SEEKING COMMON GROUND FOR CONSERVATION

An Agricultural Conservation Policy Project
by the Soil and Water Conservation Society

HOW CONSERVATION MEASURES UP IN THE FARM SECURITY AND RURAL INVESTMENT ACT OF 2002

Just prior to the start of congressional action on the 2002 farm bill, the Soil and Water Conservation Society (SWCS) conducted five regional farm bill workshops in the Northeast, Southeast, Corn Belt, Great Plains, and West. Workshop participants included representatives from the agricultural, water resources, and fish and wildlife communities who collectively developed ideas for reform of conservation policy and programs in the reauthorized farm bill.

Participants sought to accomplish two things through the new farm bill: (1) Strengthen existing conservation programs to enhance their environmental performance and the commercial viability of farms and ranches and (2) build a new farm policy based on the role of farmers and ranchers as natural resource stewards and, therefore, a policy that supports all agricultural producers, regardless of the commodity or commodities they produce.

SWCS developed a set of recommendations—published in the report "Seeking Common Ground for Conservation, A Farm Bill Proposal: Responding to the Grassroots"—that, in the judgment of SWCS staff and advisors, held the most promise of achieving workshop participants' goals.

The U.S. House of Representatives passed the Farm Security and Rural Investment Act of 2002 (FSRI 2002) on May 2, 2002, and the U.S. Senate followed suit on May 9, 2002. President Bush signed the bill into law (Public Law 107-171) on May 13, 2002. This report and Table 1 compare the provisions of the Conservation Title in FSRI 2002 with recommendations in the "Seeking Common Ground" report. A "step ahead" indicates the new law includes provisions that make progress toward implementing a recommendation in the SWCS report. A "step back" means the law includes provisions that take policy or programs in the opposite direction from that recommended in the report. No action in the law on a recommendation represents a "missed opportunity."

FSRI 2002 IN SUM

The 22 recommendations in the "Seeking Common Ground" report sought to achieve three primary objectives. First, SWCS recommended that existing U.S. Department of Agriculture (USDA) conservation programs be funded at $5 billion a year—roughly double current funding. Further, the new $2.5 billion investment in conservation

TABLE 1: SEEKING COMMON GROUND RECOMMENDATIONS	STEP BACK	MISSED OPPORTUNITY	STEP AHEAD
CONSERVATION PROGRAM AND POLICY REFORM			
Funding			
Double funding for technical services			✔
Triple funding for conservation financial assistance on working land			✔
Increase funding for land retirement by 30 percent			✔
Technical Services Infrastructure			
Ask USDA for action plan and budget for delivering technical assistance to all producers		✔	
Remove cap on use of CCC funds for technical assistance and mandate use of CCC funds for technical and educational assistance in all CCC-funded conservation programs		✔	
Provide training and certification programs to build capacity for delivery of technical assistance by private-sector interests, including producers			✔
Conservation Programs			
Fairness and flexibility			
Expand use of state agreements, like CREP and WHIP, to achieve greater state and local flexibility			✔
Create a Conservation Partner Fund that allows states to tailor USDA programs to fit state needs and access more funds			✔
Give producers credit for past conservation efforts in determining program eligibility		✔	
Make all agricultural land eligible for CRP and eliminate cropping history requirement for the continuous CRP sign-up			✔
Mandate a 5-million-acre goal for buffers and pay higher financial incentives		✔	
Improve priority setting			
Request USDA to provide a plan and budget for ongoing use of the national conservation plan and appraisal process			✔
Strengthen state technical committees and allow greater flexibility in use of USDA conservation programs at state level		✔	
Reward producers who work collectively on a landscape or watershed basis		✔	
Balance land treatment and retirement			
Allow managed, compatible economic use of CRP acres at reduced rental rates			✔

should be used primarily to expand the reach of programs directed at improving the management of working land—the cropland, rangeland, and pasture that we depend upon to produce food and fiber, but which also provide important environmental goods and services.

Second, SWCS recommended that technical services—research, education, and technical assistance—be recognized as the most important conservation program in and of itself, not merely a cost of delivering conservation financial assistance to producers. In addition, SWCS recommended that funding for technical services be guaranteed, along with financial assistance, when conservation programs were authorized.

Third, SWCS recommended that traditional farm subsidies be balanced with a new $3 billion annual farm and ranch stewardship option that would help all farmers and ranchers, not just producers of the eight major subsidized crops.

FSRI 2002 falls short of achieving the vision articulated by workshop participants as outlined in the "Seeking Common Ground" report. The failure to make a secure and certain home for a stewardship-based option to the fixed-payment portion of crop subsidies—an option large enough that most farmers and ranchers really have access to it and receive benefits comparable to those provided by traditional commodity-based subsidies—is the law's most serious flaw. The law also under funds conservation programs and misses the opportunity to address a number of key policy reforms to those programs.

Despite these shortcomings, FSRI 2002 creates the greatest opportunity for conservation on private land since 1985. The $17.1 billion additional investment in conservation is an 80 percent increase over current investment. As important, 82 percent of the additional investment is in programs designed to enhance the management of working land. The law also mandates Commodity Credit Corporation (CCC) funding for technical assistance for all CCC-funded conservation programs. This additional investment in financial and technical assistance, coupled with the emphasis on working land, means conservation programs could reach hundreds of millions of acres annually instead of the tens of millions of acres a year those programs currently reach.

The policies, priorities, and initiatives that guide implementation of the conservation provisions in FSRI 2002 will determine what taxpayers and agricultural producers harvest from this opportunity. The decisions made by USDA officials during implementation could be as

TABLE 1: (CONT.) SEEKING COMMON GROUND RECOMMENDATIONS	STEP BACK	MISSED OPPORTUNITY	STEP AHEAD
Require implementation of a comprehensive conservation plan as part of the Farmland Protection Program		✔	
Simplification			
Emphasize conservation-driven farm and ranch planning and use plan as fast track to financial assistance under all programs		✔	
Provide continuous sign-up for all USDA financial assistance programs or provide coordinated sign-up period for all programs		✔	
Eliminate the bid process in EQIP and rank applications using a conservation index			✔
Provide automatic EQIP eligibility for key practices and/or priority areas		✔	
Regulatory assurance			
Encourage states to use a "one-plan" approach to working land conservation and make additional USDA funds available to those that do		✔	
FARM PROGRAM AND POLICY REFORM			
Conservation Compliance			
Reaffirm the swampbuster policy			✔
Reinstate the super sodbuster provision		✔	
Attach all farm program benefits, including crop insurance, to the compliance provisions		✔	
Extend the soil conservation provisions to non-highly erodible cropland		✔	
New Vision Program			
Create a new stewardship-based farm and ranch program, with at least $3 billion in annual funding			✔
State technical committees, conservation districts or other local institutions should determine what conservation practices or systems are needed to earn payments			✔
Payments should be made to install new practices and maintain existing or new practices			✔
A minimum set of conservation practices should be required as a condition of eligibility for the stewardship-based program			✔
The new stewardship-based program should complement and not replace existing USDA conservation programs			✔

important as the decisions members of Congress made in passing FSRI 2002.

Implementation of FSRI 2002 offers a multitude of specific opportunities to affect the results achieved by individual programs and authorities. Five cross-cutting opportunities, however, stand out as a result of a preliminary analysis by SWCS of the conservation provisions in FSRI 2002:

- Build an effective technical services infrastructure.
- Encourage collective action in key locations.
- Link EQIP with conservation buffers.
- Ensure that conservation drives programs rather than programs driving conservation.
- Ground-truth the next generation of farm and conservation programs.

CONSERVATION PROGRAM AND POLICY REFORM

The "Seeking Common Ground" report recommended a doubling of funding for conservation programs, along with a number of conservation policy and program reforms.

Conservation Funding

The first priority of workshop participants was to expand the reach of existing conservation programs by doubling the funding for those programs. This new investment should emphasize expanding programs targeted at improving the management of working land while making room for a significant increase in land retirement and restoration programs. FSRI 2002 takes important steps forward on both fronts.

According to the Congressional Budget Office (CBO), FSRI 2002 will increase conservation funding by about $17.1 billion—an 80 percent increase. Funding for existing conservation programs increases by about $14.0 billion (66 percent) over 10 years. Four new programs share about $3.0 billion in funding over 10 years (Table 2).

The Environmental Quality Incentives Program (EQIP) receives $9.0 billion—53 percent of the total $17.1 billion new investment in conservation. The Conservation Security Program (CSP) receives the next largest increase in funding—$2.0 billion, which is about 12 percent of the new investment made by FSRI 2002 in conservation (Table 2).

The Conservation Reserve Program (CRP) remains the single largest conservation program in terms of funding. Its funding level of $20.9 billion over 10 years is 54 percent of the total conservation investment. EQIP is the second largest program with budget authority of $11 billion over 10 years—29 percent of total conservation invest-

TABLE 2: FSRI 2002 INVESTMENT IN CONSERVATION PROGRAMS ($ MILLIONS).

	Current Investment Under 1996 FAIR Act*		Additional Investment Under FSRI 2002**		Total Investment		Percent Change	
Existing Programs	6-YEAR	10-YEAR	6-YEAR	10-YEAR	6-YEAR	10-YEAR	6-YEAR	10-YEAR
Conservation Reserve Program	$10,312	$19,341	$806	$1,517	$11,118	$20,858	8%	8%
Wetlands Reserve Program	$8	$8	$1,498	$1,498	$1,506	$1,506	na	na
Environmental Quality Incentives Program	$1,200	$2,000	$4,600	$9,000	$5,800	$11,000	383%	450%
Farmland Protection Program	$0	$0	$597	$985	$597	$985	na	na
Conservation Farm Option	$63	$63	$0	$0	$63	$63	na	na
Wildlife Habitat Incentives Program	$0	$0	$360	$700	$360	$700	na	na
Flood Risk Reduction	$0	$0	$0	$0	$0	$0	na	na
Agricultural Management Assistance	$0	$0	$50	$50	$50	$50	na	na
Soil and Water Conservation Assistance	$0	$0	$0	$0	$0	$0	na	na
Klamath Basin Water Conservation	$0	$0	$0	$0	$0	$0	na	na
Yakima Basin Water Conservation	$0	$0	$0	$0	$0	$0	na	na
Small Watershed Rehabilitation	$0	$0	$275	$275	$275	$275	na	na
SUBTOTAL	$11,583	$21,412	$8,186	$14,025	$19,769	$35,437	71%	66%
New Programs								
Conservation Security Program	$0	$0	$369	$2,000	$369	$2,000	na	na
Ground & Surface Water Conservation	$0	$0	$360	$600	$360	$600	na	na
Grassland Reserve	$0	$0	$83	$254	$83	$254	na	na
Desert Terminal Lakes	$0	$0	$200	$200	$200	$200	na	na
SUBTOTAL	$0	$0	$1,012	$3,054	$1,012	$3,054	na	na
TOTAL INVESTMENT	$11,583	$21,412	$9,198	$17,079	$20,781	$38,491	79%	80%

*CBO April 2001 baseline.
**CBO estimates of effect of FSRI 2002 on budget authority for conservation spending compared to CBO April 2001 baseline.

ment. These two programs together account for 84 percent of the total conservation investment. No other single conservation program accounts for more than 5 percent of the total 10-year conservation investment (Table2).

While FSRI 2002 falls short of doubling funding for conservation programs, the law still represents a substantial increase over investment authorized in the 1996 farm bill and subsequently realized over the six intervening fiscal years (1996-2001). FSRI 2002 mandates about $8.0 billion in budget authority for CCC-funded conservation programs, compared to about $1.4 billion provided for comparable programs in the Federal Agriculture Improvement and Reform Act of 1996 (FAIR 1996) and about $1.2 billion actually appropriated between 1996 and 2001—a 560 percent increase (Table 3).

FSRI 2002 authorizes enrollments of about 43.5 million acres in three key programs—a 20 percent increase over peak enrollment between 1996-2001. A new Grassland Reserve accounts for 2 million of the 7.3 million additional acres authorized for enrollment in the three programs (Table 3).

FSRI 2002 authorizes another $745 million in annual appropriations for two existing and two new conservation programs, compared to $300 million authorized under FAIR 1996 (Table 3).

About 82 percent of the new 10-year conservation investment is in financial assistance programs for working land conservation, which is clearly in keeping with the recommendations in the "Seeking Common Ground" report. Financial assistance for working land conservation will increase from 15 percent of the conservation financial assistance budget in fiscal year 2000 to just over 40 percent of total investment in financial assistance over 10 years, 2002-2011 (Figure 1).

In addition, options for economic use of CRP acres are expanded, creating an opportunity, if appropriately implemented, to integrate

TABLE 3: HOW FSRI 2002 COMPARES TO THE FEDERAL AGRICULTURE IMPROVEMENT AND REFORM ACT OF 1996 IN FUNDING CONSERVATION PROGRAMS.

	CCC Budget Authority ($ millions)		
Program	**1996 FAIR Act 6 Years**	**1996-2001 Appropriated 6 Years**	**2002 FSRI Act 6 Years**
Environmental Quality Incentives Program	$1,130	$1,074	$5,800
Conservation Farm Option	$198	$0	$0
Wildlife Habitat Improvement Program	$50	$63	$360
Farmland Protection Program	$35	$53	$597
Soil & Water Conservation Assistance	na	$20	$0
Agricultural Management Assistance	na	$8	$50
Conservation Security Program	na	na	$369
Ground & Surface Water Conservation	na	na	$360
Small Watershed Rehabilitation	na	na	$275
Desert Terminal Lakes	na	na	$200
TOTAL	$1,413	$1,218	$8,011
	Total Acres Authorized		
Program	**1996 FAIR Act**	**Peak Enrollment (1996-2001)**	**2002 FSRI Act**
Conservation Reserve Program	36,400,000	35,083,747	39,200,000
Wetlands Reserve Program	975,000	1,075,000	2,275,000
Grassland Reserve	0	0	2,000,000
TOTAL	37,375,000	36,158,747	43,475,000
	Appropriations Authorized ($ millions)		
Program	**1996 FAIR Act 6 Years**	**1996-2001 Actual 6 Years**	**2002 FSRI Act 6 Years**
Conservation of Private Grazing Lands	$300	$0	$360
Grassroots Source Water Protection	na	na	$30
Great Lakes Basin Program for Soil Erosion and Sediment Control	na	na	$30
Small Watershed Rehabilitation	na	na	$325
TOTAL	$300	$0	$745

land retirement and restoration programs into farming and ranching systems in a way that increases the likelihood that the gains from those programs can be sustained over the long-term.

Conservation Technical Services Infrastructure

The "Seeking Common Ground" report identified weaknesses in this nation's conservation technical services infrastructure as the single greatest impediment to enhancing conservation on working land. The report recommended that Congress reaffirm the central role that technical services play in conservation and ensure that all agricultural producers have access to timely, effective technical assistance from the public and/or private sectors.

FSRI 2002 takes a critical step ahead by mandating that a portion of the CCC funds provided for each CCC-funded conservation program be used to provide technical assistance. In their report, the farm bill conference managers state that they "expect technical assistance for all conservation programs to follow the model currently used for the EQIP whereby the Secretary determines, on an annual basis, the amount of funding for technical assistance. Furthermore, the Managers intend that the funding will cover costs associated with technical assistance, such as administrative and overhead costs."

FSRI 2002 also takes a step ahead by directing the Secretary to establish a certification program that facilitates the use of so-called "third-party" providers of technical assistance from the public and/or private sectors to implement USDA conservation programs. The Secretary likewise is to establish a system for determining the amounts that third-party vendors will be paid for their services and how those payments will be made.

In addition, the Secretary is authorized to enter into cooperative agreements or contracts with non-federal governmental or nongovernmental organizations that provide technical assistance to implement conservation programs.

Although the conference report states, "the Managers believe that technical assistance must be an integral part of all conservation programs authorized for mandatory funding," the bill stops short of reaffirming the central importance of technical assistance as a conservation program in its own right and not just a cost of implementing financial assistance programs.

Conservation Program Reform

The "Seeking Common Ground" report recommended a number of policy reforms to increase the flexibility, fairness, effectiveness, coordination, balance, and ease of administration of USDA conservation programs.

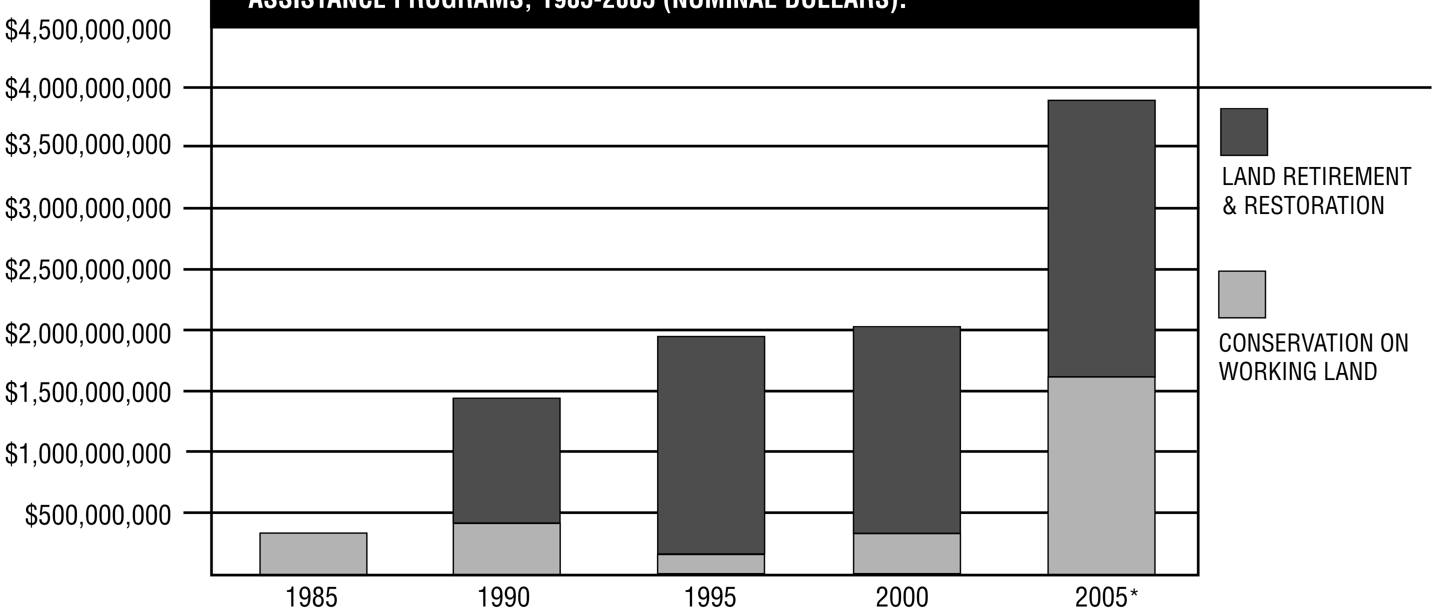
Fairness and Flexibility

The SWCS report recommended expanding the use of state agreements, such as those currently used under the Conservation Reserve Enhancement Program (CREP) and Wildlife Habitat Incentives Program (WHIP), and creating a conservation partner fund that would provide additional flexibility and funding to states willing to implement such agreements.

FSRI 2002 includes a number of provisions that, in the aggregate, are a step ahead on this count. Those provisions include authorization of special projects and state agreements that provide greater flexibility and priority for projects designed to coordinate implementation of multiple conservation programs. All conservation programs, including CRP, EQIP, WHIP, Wetlands Reserve Program (WRP), Conservation Security Program (CSP), Farmland Protection Program (FPP), Grassland Reserve Program, Great Lakes Soil Erosion and Sediment Control Program, Conservation of Private Grazing Land Program, and Grassroots Source Water Protection Program, can be used to create such special projects and state agreements. The special projects are to be designated at the recommendation of the NRCS state conservationist, with advice from the state technical committee.

The law also creates an innovation fund within EQIP for grants to agencies and organizations that carry out innovative conservation projects that involve producers eligible for payments under the EQIP program; implement projects, such as market systems for pollution

FIGURE 1: TREND IN SPENDING FOR CONSERVATION FINANCIAL ASSISTANCE PROGRAMS, 1985-2005 (NOMINAL DOLLARS).



*CBO estimate of budget authority for conservation programs in 2005 based on FSRI 2002.

reduction; promote innovative conservation practices, including storing of carbon in the soil; and leverage EQIP funds with matching funds provided by state and local governments and private organizations. The federal share of such projects is limited to 50 percent.

While CRP acres are highly concentrated—five Great Plains states account for 46 percent of the enrolled acres—the continuous sign-up and CREP components of CRP, which were created by administrative rule using prior farm bill authorities, not only increase the program's flexibility, but also make the program available to more producers in more states. FSRI 2002 takes two actions that, together, represent a step ahead for CRP, CREP, and conservation buffers. First, the law relaxes the restriction in current law that requires "marginal pasture" enrolled to protect riparian areas to be planted to trees. Instead, marginal pasture is required to be planted to vegetation appropriate for riparian areas in a particular region.

Second, the law allows the remaining portion of a small field to be enrolled if more than 50 percent of the field is enrolled as a buffer and the remaining portion of the field becomes infeasible to farm as a result.

Improve Priority Setting

Who should set conservation priorities and how were critical topics during the workshops leading up to the "Seeking Common Ground" report. That report outlined three recommendations for enhancing the effectiveness of conservation programs by focusing effort on the most serious problems or greatest opportunities.

FSRI 2002 takes some steps ahead, some steps back, and misses other opportunities to enhance the transparency and effectiveness of efforts to set priorities for conservation programs. The authorities for special projects, EQIP innovation grants, and incentives for producers to work together are all steps ahead. On the other hand, the law takes a step back by striking provisions in current law that authorize the Secretary to establish conservation priority areas as a means of focusing resources and coordinating programs within selected geographic regions (authority for conservation priorities for one program, CRP, is retained).

Striking authority for conservation priority areas in EQIP is particularly troubling given the importance of EQIP in FSRI 2002's conservation budget. FSRI 2002 reduces the minimum length of the contract period under EQIP, weakens the statutory criteria for targeting the program, and makes other changes that, taken together, could impair EQIP's effectiveness as a conservation tool. The new law also misses key opportunities to strengthen the role of state technical committees in coordinating and setting priorities for all USDA conservation programs and to encourage the Secretary to submit a plan and a budget for completing the National Conservation Plan provided for in the Soil and Water Resources Conservation Act of 1977.

Balance Land Treatment and Retirement

Land retirement became the predominant conservation program tool after 1985, and while the CRP and WRP both have proved successful in their own right, workshop participants sought to redress the perceived imbalance between land retirement and programs emphasizing conservation management of land remaining in production by recommending relatively larger investments in conservation assistance for working land. FSRI 2002 takes a major step ahead in this regard by investing most of the new conservation spending in EQIP, CSP, and other programs targeted at enhancing the management of land producing food and fiber.

The law also takes a step forward by permitting haying and grazing, harvesting of biomass for energy production, and placement of wind turbines on CRP acres, at a reduced rental rate and in a manner consistent with the conservation of soil, water quality, and wildlife habitat. The law, however, misses the opportunity to enhance the performance of the Farmland Protection Program by making implementation of comprehensive conservation plans an integral part of that program.

Simplification

Simplification of programs was a pervasive theme throughout the regional workshops. Participants suggested simplification of program administration, which would free up time for USDA employees to spend on the ground with landowners, and simplification of program participation procedures, which would result in less cumbersome program application and enrollment procedures for producers. FSRI 2002 does not specifically create a "fast-track" enrollment process based on comprehensive conservation plans as recommended in the "Seeking Common Ground" report. Neither does the law mandate a continuous sign-up or coordinated sign-up process for USDA's multiple conservation programs. Nor does the law provide automatic eligibility for key practices or within EQIP priority areas. The law does, however, require the Secretary to prepare a report by December 31, 2005, that outlines a plan for coordinating conservation programs in order to eliminate redundancy, streamline program delivery, and improve services provided to agricultural producers.

FSRI 2002 also eliminates the provision in current law that led to a cumbersome bid evaluation process for selecting EQIP participants.

Regulatory Assurance

Recognizing that farmers and ranchers likely will have to confront more and more regulatory programs, workshop participants sought ways to offer producers some assurance that by using USDA's voluntary conservation programs they might achieve a measure of compliance with current or pending regulations. Use of a "one-plan" approach was among the suggestions incorporated into the "Seeking Common Ground" report. This concept would allow a producer to develop and implement a single conservation plan that would meet the voluntary and regulatory requirements of all federal, state, and local government agencies. In the end, FSRI 2002 did not address this issue.

FARM PROGRAM AND POLICY REFORM

SWCS workshop participants raised two issues about farm programs and policy. First, they wanted to ensure that existing or new programs do not exacerbate conservation problems. Conservation compliance provisions as well as farm program design were the policy options they brought forward to address this issue.

More time, however, was spent on proposals to make conservation or land stewardship the fundamental reason for public support of agriculture. Participants wanted conservation to become the basis for economic assistance to farmers and ranchers. Their goal was to create a farm program that rewarded producers, via green payments, for the environmental benefits they produce.

Commodity and Risk Management Program Reform

Workshop participants endorsed continuation of the conservation compliance and swampbuster policies and expressed near unanimous support for reinstating the so-called "super sodbuster" provision. FSRI

2002 does retain the conservation compliance and swampbuster policies. The law does not, however, restore the “super sodbuster” provision or add federal crop insurance to the list of commodity program benefits subject to conservation compliance and swampbuster—a key recommendation of the “Seeking Common Ground” report. Neither does the bill extend the conservation compliance provision to all cropland, whether highly erodible or not, as recommended in the “Seeking Common Ground” report.

The “Seeking Common Ground” report recommended balancing a farm policy that leans too heavily on subsidies to a relative handful of commodities with a New Vision program that subsidizes stewardship. FSRI 2002 largely missed the opportunity to create that balance in farm policy.

FSRI 2002 puts the lion’s share of total new investment into commodity-based subsidies and makes few reforms to the distributional and production-enhancing effects of those programs. Over the 6-year life of FSRI 2002, 69 percent of new spending goes to commodity-based subsidy programs; over 10 years, 65 percent of new investment goes to those subsidy programs. Conservation programs are the second most favored title, receiving 20 percent of new spending over 6 years, followed by the Nutrition Title, which receives 6 percent of the new spending over 6 years. (Table 4).

The share of total spending for commodity-based subsidy programs increases from 20 percent currently to 28 percent of all farm law spending including food stamps under FSRI 2002. Conservation’s share of total spending will increase from 6 percent currently to 9 percent of total farm law investment. Total spending under all other titles either decreases or increases by less than 1 percent over current levels (Table 5).

New Vision Program

The “Seeking Common Ground” report recommended investing at least $3 billion annually in a stewardship-based farm and ranch support program—as an option to the fixed payment portion of existing crop subsidies. This New Vision program would be open to all producers of all crops and livestock on all agricultural land.

FSRI 2002 largely missed the opportunity to create a secure and unambiguous home for such a New Vision program in farm policy. CSP, however, could evolve into a New Vision program if operated at a large enough scale to create a viable option to commodity-based subsidies—an option that is open to all producers and provides benefits comparable to those provided through the fixed payments FSRI 2002 provides to producers of selected commodities.

The structure of CSP closely resembles that recommended for a New Vision program in the "Seeking Common Ground" report. The program rewards those producers who have already made investments in conservation; payments are tied to environmental performance; and the program is designed to complement rather than replace traditional conservation programs. CSP is also authorized as an entitlement program—an important step forward that puts the program on the same footing as commodity-based subsidy programs.

The program’s entitlement status, however, also is a source of uncertainty regarding the ultimate role CSP may play in farm and conservation policy. Because of its entitlement status, the law does not establish a particular funding level or acreage enrollment for CSP. Instead, the cost of the CSP could be large or small, depending upon the number of producers who decide to participate and the level of payments they qualify for. When allocating funds among programs and titles, therefore, Congress relied on CBO estimates of the cost of entitlement programs. CBO’s estimate of the cost of CSP was quite low—$2 billion over 10 years and only $369 million over the 6-year life of the law.

CSP will have to operate at a scale much larger than CBO’s estimate to create a viable alternative to commodity-based subsidy programs. SWCS recommended at least $3 billion a year for a New Vision program—a sum 15 times larger than CBO estimates of CSP expenditures. By authorizing CSP as an entitlement, FSRI 2002 mandates such an expansion if participation warrants it. FSRI 2002, however, leaves a critical question unanswered: Will such an expansion come at the expense of other non-entitlement conservation or other farm law programs in order to stay within the budget resolution spending levels approved for reauthorization of the farm bill?

The extent to which CSP approaches or departs from the recommendations in the "Seeking Common Ground" report depends largely upon how this critical question is answered. If CSP is forced to com-

TABLE 4: HOW FSRI 2002 ALLOCATES NEW SPENDING AMONG FARM BILL TITLES.

	2002-2007 Share		2002-2011 Share	
Title	$ Millions	Percent	$ Millions	Percent
Commodity Programs	$31,168	69%	$47,770	65%
Conservation Programs	$9,198	20%	$17,079	23%
Trade	$532	1%	$1,144	2%
Nutrition	$2,656	6%	$6,399	9%
Credit	$0	0%	$0	0%
Rural Development	$870	2%	$870	1%
Research	$520	1%	$1,323	2%
Forestry	$100	0%	$100	0%
Energy	$405	1%	$405	1%
Miscellaneous	-$336	-1%	-$1,594	-2%
TOTAL	$45,113	100%	$73,496	100%

*Estimated change in budget authority from CBO April 2001 baseline.

pete with other conservation programs for funding to stay within the budget resolution spending levels—as appears to have been the case during the farm bill conference—then the promise of CSP as a new vision of agricultural policy will largely be lost. SWCS workshop participants clearly envisioned the New Vision program as an alternative to commodity-based subsidies, not as an alternative to more traditional conservation cost-share, incentive, and land retirement programs.

OPPORTUNITIES IN IMPLEMENTATION

If the additional conservation investment provided by FSRI 2002 is in fact realized, USDA will manage, by far, the nation's most important private land conservation effort. The scale of that effort could, if well-directed, be substantial enough to make historic progress in managing environmental quality and ensuring the commercial viability of American agriculture.

The additional investment and new authorities provided by FSRI 2002 in the Conservation Title must produce tangible results for taxpayers and producers. The money and authorities:

• *Have to pay off* for taxpayers through environmental and ecological enhancement.

• *Have to pay off* for agricultural producers by dealing with environmental performance as an important determinant of commercial viability.

• *Should take advantage* of every opportunity to bring producers, programs, and partners together through initiatives and projects that address compelling conservation problems or opportunities.

• *Should put agriculture* on a more sustainable path by supporting the development and implementation of farming and ranching systems that enhance the environment, the economic opportunities for producers, and the vitality of rural communities.

Implementation of FSRI 2002 offers a multitude of specific opportunities to achieve these four objectives through implementation of individual programs and authorities. SWCS is just beginning an intensive analysis of these specific opportunities. At this early stage in the implementation process, however, five cross-cutting opportunities stand out as particularly promising. SWCS will provide more detailed recommendations on how USDA can take advantage of these opportunities as implementation of FSRI 2002 proceeds.

1. Build an effective technical services infrastructure.

Technical services—research, education, and technical assistance—are the foundation of conservation. The strength and effectiveness of the technical services infrastructure, more than any other factor, will determine how big the pay off from FSRI 2002 will be for taxpayers and producers. Currently, the technical services infrastructure is fraying because of under investment and growing demand for technical help.

The Conservation Title of FSRI 2002 creates an opportunity to strengthen and expand the technical assistance component of the technical services infrastructure. The Administration should take full advantage of its authority to use CCC funding provided for conservation programs to support the technical assistance necessary to implement those programs. At a minimum, the administration should ensure that CCC funding of technical assistance is sufficient to ensure that (1) producers have timely and effective access to the technical assistance they need to fully participate in USDA conservation programs and (2) taxpayers harvest tangible improvements in environmental quality from their investment in conservation. These two objectives will best be achieved through a strategic investment of CCC funds for technical assistance in three key areas: (1) strengthening the number and technical capacity of NRCS staff at all levels, (2) entering into cooperative agreements with nonfederal governmental and nongovernmental organizations, and (3) securing the services of certified third-party vendors.

Settling for strategic investment of CCC technical assistance funds, however, would be a mistake at this juncture. The Administration should take advantage of the opportunity provided by the major additional investment FSRI 2002 makes in technical assistance to pursue a coordinated investment plan to build a modern technical services infrastructure that will deliver for taxpayers and producers. That investment plan

TABLE 5: HOW FSRI 2002 ALLOCATES TOTAL INVESTMENT AMONG FARM BILL TITLES.

	Current Share*		FSRI 2002 Share**	
Title	$ Millions	Percent	$ Millions	Percent
Commodity Programs	$77,045	20.4%	$124,815	27.6%
Conservation Programs	$21,412	5.7%	$38,491	8.5%
Trade	$2,610	0.7%	$3,754	0.8%
Nutrition	$239,456	63.3%	$245,855	54.5%
Credit	$0	0.0%	$0	0.0%
Rural Development	$0	0.0%	$870	0.2%
Research	$240	0.1%	$1,563	0.3%
Forestry	$0	0.0%	$100	0.0%
Energy	$0	0.0%	$405	0.1%
Miscellaneous***	$37,243	9.9%	$35,649	7.9%
TOTAL	$378,006	100.0%	$451,502	100.0%

*CBO April 2001 budget authority baseline.
**CBO estimate of current (April 2001 baseline) budget authority plus additional FSRI 2002 budget authority.
***Includes crop insurance funding.

should couple CCC funds for technical assistance with strategic increases in discretionary spending for research, education, and technical assistance. The first priority of a coordinated investment plan should be to strengthen the scientific and technical support available to governmental and nongovernmental field staff and technical advisors. An important first step toward such a strategy would be to affirm—as matter of Administration policy—that technical assistance is the most important conservation program in and of itself and not merely a cost of delivering financial assistance through conservation programs.

2. Encourage collective action in key locations.

Tangible improvement in environmental quality is the only way to ensure the additional investment FSRI 2002 makes in conservation will pay off for producers and taxpayers. Unless voluntary programs produce tangible results, they will not help producers ensure their commercial viability by addressing the environmental concerns created by agricultural production. Taxpayers will not continue to invest in voluntary programs unless those programs result in cleaner water, cleaner air, more wildlife, and a better quality of life.

Tangible results, however, cannot be achieved unless a critical mass of producers within a particular geographic area implement and maintain the key conservation practices and systems that will, in the aggregate, produce clean air and water, more wildlife, and a better quality of life. CRP is the best example of the aggregate effects of geographic concentration of participation in conservation programs. Again, five Great Plains states account for 46 percent of CRP enrollments, making it the most geographically targeted of USDA's conservation programs. This geographic concentration in the Great Plains, coupled with the emphasis on permanent grass cover, has combined to produce dramatic improvements in populations of grassland wildlife.

Conservation programs should be implemented in ways that produce compelling incentives to achieve the critical mass of participation needed to produce tangible results for producers and taxpayers. For example, special incentives for key conservation practices and conservation systems should be provided in designated watersheds or other environmentally sensitive areas. Special incentives also could be provided for producers implementing key conservation practices or systems on adjoining operations. Those incentives should be attractive enough to encourage the critical mass of participation necessary to produce tangible results. That means a significant portion of conservation program funds should be used to support such incentives.

EQIP is a particularly promising opportunity to create incentives to achieve critical mass. More than half of the new conservation investment in FSRI 2002 is allocated to EQIP. The annual funding levels projected for EQIP create an opportunity to ease conflict over allocation of conservation funding among local, state, and national priorities through the tiered approach participants in the SWCS workshops preferred. At peak annual funding levels, for example, allocating only 30 percent of EQIP funds directly to counties would exceed peak funding levels provided to counties under the Agricultural Conservation Program. The funding levels projected for EQIP could and should be sufficient to create powerful incentives for collective action in key locations, while simultaneously meeting unique and important conservation needs in every county across the nation.

3. Link EQIP with conservation buffers.

If EQIP is the dominant program in terms of additional investment, CRP will remain the dominant program in terms of total investment. Spending on CRP will account for more than half the total conservation investment FSRI 2002 makes over 10 years. Taken together, EQIP and CRP will comprise more than 80 percent of that total conservation investment. How these two programmatic tools are used will have a powerful effect on the ultimate pay off from FSRI 2002 for producers and taxpayers.

The continuous CRP sign-up and CREP are innovative approaches to enhancing the effectiveness of CRP. Integrating EQIP with the continuous CRP sign-up and CREP could create a major opportunity to accelerate conservation on working land. Producers enrolling land as conservation buffers under the continuous CRP sign-up or CREP could be given immediate access to EQIP funds to share the cost of implementing conservation practices that enhance the effectiveness of the buffers. Linking establishment of a filter strip, for example, with in-field practices that reduce soil erosion and conserve nutrients could dramatically multiply water quality and aquatic habitat benefits.

A direct link between conservation buffers and EQIP—particularly if coupled with incentives for producers willing to work together within a watershed or other environmentally sensitive area—could create a powerful tool to deliver on the promise of the Conservation Title of FSRI 2002.

4. Ensure conservation drives programs rather than programs driving conservation.

FSRI 2002 continues the trend in multiplication of individual conservation programs, adding five new programs to Subtitle D of the Conservation Title. Multiplication of programs has advantages in targeting resources toward specific objectives, but it also can exacerbate fragmentation and confusion. The alphabet soup of programs, each with its own special regulations, can be daunting to producers and program managers alike. Conservation activity often ends up being driven by the characteristics of a particular program rather than by the needs of producers or the land.

Implementation of the Conservation Title of FSRI 2002 should take advantage of every opportunity to create greater flexibility to (1) tailor program implementation to local circumstances and (2) mesh USDA conservation programs with local, state, federal, and private programs and initiatives. Full advantage should be taken of the partnerships and cooperation authorities included in FSRI 2002. Those partnerships, modeled after the successful CREP approach, could create an integrated approach to program implementation that is driven by the conservation needs of producers and local communities. A portion of the funding or enrollment authority provided for every conservation program could be reserved to encourage states to develop the agreements envisioned in FSRI 2002.

A fast-track to conservation financial assistance from every program for producers implementing comprehensive conservation plans would be a good way to integrate programs at the farm and ranch level while rewarding producers making a major commitment to conservation. This fast-track process could entail a single application for all USDA conservation programs, followed by development of a single conservation plan that fulfills the needs of all programs used to achieve the plan's objectives.

State technical committees should be fully used as a forum to coordinate implementation of all USDA conservation programs in ways that make sense for producers and taxpayers. Lessons learned from the operation of state technical committees under existing authorities should be used to maximize the effectiveness of state technical committees in the future.

5. Ground-truth the next generation of farm and conservation programs.

FSRI 2002 provides two new initiatives—CSP and EQIP innovation grants—that could help shape the next generation of farm and conservation programs. Traditionally, conservation programs have helped share the costs of implementing conservation practices that both enhance production and conserve natural resources. The next generation of programs should strive to make conservation pay rather than simply share the cost of conservation.

Conservation Security Program

If properly implemented, CSP could become a model for using direct government payments to fairly compensate producers for using their land, labor, and capital to produce environmental goods and services that taxpayers want. CSP could be implemented in many different ways that emphasize various elements of the program's multiple purposes and priorities. The unique promise of CSP will only be realized if its implementation is consciously designed to create a new model for farm and ranch support programs. That model should be based on producing and "selling" environmental goods and services to consumers, with the federal government as the intermediary.

Much of the controversy and debate that occasioned authorization of CSP centered around how to make conservation pay in a way that builds taxpayers' confidence that public investment will pay off. Those concerns can best be met by creating a strong minimum bar of practices required for each tier of the program and giving higher priority to producers who participate at the tier III level. SWCS workshop participants envisioned a stewardship-based farm and ranch program that would reach all producers, producing all types of crops and livestock on all kinds of agricultural land. In the process, such a program could add balance to current farm programs that support producers of only a handful of commodities. Implementation of CSP could most effectively address this objective by emphasizing the participation of producers who do not benefit greatly from commodity programs—particularly producers operating grazing systems or producing specialty crops, or producers who want to diversify their operations and reduce their dependence on program crops and subsidies.

EQIP Innovation Grants

EQIP innovation grants can and should serve multiple purposes, including support of the four opportunities outlined above. But perhaps the most unique contribution EQIP innovation grants could make would be to create models for utilizing market-based approaches to making conservation pay. Rather than looking to the federal government to play an intermediary role between consumers and producers of environmental goods and services, EQIP innovation grants could be used to explore innovative approaches that more closely resemble the markets in which traditional commodities are produced and sold. Markets for carbon credits, nutrient credits, and water have been proposed and in some cases implemented. Other examples of harnessing the marketplace for conservation include differential pricing or labeling of commodities produced in environmentally friendly ways. EQIP innovation grants could expand the application of such approaches to agricultural settings.

IN CONCLUSION

FSRI 2002 falls short of achieving the vision articulated by SWCS workshop participants and outlined in the "Seeking Common Ground" report. The failure to create a secure and unambiguous home within commodity programs for a stewardship-based option to the fixed payment component of farm programs—an option large enough that most farmers and ranchers have access to it and receive benefits comparable to those provided by traditional commodity based subsidies—is the law's most serious flaw. The law also under funds conservation programs and fails to reform certain programs in key ways. Overall, the bill did not take advantage of a remarkable $73 billion increase in budget authority to invest in a more balanced way among commodity, conservation, research, rural development, and other key elements of a comprehensive rural and agricultural policy.

Despite these shortcomings, FSRI 2002 creates more opportunity for conservation on privately owned land than at any time since 1985. The $17.1 billion additional investment in conservation represents an 80 percent increase over current investment. As important, 82 percent of the additional investment comes in programs designed to enhance the management of working land. That added investment, coupled with the emphasis on working land, means conservation programs could reach hundreds of millions of acres annually instead of the tens of millions of acres a year those programs now reach.

The policies, priorities, and initiatives that guide implementation of the conservation provisions of FSRI 2002 will determine what taxpayers and agricultural producers harvest from this opportunity. The decisions made by USDA officials during implementation will likely be as important as the decisions members of Congress made in passing FSRI 2002.

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