

# CRS Report for Congress

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## Mandatory Funding for Agriculture Conservation Programs

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### Summary

The Farm Security and Rural Investment Act of 2002 authorized large increases in mandatory funding for several agricultural conservation programs. Since FY2002, Congress has acted, through the appropriations process, to limit funding for some of these programs below authorized levels. It limited funding for all these programs, combined, to 97.6% of the authorized total in FY2003, 93.1% in FY2004, and 89.5% in FY2005. Program supporters decry these growing reductions as changes that increasingly compromise the intent of the farm bill. Others counter that, even with these reductions, funding for these programs continues to grow, from almost \$3.1 billion in FY2003 to more than \$3.8 billion in FY2005. This report reviews the funding history of these programs since the 2002 farm bill was enacted. It will be updated periodically.

### Introduction

The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) authorized increased mandatory funding for agriculture conservation programs. Mandatory funding means that the amount authorized by Congress is available unless limited to smaller amounts in the appropriations process; if appropriators do not act, the amount that was authorized is provided to the program. These mandatory funds are provided by the U.S. Department of Agriculture's Commodity Credit Corporation, a financing institution for many agriculture programs, including commodity programs and export subsidies.

While most conservation programs currently are authorized using mandatory funding, discretionary funding is used for five conservation programs. For discretionary programs, appropriators decide how much funding to provide each year in the context of the annual agriculture appropriations bill. Four of these programs do not specify a maximum limit, leaving the setting of the funding level to the discretion of the appropriators. Conservation program advocates prefer mandatory funding over discretionary funding. They believe that it is generally easier to defend authorized mandatory funding levels from reductions during the appropriations process than to secure appropriations each year. However, since FY2002, Congress has limited funding for some of the mandatory programs each year below authorized levels in annual

appropriations acts. Supporters of these programs, including environmentalists, conservationists, and some in agriculture, decry these reductions as significant changes from the intent of the farm bill. They contend that such reductions compromise the ability of these programs to provide the magnitude of anticipated benefits to producers and the environment. Others, including those interested in reducing agricultural expenditures or in spending these funds for other agricultural purposes, counter that, even with these reductions, funding is substantially higher and continues to increase from year to year.

## Mandatory Conservation Funding Before 2002

Congress provided mandatory funding for selected conservation programs for the first time in the 1996 farm bill (P.L. 104-127).<sup>1</sup> Prior to 1996, with the single exception identified in footnote 1, all conservation programs were funded as discretionary programs. Mandatory funding was viewed as a much more desirable approach by conservation program advocates, who succeeded in having Congress enact provisions that moved some conservation programs from discretionary to mandatory funding. Some of these advocates viewed enacting this change in funding as one of their major achievements in the 1996 farm bill. However, amounts authorized for these programs may seem modest when compared with today's levels. Programs funded using mandatory funding, and the authorized levels under the 1996 law, were:

- Conservation Reserve Program (a maximum of 36.4 million acres at any time through FY2002, with no dollar amount specified);
- Wetland Reserve Program (a maximum of 975,000 acres at any time through FY2002, with no dollar amount specified);
- Environmental Quality Incentives Program (\$130 million in FY1996, and \$200 million annually thereafter through FY2002);
- Wildlife Habitat Incentives Program (a total of \$50 million between FY1996 and FY2002);
- Farmland Protection Program (a total of \$35 million with no time span specified); and
- Conservation Farm Option (\$7.5 million in FY1997, increasing each year to a high of \$62.5 million in FY2002).

## The 2002 Farm Bill

The 2002 farm bill greatly expanded mandatory funding for conservation, authorizing the annual funding levels shown in **Table 1**. Mandatory funding was provided both for expiring programs that were reauthorized and for new programs created in this legislation. This increase in authorized funding levels was widely endorsed for many reasons. Many supporters of conservation long had been seeking higher funding levels, and this was another significant step in that effort. An argument that proved to be particularly persuasive in this farm bill debate was documentation of large backlogs of producer interest to enroll in many conservation programs. Demand to participate in some of these programs exceeded the available program dollars several times over, and some Members reasoned that higher funding was warranted to satisfy this demand.

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<sup>1</sup> The one exception to this statement is that the 1985 farm bill (P.L. 99-198) authorized mandatory funding for the Conservation Reserve Program in FY1986 and FY1987.

The authorization and actual funding for FY2002 are not included in the table. The FY2002 appropriations legislation was enacted on November 28, 2001, six months before the 2002 farm bill, and program funding decisions were based on provisions that had been enacted in the 1996 farm bill. The 2002 farm bill was enacted on May 13, 2002. Indeed, by the time this farm bill was enacted, the process of determining FY2003 appropriations was well along.<sup>2</sup> Notwithstanding the date of enactment, the 2002 farm bill did authorize money in FY2002 for several mandatory programs.

## Spending Limits on Mandatory Appropriations Since FY2002

Since FY2002, the annual agriculture appropriations acts have capped funding for some of the mandatory conservation programs below authorized levels each year. The programs that are limited and the amounts of the limitations change from year to year. One of these programs, the Wetland Reserve Program, has been capped in enrolled acres, which appropriators translate into savings, based on average enrollment costs. **Table 1** compares the authorized farm bill spending level for each of these programs with the amount that was actually made available after Congress had completed the appropriations process.

Many of these annual spending limits did not originate in Congress as, each year, the Administration has called for lower funding levels than authorized in its budget request. Since the farm bill states that the Secretary “shall” spend the authorized amounts for each of these programs each year, action by Congress is required to permit a lesser amount to be spent. The mix of programs and amounts of reduction in the Administration request have varied from year. Justification for these proposed reductions are seldom discussed in budget documents or at appropriations subcommittee hearings. Congress has concurred with the Administration request some years for some programs. Starting in FY2003, the requested reductions in mandatory funding below the authorized levels (shown in the table), are as follows:

- In FY2003, the request was submitted before the farm bill was enacted, and did not include any requests to reduce funding levels.
- In FY2004, the request was to limit the Wetlands Reserve Program (WRP) to 200,000 acres (\$250 million), limit the Environmental Quality Incentives Program (EQIP) to \$850 million, limit the Ground and Surface Water Program (GSWP) to \$51 million, limit the Wildlife Habitat Incentive Program (WHIP) to \$42 million, limit the Farmland Protection Program (FPP) to \$112 million, limit the Conservation Security Program (CSP) to \$19 million, and eliminate funding for the Watershed Rehabilitation and Agricultural Management Assistance (AMA) Programs.

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<sup>2</sup> In addition, during the FY2001 appropriations process, Congress had provided one-time funding to several conservation programs beyond what had been authorized in the 1996 farm bill. These one-time appropriations were congressional and administration responses to a combination of forecasts of federal budget surpluses, and high demand to participate in these programs.

**Table 1. Authorized and Actual Funding Levels for Mandatory Conservation Programs, FY2003-FY2007**  
(all figures in millions)

Program	FY2003		FY2004		FY2005		FY2006		FY2007	
	Auth.	Actual	Auth.	Actual	Auth.	Actual	Auth.	Actual <sup>a</sup>	Auth.	Actual <sup>a</sup>
<b>Conservation Reserve Program<sup>b</sup></b>	39.2 mil. acres (\$1,821)	No limit (\$1,821)	39.2 mil. acres (\$1,798)	No limit (\$1,798)	39.2 mil. acres (\$1,937)	No limit (\$1,937)	39.2 mil. acres (\$2,020)		39.2 mil. acres	
<b>Conservation Security Program<sup>c</sup></b>	\$0	\$0	\$53	\$41	\$282	\$202	\$331		\$450	
<b>Environmental Quality Incentive Program</b>	\$700	\$695	\$1,000	\$975	\$1,200	\$1,017	\$1,200		\$1,300	
<b>Ground and Surface Water Program</b>	\$45	\$45	\$60	\$51	\$60	\$51	\$60		\$60	
<b>Klamath River Basin Program<sup>d</sup></b>	\$12	\$12	\$19	\$19	\$8	\$8	\$8			
<b>Grasslands Reserve Program<sup>e</sup></b>	\$38	\$38	\$57	\$57	\$128	\$128	\$0			
<b>Wildlife Habitat Incentive Program</b>	\$30	\$30	\$60	\$42	\$85	\$47	\$85		\$85	
<b>Farmland Protection Program</b>	\$100	\$100	\$125	\$112	\$125	\$112	\$100		\$97	
<b>Wetlands Reserve Program<sup>b</sup></b>	250,000 acres (\$314)	245,833 acres (\$309)	250,000 acres (\$354)	189,144 acres (\$285)	250,000 acres (\$344)	154,500 acres (\$275)	250,000 acres		250,000 acres	
<b>Agriculture Management Assistance Program<sup>f</sup></b>	\$20	\$1	\$14	\$14	\$14	\$14	\$14		\$14	
<b>Watershed Rehabilitation Program<sup>g</sup></b>	\$45	\$0	\$50	\$0	\$55	\$0	\$60		\$65	
<b>Biomass Program</b>	\$14	\$14	\$14	\$14	\$14	\$14	\$14		\$14	
<b>TOTAL (% of total authorized that was provided)</b>	\$3,139	\$3,065 (97.6%)	\$3,604	\$3,357 (93.1%)	\$4,252	\$3,805 (89.5%)				

a. These amounts will be filled in after appropriations legislation for these fiscal years is enacted.

b. Information in the appropriations process uses acres rather than dollars; costs are estimated based on enrolled acres during fiscal year.

c. Since this is a capped entitlement for total spending over 10 years, the authorized amounts are CBO estimates of spending.

d. Funding for this program is specified as \$50 million, to be made available "as soon as practicable after the date of enactment."

e. Program has both total spending and total acreage limits, without specifying any annual levels for either funding or enrollment.

f. Program amended in FY2004 appropriations making \$14 million available for conservation annually, with the remainder available for other purposes.

g. Program also is authorized to receive discretionary funding through annual appropriations.

- In FY2005, the request was to limit the WRP to 200,000 acres (\$295 million), EQIP to \$985 million, WHIP to \$59 million, FPP to \$120 million, CSP to \$209 million, and eliminate funding for the Watershed Rehabilitation and AMA Programs.
- In FY2006, the request was to limit the WRP to 200,000 acres (\$321 million), EQIP to \$1.0 billion, WHIP to \$60 million, FPP to \$84 million, Biomass Research and Development to \$12 million, CSP to \$274 million, and eliminate funding for the Watershed Rehabilitation and AMA Programs.

## Discussion

While Congress has reduced funding for some of these mandatory conservation programs, either in support of an Administration request or on its own, the reductions only exceeded 10% of the total in FY2005. However, this reduction has risen each year, from less than 2.4% of the total authorized amount in FY2003 to 10.5% in FY2005. Even with these reductions, however, actual total funding has risen \$740 million over the same three-year time period, which is an increase of more than 21% from the FY2003 authorization.<sup>3</sup>

Reductions have not been uniform among programs. One of the largest programs, the Environmental Quality Incentives Program, has absorbed the largest reductions, totaling \$213 million between FY2003 and FY2005. By contrast, the largest mandatory program, the Conservation Reserve Program, has not been limited in any way by appropriators since the 2002 farm bill was enacted. Funding for a third program, the Conservation Security Program, has been amended three times since enactment in 2002, and it is currently a capped entitlement. As first enacted, it was the first true conservation entitlement program, that is, any individual who met the eligibility requirements would be accepted into the program.

More generally, the table shows that these reductions have varied from year to year and program to program since 2002. At one extreme, the Watershed Rehabilitation Program has received no mandatory funding in any year (it is one of the five conservation programs authorized to receive discretionary appropriations as well, and those have been provided), and at the other extreme, the Conservation Reserve Program has not been limited in any way. Some of the programs have unusual characteristics which affect how they are treated for budget purposes, as noted in the table footnotes. For example, the Grasslands Reserve and Klamath River Basin Programs each have a total authorized level that is not subdivided by fiscal year in the authorizing legislation. For those programs, the amount that was spent each year (not the remaining lifetime authorization) is included for purposes of calculating the percentage by which funding is reduced.

As a result of these characteristics, there are several alternative ways to calculate the annual and total reduction. However, all of these options lead to the same general set of observations. First, overall funding for the suite of mandatory agriculture conservation programs has been reduced each year. Second, the magnitude by which this suite of

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<sup>3</sup> If the full authorized amount had been provided in FY2005, the increase would have been more than 35% from the FY2003 authorized amount.

programs is being reduced has been growing each year. Third, while the reductions, in total, have been modest as a percent of the total, they may still be significant to current or potential beneficiaries of those program. Fourth, funding for the discretionary agricultural conservation programs varies more from year to year, with much larger percentage reductions than the mandatory programs in some years. Greater variation in funding for discretionary programs supports the view that using the mandatory approach has been a more successful and predictable approach to conservation program funding in recent years. ( For more information on each of these programs, see CRS Report RL32940, *Agriculture Conservation Programs: A Scorecard.*)

## **Concluding Observations**

When considering whether reductions in mandatory funding for conservation programs are compromising the conservation effort, three points should be considered. First, FY2006 spending for mandatory programs will be subject to the reconciliation process. Under reconciliation, House and Senate Agriculture Committees are required to reduce total funding for USDA mandatory programs by \$3.0 billion over five years, including a reduction of \$176 million in FY2006. Some are concerned, based on past experience, that conservation could be asked to bear a disproportionate share of these reductions. Congressional treatment of conservation spending through the reconciliation process will indicate how conservation funding is viewed in relation to other agriculture funding. (For more information on reconciliation, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation.*)

Second, it appears highly likely that reductions to mandatory program spending at the current scale will continue. Reductions have been in every annual appropriations bill since FY2003, and are in both the House and Senate versions of the FY2006 legislation. It is uncertain, however, whether these reductions will continue to grow, as a percentage of the total. Whether they will continue to grow will depend both specifically on congressional support for conservation, and more broadly on other pressures that influence federal spending in general. It is likely that the affected programs and the magnitude of the reductions will vary from year to year, making it difficult to forecast the future based on the past.

Third, supporters of conservation programs may look for ways to address the challenge of spending reductions in the next farm bill. However, several broader forces at work may make it difficult to further protect funding for these conservation programs. One of those forces may be broader efforts to control federal spending. A second force may be competition among the various agriculture constituencies for limited funds; the FY2006 reconciliation process will provide some indication of how conservation will be treated when Congress must make decisions based on this competition. A third force may be limits on the capacity of federal conservation agencies at current staffing levels and with the current approaches, to plan and install all the conservation practices that increased funding would support, and it is likely that increasing staff levels in federal agencies to provide more conservation will not be an option.