law permits federal funds to pay for 65% of rehabilitation projects, with the remainder coming from local sponsors.

Conservation Compliance and Sodbuster. Under conservation compliance and sodbuster provisions, established in the 1985 farm bill, producers who cultivate highly erodible land (HEL) are ineligible for most major farm program benefits, including price supports and related payments. These benefits are lost for all the land the farmer operates. A smaller penalty can be imposed on producers once every five years if circumstances warrant. Producers who cultivate highly erodible land using an approved conservation plan are not subject to conservation compliance. Section 2002 of the 2002 farm bill, in the only amendment to these provisions, prohibits USDA from delegating authority to other parties to make highly erodible land determinations. Any person who had HEL enrolled in the CRP has two years after a contract expires to be fully in compliance (or longer if the Secretary determines that two years is insufficient).

According to 1997 data compiled by NRCS, producers were actively applying plans on more than 97% of the tracts of land that were reviewed. NRCS estimates that soil erosion on these acres is being reduced from an average of 17 tons per year to 6 tons per year. Critics, primarily from the environmental community, have contended that USDA staff has not vigorously enforced these requirements. GAO issued a report critical of the implementation effort in April 2003 titled *USDA Needs to Better Ensure Protection of Highly Erodible Cropland and Wetlands* (GAO-03-418). Others, primarily from the agriculture community, have countered that the department has been too vigorous at times.

Resource Conservation and Development (RC&D). RC&D provides a framework for local interests to work together to improve the economy, environment, and living standard in multi-county areas through RC&D Councils. USDA provides technical and financial assistance to councils, and helps them secure funding and services from other sources. NRCS states that 375 areas encompassing more than 85% of the counties in the

country have been designated. This total includes 7 that were accepted from 28 applications during the summer of 2003. Section 2504 of the 2002 farm bill permanently reauthorizes the program, and makes numerous technical amendments.

Farmland Protection Program (FPP). (USDA calls it the Farm and Ranch Lands Protection Program.) The 1996 farm bill authorized USDA to assist state and local governments to acquire easements to limit conversion of agricultural lands to nonagricultural uses. Section 2503 of the 2002 farm bill greatly increases mandatory funding from \$50 million in FY2002 to a high of \$125 million in FY2004 and FY2005. The definition of eligible land is expanded to include rangeland, pastureland, grassland, certain forest land, and land containing historic or archeological resources. The program is subject to conservation compliance. Certain private nonprofit organizations can compete for these funds. Eligible lands must be subject to a pending offer. Through FY2004, almost \$265 million had been obligated to acquire 870 easements on almost 178,000 acres in 37 states. An additional 959 easements are pending on more than 209,000 acres in every state. States where the most funds have been obligated include Maryland (\$17.7 million), Pennsylvania (\$15.8 million), and New Jersey (\$15.5 million).

Wildlife Habitat Incentives Program (WHIP). WHIP was authorized in 1996 to use a total of \$50 million from mandatory funds allocated to the CRP to provide cost sharing and technical assistance for conservation practices that primarily benefit wildlife. This money was allocated in FY1998 and FY1999. Congress provided additional conservation funding for FY2001, and the Department allocated \$12.5 million to WHIP. Section 2502 of the 2002 farm bill provides \$15 million in FY2002, growing to \$85 million in FY2005 and thereafter. It provides that up to 15% of the funding each year can be used for higher cost sharing payments to producers who protect and restore essential plant and animal habitat under agreements of 15 years or longer. In FY2004, 3,012 contracts were signed for almost \$28 million, affecting about 432,000 acres.

Emergency Programs. The Emergency Watershed Program (EWP) is administered by the NRCS and the Emergency Conservation Program (ECP) is administered by the FSA. The EWP provides technical and cost sharing assistance for projects that restore land after flooding and protect it from future damage. The ECP provides cost-sharing and technical assistance to rehabilitate farmland damaged by natural disasters, and to carry out emergency water conservation measures during severe drought. The 2002 farm bill does not amend emergency conservation programs. Proposed rules for the EWP were issued in the November 19, 2003, *Federal Register*, with comments to be submitted by January 20, 2004. Emergency programs are implemented most years; for example, the FY2004 omnibus appropriations bill provides \$150 million of EWP funds and \$12 million in ECP funds to address resource problems stemming from the widespread wildfires in southern California. NRCS announced on November 20, 2003, that it had already provided \$480,000 to address these problems. On August 11, 2004, FSA released \$2.7 million in ECP to address hurricane damage.

Water Quality Programs and Initiatives. Groundwater and nonpoint pollution have emerged as major issues for conservation policy as more instances of contamination in which agricultural sources play major roles have been identified. Specific occurrences that drive public interest and concern range from a very large hog farm waste spill in North Carolina to the *Pfiesteria* outbreak and fish kills in portions of the Chesapeake Bay and

hypoxic conditions creating a large “dead zone” in the central Gulf of Mexico and in several estuaries. Questions are being raised about the extent of the problems, the severity of the potential threat to human health, the adequacy of government programs, and the contribution of agriculture. In some cases, contamination may have resulted even though producers followed accepted agricultural practices, and did not commit illegal acts. Current agricultural conservation programs that address water quality concerns center on EQIP, plus both the Enhancement Program (CREP) and the continuous enrollment option under CRP.

EPA and USDA announced a final revised rule for managing nutrient wastes from animal feeding operations, as required under court order, on December 12, 2002. Large operators will be required to develop comprehensive nutrient management plans while smaller operators will be encouraged to develop them. It was published in the February 12, 2003 *Federal Register*, effective April 14, 2003. Farm interests were generally pleased because it will affect less producers and cost less when compared with earlier proposals. On February 27, 2004, NRCS released its *National Animal Agriculture Conservation Framework*, which it describes as a blueprint for assisting livestock and poultry producers with their voluntary efforts to deal with environmental issues. (For more information on this rule, see CRS Report RL31851, *Animal Waste and the Environment: EPA Regulation of Concentrated Animal Feeding Operations (CAFOs)*.)

Limiting total maximum daily loadings (TMDLs) is another approach to cleaning polluted waterways authorized under the Clean Water Act. Congress included a rider in H.R. 4425, the FY2001 Military Construction and FY2000 Urgent Supplemental Appropriations bill, prohibiting EPA from using FY2000 or FY2001 funds to implement the TMDL proposal the Clinton Administration had announced in August, 1999. It responded to the rider by issuing a revised rule delaying the effective date of the program until October 31, 2001. (For more information, see CRS Report RL30437, *Water Quality Initiatives and Agriculture*.)

Water quality problems are likely to be addressed not only through existing programs, such as EQIP, discussed above, but also through the new farm bill programs, including

- the Conservation Security Program, enacted in §2001, which is expected to be used to address water quality problems, especially nutrient management;
- the Ground and Surface Water Conservation Program, enacted in §2301 as part of EQIP and discussed above;
- the Small Watershed Rehabilitation Program amendments enacted in §2505;
- the Agricultural Management Assistance Program, reauthorized in §2501, to provide \$20 million annually between FY2003 and FY2007 and \$10 million annually thereafter to 15 specified states that have been chronically underserved by risk management programs (subsequent amendments limit conservation funding to \$14 million annually);
- a new program for the Great Lakes Basin states enacted in §2502;
- a new Grassroots Source Water Protection Program, enacted in §2502; and
- a new program for the Delmarva Peninsula enacted in §2601-2604.

In addition, USDA released a draft framework for addressing animal agriculture conservation on September 9, 2003. The framework discusses how USDA can help producers meet environmental regulatory requirements and promote new opportunities while sharing knowledge and increasing accountability.

The 108th Congress did enact legislation (P.L. 108-328) authorizing funding for the New York City Watershed Protection Program through FY2010. This program funds conservation practices on farms in watersheds that provide drinking water to New York City to maintain a level of water quality that precludes the need to build a new water treatment plant.

Private Grazing Lands Program. A voluntary coordinated technical and educational assistance program was enacted in the 1996 farm bill to maintain and improve resource conditions on private grazing lands. Section 2502 of the 2002 farm bill reauthorizes the program through FY2007 with appropriations of \$60 million annually. Appropriators continue to earmark a portion of NRCS's Conservation Operations funds for this effort annually, providing \$23.4 million for FY2004 and \$23.5 million in FY2005.

Grasslands Reserve Program. Section 2401 of the 2002 farm bill authorizes a new Grasslands Reserve Program to retire 2 million acres under arrangements ranging from 10-year agreements to permanent easements, permits the delegation of easements to certain private organizations and state agencies, and provides up to \$254 million in mandatory funding. The Department started a national signup on June 30, 2003, with Texas receiving \$7.8 million, three times the next largest state allotment. More than 240,000 acres were placed under contract. For FY2004, the Department issued an interim final rule on May 11, 2004, that guided enrollment of 283,000 acres under 1,055 contracts; an additional 9,000 applications were processed, including at least one in every state.

Air Quality Activities. The 1996 farm bill created an interagency air quality task force in USDA. The task force represented USDA on scientific topics such as EPA's proposals to revise National Ambient Air Quality Standards for ground-level ozone and two sizes of particulates in 1997. USDA and EPA cooperate under a Memorandum of Agreement signed in January 1998. More recently, federal agencies have been discussing how agricultural practices and programs affect global warming, especially by sequestering carbon. The Department testified at a global warming hearing held by the Senate Environment and Public Works Committee on July 8, 2003. On March 23, 2005, it announced that NRCS and the National Forest Service would start to track the amount of carbon that farmers would be sequestering. The 2002 farm bill did not amend air quality provisions. On April 9, 2003, USDA announced that it had appointed new task force members, who met in late May. In the April 29, 2004 *FR*, USDA issued a call for nominations of new members by June 14. (For more information, see CRS Report 97-670, *Agriculture and EPA's Proposed Air Quality Standards for Ozone and Particulates*.)

Research and Technical Activities. Many agencies in USDA conduct research and provide technical support. NRCS, for example, provides basic data about resource conditions and characteristics through the soil and snow surveys and the National Resources Inventory. It also does applied research through the plant material and technical centers.

Other Conservation Programs and Provisions in the 2002 Farm Bill. In addition to the farm bill programs described above, the conservation title contains several other programs. It:

- authorizes Partnerships and Cooperation in §2003, using up to 5% of conservation funding, for both stewardship agreements with other entities

- and special projects designated by state conservationists to enhance technical and financial assistance to address resource conservation issues.
- amends administrative requirements in §2004, to provide to beginning and limited resource farmers and ranchers and Indian tribes, and to protect the privacy of personal information related to natural resource conservation programs and information about National Resources Inventory data points.
 - reauthorizes the Agricultural Management Assistance Program through FY2007 in §2501, and provides an additional \$10 million (for a total of \$20 million) in mandatory funding annually.
 - authorizes a Grassroots Source Water Protection Program in §2501 and annual appropriations of \$5 million through FY2007.
 - authorizes a Great Lakes Program for Erosion and Sediment Control in §2501 and annual appropriations of \$5 million through FY2007.
 - authorizes Desert Terminal Lakes provisions in §2507 to require the Secretary to transfer \$200 million in mandatory funds to the Bureau of Reclamation to pay for providing water to at-risk natural desert terminal lakes; other provisions prohibit using these funds to purchase or lease water rights.
 - authorizes appropriations of matching funds through FY2007 to demonstrate local conservation and economic development through a Conservation Corridor Demonstration Program with state and local partners on the Delmarva Peninsula in §2601-2604.

Implementing the 2002 Farm Bill Conservation Provisions

Official actions, including announcements in the *Federal Register (FR)*, taken to implement selected conservation programs authorized or significantly amended by the 2002 farm bill are listed below.

Agricultural Management Assistance Program. August 28, 2002 *FR* contains proposed rule, and April 9, 2003 *FR* contains a final rule. The FY2004 appropriations legislation amended the 2002 farm bill by allocating these funds among three purposes in 2004 and thereafter, and on February 23, 2004, USDA announced the FY2004 allocations for conservation to eligible states.

Conservation Innovation Grants. An interim final rule and request for proposals was published in the March 29, 2004 *FR*. A final rule and request for FY2005 proposals was published in the January 11, 2005 *FR*.

Conservation Partnership Initiative. A call for FY2004 proposals was issued in the July 24, 2004 *FR*, and a call for FY2005 proposals was issued in the December 17, 2004 *FR*.

Conservation of Private Grazing Lands Program. June 29, 2002 *FR* contains proposed rule. November 12, 2003 *FR* contains final rule.

Conservation Reserve Program. A general signup, held between May 5 and June 13, 2003, was administered under an interim final rule, published in the May 8, 2003 *FR*. The final rule was published in the May 14, 2004 *FR*. FSA announced three new initiatives

and called for responses to 10 questions about the future of CRP in an August 4, 2004 *FR* announcement.

Conservation Security Program. February 18, 2003 *FR* contains advance notice of proposed rule making, with request for comments by March 20, 2003. January 2, 2004 *FR* contains a proposed rule. The May 4 *FR* contains a notice describing the criteria used to select eligible watersheds. An interim final rule was published in the June 21, 2004 *FR* to guide the FY2004 sign up.

Environmental Quality Incentive Program (EQIP). July 24, 2002 *FR* contains notice providing additional \$275 million for FY2002. February 10, 2003 *FR* contains notice of proposed rules and requests comments by March 12, 2003. May 30, 2003 *FR* contains final rule.

Farmland Protection Program. May 30, 2002 *FR* notice requests proposals for FY2002, due August 15, 2002. October 28, 2002 *FR* contains proposed rule, with comments to be submitted by December 30, 2002. May 16, 2003 *FR* contains final rule. March 17, 2004 *FR* contains request for proposals, to be submitted by May 16, 2004. (*Note:* NRCS is now calling this the Farm and Ranch Land Protection Program.)

Grasslands Reserve Program. June 13, 2003 *FR* contains a notice of availability of funds that will apply to the 2003 signup only, which started on June 30, 2003. A September 24, 2003 press release announced that a total of \$49.7 million had been released to all 50 states, funding only a very small portion of the \$1.7 billion that had been requested. The May 11, 2004 *FR* contains an interim final rule.

Resource Conservation and Development Program. Some action under discretionary authority but no additional rule making.

Small Watershed Rehabilitation Program. Some action under discretionary authority but no additional rule making.

Technical Assistance Service Providers. On November 7, 2002, a “summit” is hosted by USDA in Washington to receive public input. November 21, 2002 *FR* contains interim final rule, with comments to be submitted by February 19, 2003. Comments were requested by June 23, 2003, on an interim final rule establishing payment rates for technical service providers and USDA policy for subcontracting in the March 24, 2003 *FR*. NRCS announced payment rates for providers, by state, on August 6, 2003, and revised rates on October 27, 2004. A final rule was published in the November 11, 2004 *FR*.

Wetland Reserve Program. June 7, 2002 *FR* contains final notice of amendment to existing rule.

Wildlife Habitat Incentive Program. July 24, 2002 *FR* contains final rule providing additional cost share assistance to participants with agreements exceeding 15 years.

Conservation Appropriations

Conservation spending combines discretionary spending in five accounts (all administered by NRCS) and mandatory funding for 11 programs through the Commodity Credit Corporation. Under the Administration request, overall discretionary spending would decline from \$999 million in FY2005 to \$814 million in FY2006, while mandatory funding would rise slightly, from \$3,897 million in FY2005 to \$3,930 million in FY2006, if this request was enacted. The request identifies helping livestock producers to comply with environmental regulations and helping producers deal with invasive species as higher priorities to be addressed with these funds. If these reductions are enacted, total NRCS staff years would decline from 13,627 to 11,688.

Among the discretionary programs, the Administration requests \$768 million for Conservation Operations, which is a reduction of \$70 million from the FY2005 estimate of \$837 million. This reduction may reflect, in part, implementation of an amendment to the 2002 farm bill passed with the FY2005 appropriations which prohibits any Conservation Operations funds from being used to provide technical assistance in support of any of the mandatory conservation programs. Among the other discretionary programs, the request calls for no funding for Watershed and Flood Prevention Operations (a reduction from \$75.6 million in FY2005); and for reducing funding for the Watershed Rehabilitation Program by \$12.4 million (to \$15.1 million), the Watershed Surveys and Planning Program by \$2 million (to \$5 million), and the RC&D by \$26 million (to \$25.6 million). The RC&D reduction would reflect a proposed change in policy to phase out federal support to participating areas after 20 years; 189 of the 375 participating areas would lose funding if Congress were to adopt this proposal.

Funding for the mandatory conservation programs administered by NRCS would decline by a total of \$46 million, to \$1,897 million, from FY2005 to FY2006 under this request, while the CRP, administered by the FSA, would increase by \$79 million to \$2,021 million. All the mandatory programs have authorized dollar or acreage limits either annually or for the life of the authorization, so changes in funding should be compared with these limits as well as with funding the preceding year. The largest proposed reductions from FY2005 include the Grasslands Reserve Program (the reduction from \$128 million to \$0 reflects the allocation of the entire \$254 million authorized in the FY2002 farm bill by the end of FY2005), the FPP by \$26 million (to \$84 million), and the Agricultural Management Assistance Program by \$14 million (to \$0). When compared to authorized levels, the largest reduction is the EQIP, which is authorized at \$1,200 million, but received \$1,017 million in FY2005 and is proposed for \$1,000 million in FY2006. When other proposed reductions are viewed this way, the FPP received \$13 million less than its authorized level of \$125 million in FY2005 and would receive \$16 million less than its authorized level of \$100 million in FY2006. Among the largest increases from FY2005 are the CRP (plus \$79 million, as mentioned above), the CSP (plus \$72 million, to \$274 million), the WRP (plus \$46 million, to \$321 million to enroll 200,000 acres), and WHIP (plus \$13 million, to \$60 million). While the CSP would increase, CBO had estimated in its January 2005 baseline that it would grow by \$254 million in FY2006 (to \$456 million), rather than \$72 million (to \$274 million).

LEGISLATION

Bills will be listed in this section only after the 109th Congress takes some action beyond introduction.

CONGRESSIONAL HEARINGS, REPORTS, AND DOCUMENTS

U.S. Congress. Senate. Committee on Agriculture. *Conservation*. Hearings. 107th Congress, 2nd session. February 28 and March 1, 2002. 250p. S. Hrg. 107-225.

—*Conservation on Working Lands for the New Federal Farm Bill*. Hearings. 107th Congress, 1st session. July 31, 2001. 86p. S. Hrg. 107-828.

—*Oversight of Conservation Programs of the 2002 Farm Bill*. Hearings. 108th Congress, 2nd session. May 11, 2004. 155p. S. Hrg. 108-564.