

# CRS Report for Congress

## Soil and Water Conservation: An Overview

Updated February 9, 2007

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Prepared for Members and  
Committees of Congress

# Soil and Water Conservation: An Overview

## Summary

Soil and water conservation topics will be prominent in the 110<sup>th</sup> Congress, especially as it considers policy options for the next farm bill. Conservation proposals introduced late in the 109<sup>th</sup> Congress (H.R. 6064 and H.R. 6193) are expected to be reintroduced, and many interest groups continue to offer policy recommendations ranging from general concepts to specific legislative language. On January 31, 2007, the Administration released its farm bill recommendations.

The current farm bill, enacted in 2002 and generally expiring at the end of FY2007, increased spending and expanded the scope of the conservation effort by reauthorizing and amending many U.S. Department of Agriculture (USDA) conservation programs and enacting new ones. An example of increased spending is the Environmental Quality Incentives Program (from \$200 million annually before FY2002 to \$1.3 billion in FY2007); and an example of a raised enrollment ceiling is the Wetlands Reserve Program (from 1,075,000 acres to 2,275,000 acres). Several new programs also expanded the scope of conservation. For example, the Conservation Security Program (CSP) provides payments to producers who address natural resource concerns as part of their farm operation on so-called “working lands.” Other new programs were created to conserve grasslands, address surface and ground water conservation needs, permit approved third parties to provide conservation assistance, and encourage use of innovative conservation technologies.

Implementation controversies have arisen since 2002. One of these, how to fully fund technical assistance in support of the mandatory conservation programs, was resolved with legislation enacted in 2004 (P.L. 108-498). A second, implementing the CSP, continues as Congress has repeatedly limited funding and USDA’s Natural Resources Conservation Service, the implementing agency, has responded by limiting program eligibility to specified watersheds, instead of making it available nationally.

Congress continues to monitor conservation topics. Oversight hearings were held in earlier congresses, and are scheduled under new leadership in both the House and Senate Agriculture Committees. Topics addressed at recent conservation hearings include endangered species, the Conservation Reserve Program, the Environmental Quality Incentives Program, and the overall status of the conservation effort. Conservation also was discussed during several field hearings held by the House Agriculture Committee to gather farm bill input.

Congressional appropriators influence conservation topics annually. The Administration has submitted its FY2008 budget proposal, which will initiate this year’s appropriations process. FY2007 funding is being provided under a continuing resolution, which Congress currently is working to extend through the fiscal year. Conservation funding under the FY2007 budget resolution is similar (with one notable exception) to actions in FY2006 on appropriations, when Congress agreed to make cuts in several mandatory programs, while rejecting cuts to discretionary programs that were proposed by the Administration.

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# Soil and Water Conservation: An Overview

## Most Recent Developments

On January 31, 2007, the Administration released its detailed set of recommended solutions to problems it would like to have Congress address in the 2007 farm bill. This is the culmination of a lengthy effort, which included numerous “listening sessions” and the release a “farm bill theme paper” on conservation in June 2006.<sup>1</sup> The ten recommended solutions would:

- reauthorize and amend existing programs;
- consolidate similar programs;
- increase assistance to new and financially challenged farms;
- encourage a more market-based approach; and
- repeal the so-called regional equity requirement for spending.

Many others are developing alternative conservation proposals for this farm bill. Numerous proposed changes were compiled in two bills introduced late in the 109<sup>th</sup> Congress (H.R. 6064 and H.R. 6193) that are likely to be reintroduced, probably with changes. Interest groups are expressing support or opposition to many of the proposals that have emerged, including the Administration proposals, and will continue to do so throughout the farm bill process. Another document that may help to inform the farm bill debate is the strategic plan for USDA’s Natural Resources Conservation Service (NRCS), which administers most of the conservation programs, to guide its activities until 2010.<sup>2</sup>

Congress has not enacted FY2007 agriculture appropriations, so funding is being provided under a continuing resolution that expires on February 15, 2007 (P.L. 109-383). A new continuing resolution that would extend through the remainder of FY2007 is currently being considered. This current resolution generally provides funds at the lower of either the FY2006 level or the House-passed level in H.R. 5384. When the resolution was enacted, the Senate version had been reported by the Appropriations Committee, but no action had been taken on the floor. The full House and the Senate committee both rejected many reductions for discretionary conservation programs that the Administration had requested. These reductions would have totaled just over \$200 million. For mandatory conservation programs, current law authorizes funding for these programs to increase by almost \$330 million,

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<sup>1</sup> U.S. Department of Agriculture, *2007 Farm Bill Theme Papers: Conservation and the Environment*, June 2006, 41 pp.

<sup>2</sup> Natural Resources Conservation Service, *Productive Lands Healthy Environment: Strategic Plan 2005 -2010*, May 2006, 100 pp. The plan states that NRCS will follow three overarching strategies: the watershed approach; market-based approaches; and cooperative conservation (a Bush Administration initiative).

but the Administration called for some decreases from authorized levels in FY2006. The House added reductions for several programs. The Senate bill is generally similar to the House bill, with the exceptions of providing full funding for the Wetlands Reserve Program (as the Administration had requested) and for the Conservation Security Program.

## **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 — reducing high levels of soil erosion and providing water to agriculture in quantities and quality that enhance farm production — dominated public policy debates about conservation until 1985.

Congress responded repeatedly to these themes before 1985 by creating or revising programs 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 high 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 Food Security Act of 1985 (P.L. 99-198). One of these programs, the Conservation Reserve Program (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. Three of these four programs (all except Swampbuster) addressed soil erosion.

Provisions enacted in the next farm bill, the Food Agriculture, Conservation and Trade Act of 1990 (P.L. 101-624), 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 (and on stabilizing land prices) has been adjusted, especially in the 1990 farm bill, to give greater emphasis to environmental concerns.

After congressional party control switched in 1994, conservation policy discussions turned to identifying ways to make the conservation compliance and Swampbuster programs less intrusive on farmer activities. This switch also appeared to reduce the influence of environmental interests in developing conservation policy. However, the Federal Agricultural Improvement and Reform Act of 1996 (P.L. 104-127) included a wide-ranging conservation title. The enacted bill gave considerable

attention to wildlife, and enacted new programs dealing with farmland protection, grasslands, and other topics. It also funded many of these new programs as mandatory for the first time, using the Commodity Credit Corporation as the funding mechanism.<sup>3</sup>

The nature of the conservation effort continued to evolve after 1996, as reflected in the provisions of the most recent farm bill, the Farm Security and Rural Investment Act of 2002 (P.L. 107-171). Conservation themes in this farm bill included (1) increasing overall funding; (2) creating new programs and addressing new issues; and (3) providing more conservation on lands in production (called working lands), primarily through the new Conservation Security Program. One factor that influenced the decision to provide more funding was the large backlog of interested and qualified applicants who could not participate because of insufficient funds. A new factor in this farm bill was considering how funding for farm programs generally, and conservation specifically, could be used to meet world trade obligations.<sup>4</sup>

## Current Major Conservation Activities

USDA's conservation efforts 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 providing technical assistance. Funding for the overall conservation effort will have grown much larger by the end of FY2007, when many of the farm bill programs authorized in the 2002 law expire. General trends in policy for the suite of conservation programs between 2002 and 2007 include less emphasis on land retirement and on land producing row crops, and more attention to conservation on land in other agricultural uses and to livestock producers. Recognizing this expanding effort, Congress in the 2002 farm bill required the Secretary to submit a report to both agriculture committees (with implementing recommendations) by December 31, 2005, about how to better coordinate and consolidate conservation programs; that report was delivered in July 2006.<sup>5</sup>

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 administers the most expensive current program, the CRP. These agencies are supported by others in USDA that supply research and educational assistance, including the Agricultural Research Service, the

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<sup>3</sup> For an overview of conservation provisions in the 1996 farm bill, see CRS Report 96-330, *Conservation Provisions in the Farm Bill: A Summary*, by Jeffrey Zinn.

<sup>4</sup> 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, *Resource Conservation Title of the 2002 Farm Bill: A Comparison of New Law with Bills Passed by the House and Senate, and Prior Law*, by Jeffrey A. Zinn.

<sup>5</sup> U.S. Department of Agriculture, *Reform and Assessment of Conservation Programs: A Report to Congress*, submitted July 10, 2006.

Forest Service, and the Economic Research Service.<sup>6</sup> In addition, the conservation effort involves a very large array of partners, including other federal agencies, state and local governments, and private organizations, among others, who provide funds, expertise, and other forms of assistance to the conservation effort.<sup>7</sup>

## 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 can total up to 39.2 million acres; however, it is limited to 25% of the crop land in a county. Funding is mandatory spending.<sup>8</sup> FSA's summary of participation through November 2006 shows more than 36.7 million acres were enrolled, with more than 4 million acres in Texas and almost 3.5 million acres in Montana.<sup>9</sup> Under the 2002 farm bill provisions, 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 made a 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 permitted for the first time under the 2002 farm bill, in return for a reduction in annual rental payments.

In August 2005, Secretary of Agriculture Johanns announced that USDA would offer opportunities to reenroll or extend contracts involving more than 28 million acres of land where current contracts expire between 2007 and 2010. Priority for reenrollment was based on the relative ranking of the land using the Environmental Benefits Index, with additional credit being given for land located in any of five national priority areas or areas of significant adverse water quality or habitat impacts. Contracts were offered in five groups. Land in the highest ranked group was reenrolled for 10 years (with 15 years for restored wetlands), using updated market rental rates to reflect changes in local market conditions. Land in the other four groups received contract extensions at existing rental rates, with the second highest group receiving five-year extensions and the lowest group receiving two-year extensions. FSA announced on January 31, 2006, that it had started this process for contracts expiring in 2007 (and also that it would hold a general signup in the spring of 2006). On June 5, 2006, it reported that it had reenrolled 13 million of the 15.5

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<sup>6</sup> For background information on the suite of current conservation programs administered by NRCS and FSA, see CRS Report RL32940, *Agriculture Conservation Programs: A Scorecard*, by Jeffrey Zinn.

<sup>7</sup> One of many recent examples of such partnerships is the November 8, 2006 announcement of a partnership with the Defense Department to promote land conservation near military bases.

<sup>8</sup> Mandatory spending means that funding levels (or for this program, acreage enrollment levels) are authorized for each year in the 2002 farm bill and provided through the borrowing authority of the Commodity Credit Corporation, with no annual appropriation required.

<sup>9</sup> Information on the CRP, including announcements and enrollment statistics, can be found at [<http://www.fsa.usda.gov/daft/cepd/crp.htm>].

million acres with contracts that were set to expire in 2007, and also accepted 1 million acres in new enrollments from the 1.4 million acres that were offered. FSA has yet to announce that it has completed the entire reenrollment/extension process.

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 participation is most concentrated, estimated benefits exceed annual program costs, which have averaged about \$50 per acre per year. However, the Government Accountability Office (GAO) 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 to retain eligibility for many types of farm program payments.

In addition to general signups, FSA has enrolled more than 3.5 million acres under several more targeted options. These acres, which count against the overall enrollment cap of 39.2 million acres, can be enrolled continuously because they are presumed to provide large environmental benefits. The three largest and oldest options, all authorized in legislation, are:

- Enrolling portions of fields with especially high environmental values. Through November 2006, more than 2.6 million acres had been enrolled, with more than 465,000 acres in Iowa. The most common conservation practice at these sites is buffer strips along water bodies.
- 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 specified areas where benefits will be concentrated. For example, Maryland, the first state to implement a CREP, is enrolling stream buffers, restored wetlands, and highly erodible lands along streams in a portion of the Chesapeake Bay watershed. Currently, 26 states have one or more approved enhancement programs (3 states have more than one program), and requests are pending from several additional states. FSA data show that more than 890,000 acres had been enrolled through November 2006.
- A program to enroll up to 1 million acres of small, isolated farmable wetlands. USDA offers signup bonuses to attract participation. Almost 160,000 acres had been enrolled through November 2006, with more than 71,000 of those acres in Iowa.

Other newer options, all established through administrative actions by USDA, include enrolling up to 500,000 acres of floodplains to be planted to 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. A new emergency forestry conservation program enacted in supplemental appropriations in the wake of Hurricane Katrina under which FSA estimates that 700,000 acres will be restored.



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. NRCS now has a line item in its budget for this purpose and received \$76.4 million for FY2006. Congressional efforts to provide adequate technical assistance funding are discussed in the subsection titled “Technical Assistance,” below.<sup>10</sup>

## Wetlands and Agriculture

Swampbuster and the Wetlands Reserve Program (WRP) have been the main agricultural wetland protection programs. (A 1 million acre program for small, isolated farmable wetlands, 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 several exemptions from loss of benefits, such as any wetland conversion that was initiated prior to December 23, 1985 (the date of enactment), or a wetland that is created as a result of adjacent development. It allows a partial penalty, meaning that fewer benefits are lost, once a decade.

Swampbuster has been controversial since it was first enacted in 1985. 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 addressed a concern raised by the farm community by prohibiting USDA from delegating the authority to make wetland determinations to other parties. This concern was 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 Section 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 have been unable to revise the MOA to reflect changes in the 1996 farm bill, and the participating agencies have ended their discussions.

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* (531 U.S. 159 (2001)), that the Clean Water Act’s Section 404 wetland permit program should not apply to certain

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<sup>10</sup> For more information on CRP, see CRS Report RS21613, *Conservation Reserve Program: Status and Current Issues*, by Tadlock Cowan.

“isolated waters.” One result is that an estimated 8 million acres of agricultural wetlands that had been subject to the Section 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.<sup>11</sup> The Supreme Court recently issued decisions on two cases that will likely result in further adjustments to the reach of the Section 404 program.<sup>12</sup>

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 1.75 million acres by September 30, 2005, and more than 150,000 acres were enrolled during FY2006. Permanent easements account for more than 80% of the total, and have been perfected on 1.37 million acres. The Secretary has the option of delegating the administration of easements to other federal or state agencies with the necessary expertise. Section 2201 of the 2002 farm bill reauthorized the WRP through FY2007 and increased the enrollment cap to 2,275,000 acres, while limiting enrollment to 250,000 acres per year. Funding is mandatory through the CCC. The Office of Inspector General released an audit report in 2006 which found that “unwarranted payments” had been made because of lax controls and poor appraisals.

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 recent initiative taken administratively will be used to create 250,000 acres of wetlands in non-floodplain areas (see the CRP discussion, above).<sup>13</sup>

## **Environmental Quality Incentives Program (EQIP)**

EQIP encourages farmers to participate in conservation efforts by paying 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 was authorized to increase from \$200 million in FY2002 to \$1.3 billion in FY2007, with 60% of the funds each year to be used to address the needs of livestock producers. The Deficit Reduction Act of 2005 (P.L. 109-171) extended the authorization through 2010, and delays funding it at \$1.3 billion until 2010 (with somewhat lower levels through FY2009) to create savings in the intervening years. The total of all EQIP payments that a single entity can receive, combined, is \$450,000 during any six-year period. Contracts can be 1 to 10 years in length. A conservation plan is required to participate. Producers with comprehensive nutrient

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<sup>11</sup> For more information on this decision, see CRS Report RL30849, *The Supreme Court Addresses Corps of Engineers Jurisdiction Over “Isolated Waters”: The SWANCC Decision*, by Robert Meltz and Claudia Copeland.

<sup>12</sup> For background on these two cases, see CRS Report RL33263, *The Wetlands Coverage of the Clean Water Act Revisited: Rapanos and Carabell*.

<sup>13</sup> For more information about wetlands, see CRS Report RL33483, *Wetlands: An Overview of Issues*, by Jeffrey Zinn and Claudia Copeland.

management plans (one type of conservation plan) are eligible for incentive payments, and producers receiving funding for animal waste manure systems must have these plans. cost-share assistance can be a higher percentage 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 gathered public comments about whether these priorities should be altered at a national listening session on May 5, 2005 (and at state listening sessions), and some of the ideas that were offered may be a part of future farm bill proposals.<sup>14</sup>

Three new subprograms were authorized under EQIP in 2002. 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. In FY2004, NRCS awarded \$14.5 million to 41 entities; in FY2005, it awarded about \$19 million to 103 entities; and in FY2006, it awarded almost \$20 million for 66 projects in 38 states. A call for proposals in FY2007 was announced on December 4, 2006; they must be submitted by February 2, 2007. 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. In FY2002, funds were provided to eight states that are located on top of the high plains aquifer. The program has expanded each year since, primarily to areas suffering from drought and water shortages. According to the NRCS, it has been used to enroll more than 1.5 million acres under more than 5,000 contracts, and obligations have totaled more than \$130 million.<sup>15</sup> Third, an additional \$50 million is earmarked for the Klamath River basin in Oregon and California, and was to be provided as soon as possible; by the end of FY2004, almost the entire authorized amount (\$44 million) had been made available to complete irrigation management plans on more than 37,000 acres and apply conservation practices on almost 85,000 acres.

Interest in participating in EQIP continues to far exceed available funds, even with the large increases in authorized amounts. For FY2006, NRCS reported that it received more than 74,000 applications, but was only able to sign some 41,000 contracts, which provided a total of \$788 million in financial assistance. The remaining almost 33,000 applications that would have provided \$636 million in financial assistance could not be funded.<sup>16</sup>

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<sup>14</sup> The Government Accountability Office reviewed how EQIP funds are allocated among states in a recent report. This process has been criticized, especially by those from states who believe they should be receiving a higher allocation. See Government Accountability Office, *Agricultural Conservation: USDA Should Improve Its Process for Allocating Funds to States for the Environmental Quality Incentives Program*, September 2006, GAO-06-969.

<sup>15</sup> NRCS and FSA produce fact sheets that briefly describe their programs; these fact sheets, reached on the “programs” page on the NRCS website and on the “conservation” page on the FSA website, are written primarily to inform potential program participants. The NRCS website for programs is [<http://www.nrcs.usda.gov/programs>], and the website for FSA programs is [<http://www.fsa.usda.gov/dafp/cepd/epd>].

<sup>16</sup> Unfunded applications include those that were preapproved, deferred, eligible, pending, and disapproved. For further information on EQIP, see CRS Report RS22040, (continued...)

## Conservation Security Program (CSP)

Section 2001 of the 2002 farm bill authorized 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 limited available funding each year subsequently. As a result, CSP has been growing, but much more slowly than proponents would like. Estimated funding in FY2007, for example, is \$342 million, an increase of \$83 million from FY2006. NRCS has responded to these funding constraints in the way that it has implemented the program. It issued an interim final rule on June 21, 2004, allowing it to expand or contract new participation each year by limiting signups to producers in designated watersheds. Based on this rule, it enrolled nearly 2,200 producers in 18 eligible “priority watersheds” in its first year, 2004. After three years of implementation, the program has more than 19,000 participants in 280 watersheds. In these watersheds, about 14.6 million acres has been enrolled in the program. This program has another component new to the conservation effort; it requires interested producers to complete an extensive self-assessment to determine their eligibility, the first time it has required this amount of work from producers interested in enrolling in conservation programs, as a prerequisite to determining whether they will be accepted.<sup>17</sup>

Congress has repeatedly capped CSP funding, most recently in reconciliation legislation enacted February 8, 2006 (P.L.109-171), where funding was capped at a total of \$1.954 billion from FY2006 through FY2010, and at \$5.65 billion from FY2006 through FY2015. The budget resolution that currently guides FY2007 spending would provide only enough funding to support existing contracts; no additional enrollment would occur. This action generated complaints from program

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<sup>16</sup> (...continued)

*Environmental Quality Incentives Program (EQIP): Status and Issues*, by Carol Canada and Jeffrey Zinn.

<sup>17</sup> The GAO issued a report in April 2006 in which it found that some producers were receiving payments through multiple conservation programs for a practice. The program is titled *Conservation Security Program: Despite Cost Controls, Improved USDA Management is Needed to Ensure Proper Payments and Reduce Duplication with other Programs* (GAO-06-312).

supporters, who view the current funding situation as being at odds with the entitlement that was envisioned in 2002.<sup>18</sup>

## 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, vegetative, 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 FY2005 amounted to about \$1.45 billion. Almost \$1.0 billion of this total came from discretionary accounts. Two issues associated with technical assistance have been whether NRCS has the capacity to meet the growing demand as funding for programs increases, and how technical assistance costs should be funded for mandatory programs.

Section 2701 of the 2002 farm bill allows NRCS to augment the technical assistance capacity of the agency by allowing producers to use approved third parties to provide this assistance. In the June 7, 2006, oversight hearing, NRCS Chief Bruce Knight testified that more than 2,500 applications to perform these services had been approved. These people had provided the equivalent of 520 staff years of support between 2003 and 2006, at a cost of \$163.5 million to the agency.

A subsection of Section 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 Section 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 proposed in its FY2003, FY2004, and FY2005 budget requests to address this limit by creating a new farm bill technical assistance account, to be funded through annual appropriations. Congress rejected these proposals. 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 “donor program” activities.<sup>19</sup> In P.L. 108-498 (S.

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<sup>18</sup> For more information, see CRS Report RS21739, *The Conservation Security Program in the 2002 Farm Bill*, by Tadlock Cowan; and CRS Report RS21740, *Implementing the Conservation Security Program*, by Tadlock Cowan.

<sup>19</sup> For example, in FY2003, the EQIP was authorized at \$695 million. Of that total, \$145 million was to be spent on TA, leaving \$550 million for cost-sharing assistance to producers. But EQIP was a donor program because an additional \$107 million was diverted  
(continued...)

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. A GAO report, released in November 2004, might contribute to discussions about the cost of providing technical assistance, which critics state is too high and reduces the amount of money available for program participants.<sup>20</sup> Second, in February 2005, NRCS announced new policy guidance for technical assistance that will establish national priorities. For FY2006, these priorities center on helping producers comply more easily with environmental regulatory requirements. Third, in September 2005, NRCS announced that it would initiate a new pilot program for conservation planning in nine states, using a land-owner self-assessment process. This assessment process appears to follow the process developed for producers who are interested in participating in the CSP, and wish to determine their eligibility.

## 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.<sup>21</sup> Other USDA agencies that make significant contributions to the conservation effort include the Agricultural Research Service, the Economic Research Service, and the Forest Service. Also, none of the many other conservation programs that have been authorized but are not being implemented are included here.

**Watershed Programs.** NRCS has worked with local sponsors for more than 50 years to construct more than 10,500 structures to prevent floods, protect watersheds, and control erosion and sediments, among other things, under two authorities, P.L. 534 and P.L. 566. Projects continue to be constructed under both authorities, although at a slower pace, as appropriations have remained relatively constant or declined in recent years. An Emergency Watershed Program responds to emergencies created by natural disasters (see discussion of “Emergency Conservation Programs,” below). Funding varies greatly from year to year, and is provided in supplemental appropriations. Over the past decade, funding has averaged \$131 million per year, but in FY2005 it was \$354.5 million.

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<sup>19</sup> (...continued)

from the program to pay for TA in other mandatory conservation programs, leaving \$442 million for cost-sharing assistance for producers. Other donor programs in FY2003 included the Farmland Protection Program, the Grasslands Reserve Program, and the Wildlife Habitat Incentives Program; they contributed a total of just over \$50 million.

<sup>20</sup> Government Accountability Office, *USDA Should Improve Its Methods for Estimating Technical Assistance Costs*, November 2004 (GAO-05-58).

<sup>21</sup> General program information for the NRCS programs can be found at [<http://www.nrcs.usda.gov/programs>], and for the FSA programs, general program information can be found at [<http://www.fsa.usda.gov/dafp/cepd/epd>]

A rehabilitation program for aging small watershed structures that are reaching or have exceeded their design life was enacted in the Small Watershed Rehabilitation Amendments of 2000 (Section 313 of P.L. 106-472). Section 2505 of the 2002 farm bill authorized both mandatory and discretionary funding for the rehabilitation program; mandatory funding rises from \$45 million in FY2003 to \$65 million in FY2007, and discretionary funding can be as large as \$45 million in FY2003 and grow up to \$85 million in FY2007. To date, appropriators have not provided any of the mandatory funds and have provided only a portion of the discretionary funds. The law permits federal funds to pay for 65% of rehabilitation projects, with the remainder coming from local sponsors. Through FY2005, 132 rehabilitation projects in 22 states had been initiated and 47 dams had been rehabilitated.

**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 prohibited 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.

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, and cite a recent GAO report to support some of their contentions.<sup>22</sup> 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 that develop and implement plans. USDA provides technical and financial assistance to councils, and helps them secure funding and services from other sources. Projects are implemented to improve natural resources, address waste disposal needs, foster economic development, and address other similar needs. According to NRCS, 375 areas encompassing more than 85% of the counties in the country have been designated. This total includes the 7 most recent additions that were accepted from 28 applications during the summer of 2003; at the start of FY2006, an additional 32 applications were pending. Section 2504 of the 2002 farm bill permanently reauthorized the program and made numerous technical and updating amendments.

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<sup>22</sup> Government Accountability Office, *USDA Needs to Better Ensure Protection of Highly Erodible Cropland and Wetlands*, April 2003 (GAO-03-418).

**Farmland Protection Program (FPP).**<sup>23</sup> 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 increased mandatory funding from \$50 million in FY2002 to a high of \$125 million in FY2004 and FY2005. The definition of eligible land was expanded to include rangeland, pastureland, grassland, certain forest land, and land containing historic or archeological resources. Land enrolled in the program is subject to conservation compliance. Certain private nonprofit organizations are made eligible to receive these funds. Eligible lands must be subject to a pending offer. Through FY2005, more than \$370 million had been obligated to acquire 1,217 easements on almost 260,000 acres in 41 states. An additional 1,073 easements were pending on more than 192,000 acres in every state. States where the most funds have been obligated include Maryland (\$26.1 million), Pennsylvania (\$22.5 million), and New Jersey (\$21.8 million). Emergency legislation, including additional funding for these two programs, was attached to the FY2006 appropriation. After that was not enacted, supporters failed in efforts to attach this funding to other legislation. They are expected to try again early in the 110<sup>th</sup> Congress.<sup>24</sup>

**Wildlife Habitat Incentives Program (WHIP).** WHIP was authorized in 1996 to use a total of \$50 million in mandatory funds allocated to the CRP to provide cost-sharing and technical assistance for conservation practices that primarily benefit wildlife. This money was fully allocated in FY1998 and FY1999. Congress provided \$40 million in additional conservation funding beyond authorized levels for FY2001, and USDA allocated \$12.5 million to WHIP. Section 2502 of the 2002 farm bill provided \$15 million in FY2002, growing to \$85 million annually from FY2005 through FY2007. It provided that up to 15% of the funding each year could be used for higher cost-sharing payments to producers who protect and restore essential plant and animal habitat under agreements of at least five years. Through FY2005, more than 3.3 million acres had been enrolled under more than 21,500 agreements.

**Emergency Conservation Programs.** The two emergency conservation programs are the Emergency Watershed Program (EWP) administered by the NRCS, and the Emergency Conservation Program (ECP) administered by the FSA. The EWP provides technical and cost-sharing assistance for projects that restore land after flooding and help to 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. Emergency programs are implemented most years when funding is provided in response to natural disasters.

In the wake of a very busy hurricane season in 2005, and especially Hurricane Katrina, Congress provided \$300 million to the EWP and \$199.8 million to the ECP in Division B, Title I, of FY2006 Defense appropriations (P.L. 109-148, enacted December 30, 2005). It also created a new Emergency Forestry Conservation Reserve

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<sup>23</sup> USDA calls this program the Farm and Ranch Lands Protection Program.

<sup>24</sup> For more information, see CRS Report RS22656, *Farm Protection Program*, by Renée Johnson.



Program (EFCRP), modeled after the CRP and to be administered within it, and appropriated \$404 million for this effort. In June 2006, Congress passed additional emergency supplemental funding (P.L. 109-234, enacted June 15, 2006), which provided an additional \$51 million to the EWP and \$100 million to the new EFCRP, as well as making several other changes to improve access to these emergency programs.

**Water Quality Programs and Initiatives.** Pollution in ground and surface waters has emerged as a major issue for conservation policy as more instances of contamination in which agricultural sources play major roles have been identified. Specific occurrences that have driven public interest and concern in recent years 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, hypoxic conditions creating a large “dead zone” in the central Gulf of Mexico, and smaller ones in other coastal sites such as Chesapeake Bay. 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, producers may have contributed to contamination even though they followed accepted agricultural practices. Current agricultural conservation programs that address water quality concerns center on EQIP, plus the Enhancement Program (CREP) and the continuous enrollment option under CRP.

EPA announced a final revised rule for managing nutrient wastes from animal feeding operations, as required under court order, on December 12, 2002. Large operators are required to develop comprehensive nutrient management plans while smaller operators are encouraged to develop them.<sup>25</sup> Farm interests were generally pleased because the rule affects fewer producers and costs 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.<sup>26</sup>

Water quality problems are being addressed not only through the programs discussed above, including the CSP and the Ground and Surface Water Conservation Program under EQIP, but also through farm bill programs enacted in 2002, including:

- the Small Watershed Rehabilitation Program amendments enacted in Section 2505;
- the Agricultural Management Assistance Program, reauthorized in Section 2501, which provides \$20 million annually between FY2003 and FY2007 and \$10 million annually thereafter to 15 specified states that have been chronically underserved by risk management

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<sup>25</sup> This rule was published in the February 12, 2003, *Federal Register*, effective April 14, 2003.

<sup>26</sup> For more information on this rule, see CRS Report RL31851, *Animal Waste and Water Quality: EPA Regulation of Concentrated Animal Feeding Operations (CAFOs)*, by Claudia Copeland.

programs (subsequent amendments limit conservation funding to \$14 million annually);

- a program for the Great Lakes Basin states enacted in Section 2502;
- a Grassroots Source Water Protection Program, enacted in Section 2502; and
- a program for the Delmarva Peninsula enacted in Sections 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 108<sup>th</sup> Congress enacted legislation (P.L. 108-328) authorizing funding for the New York City Watershed Protection Program through FY2010. This program, funded primarily by New York City, intensively installs conservation practices on farms (and funds other actions in response to other types of land use) in watersheds that provide drinking water to New York City to maintain a level of water quality that precludes the need to build a very expensive new water treatment plant. The program requires participation by at least 85% of the farms in the watershed. If that participation level is not maintained, the city would be required to build a treatment system, estimated to cost between \$5 billion and \$8 billion to construct and \$200 million to \$500 million annually to operate.

**Private Grazing Lands Program.** A voluntary coordinated technical and educational assistance program was initially enacted in the 1996 farm bill to maintain and improve resource conditions on private grazing lands. Section 2502 of the 2002 farm bill reauthorized 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 \$23.3 million for FY2005 and \$27.2 million in FY2006.

**Grasslands Reserve Program.** Section 2401 of the 2002 farm bill authorized a new Grasslands Reserve Program to retire 2 million acres under arrangements ranging from 10-year agreements to permanent easements. The law permits the delegation of easements to certain private organizations and state agencies, and provides up to \$254 million in mandatory funding. In FY2005, 1,219 applications to enroll almost 385,000 acres were approved; this was 16% of the applications received. All the authorized funding was allocated by the end of FY2005.

**Healthy Forests Reserve.** Title V of the Healthy Forests Restoration Act of 2003 (P.L. 108-148) established a program from 2004 through 2008 to help landowners to restore and enhance forest ecosystems using 10-year agreements, 30-year easements, and easements up to 99 years. Participants are to be able to show that participation will improve the likelihood that threatened or endangered species will recover, biological diversity will improve, or additional carbon will be sequestered. An interim final rule was issued and became effective on May 17, 2006.

**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 some 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. On March 23, 2005, USDA 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.<sup>27</sup>

**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 (NRI). Data collected for the NRI was used to determine that total erosion on cropland declined 43% between 1982 and 2003, according to a June 2006 press release. NRCS also does applied research through the plant material and technical centers. Other agencies, both within USDA and outside, conduct basic research that contributes to both understanding the problems that conservation programs address and how effective these programs are in counteracting these problems.

**Program Evaluation.** NRCS initiated the Conservation Effects Assessment Project (CEAP) in 2003 to quantify the environmental benefits of conservation practices installed through selected federal agricultural conservation programs.<sup>28</sup> The project, funded at about \$8 million annually, is centered on developing approaches, methodologies, and databases that can produce scientifically credible estimates of these benefits. It draws from other activities throughout USDA and beyond, from NRCS's National Resources Inventory to watershed research conducted by the Agricultural Research Service and the U.S. Geological Survey in the Department of the Interior. CEAP has two components, a national assessment and more focused watershed studies. Limited data from this effort may be available for a 2007 farm bill debate.<sup>29</sup>

**Other Conservation Programs and Provisions in the 2002 Farm Bill.** In addition to the programs described above, the conservation title of the 2002 farm bill authorizes and funds several other programs.

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<sup>27</sup> For more information, see CRS Report 97-670, *Agriculture and EPA's Proposed Air Quality Standards for Ozone and Particulates*, by James McCarthy and Jeff Zinn.

<sup>28</sup> NRCS has been releasing a national summary listing fiscal year conservation achievements in recent years. This summary is limited to numerical totals, such as "applied conservation buffers on nearly 225,000 acres" in the FY2006 summary, which can be found on the NRCS website. However, these summaries to provide some sense of the breadth, scope, and magnitude of NRCS's conservation effort.

<sup>29</sup> For more information, see Soil and Water Conservation Society, *Conservation Effects Assessment Project: Final Report*, 2006, 24 pp.

- Partnerships and Cooperation in Section 2003 use 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.
- Administrative requirements are amended in Section 2004 to provide incentives to beginning and limited resource producers 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.
- The Agricultural Management Assistance Program is reauthorized through FY2007 in Section 2501, and provided an additional \$10 million (for a total of \$20 million) in mandatory funding annually through 2007.
- A Grassroots Source Water Protection Program is authorized in Section 2501, with annual appropriations of \$5 million through FY2007.
- A Great Lakes Program for Erosion and Sediment Control is authorized in Section 2501, with annual appropriations of \$5 million through FY2007.
- Desert Terminal Lakes provisions are authorized in Section 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; the Bureau may not use these funds to purchase or lease water rights.
- Matching funds are authorized through FY2007 in Sections 2601-2604 to demonstrate local conservation and economic development through a Conservation Corridor Demonstration Program on the Delmarva Peninsula.

## Conservation Funding

Conservation spending combines discretionary spending in six accounts (all administered by NRCS) and mandatory funding for more than a dozen programs through the Commodity Credit Corporation administered by NRCS and FSA. This section summarizes the FY2008 request submitted to Congress on February 5, 2007, and the FY2007 appropriations. The FY2008 request is based in part on funding changes that would occur if the Administration's farm bill proposals were enacted. FY2007 appropriations are operating under a continuing resolution that expires February 15, 2007, and Congress is currently considering another resolution that would extend funding through the end of FY2007.

Funding for emergency conservation programs, discussed in an earlier subsection and below, is not included in the data compilations for annual appropriations unless noted, because these programs are almost never funded in these acts; they are commonly funded in emergency supplemental appropriations acts. Emergency funding in FY2006 was substantial because of significant and widespread hurricane damage, totaling more than \$1 billion. Additional emergency funding that had been attached to FY2007 agriculture appropriations and then to other legislation considered at the end of the 109<sup>th</sup> Congress has not been enacted.

**FY2008 Appropriations.** The Administration request included several changes for both discretionary and mandatory funds. The largest proposed change in discretionary accounts is to provide no funding for most of the watershed programs; more specifically, the Administration requests no funding for Watershed Surveys and Planning (\$6 million in FY2007) or Watershed and Flood Prevention Operations (\$391 million in FY2007), and \$6 million for Watershed Rehabilitation (\$32 million in FY2007). Much of the Watershed Operations funding in FY2007, \$311 million of the \$391 million, was for emergencies, which are funded in supplemental appropriations, so this decrease could be considered to be much less than it appears if emergency funding is not a part of the comparison.

Another major proposed reduction in a discretionary account is to reduce funding in the Resource Conservation and Development Program from \$51 million in FY2007 to \$15 million in FY2008. The Administration proposes to consolidate RC&D program coordinators and alter their work responsibilities, decreasing the total numbers needed in these positions from 375 to about 50. In each of the past two years, Congress has rejected Administration proposals to decrease funding; neither of the prior requests was for as large a reduction as is currently being sought.

The Administration proposes \$802 million in new budget authority for the Conservation Operations account in FY2008, which is a small increase from the estimated FY2007 amount (\$791 million). How this small increase might be considered when comparing the Administration request for FY2008 to the FY2007 funding level depends on how Congress chooses to treat earmarks in both the FY2007 budget resolution and in FY2008. Earmarking for Conservation Operations has been substantial in recent years (more than \$126 million in FY2006), but many earmarks that were in FY2007 appropriations legislation may be eliminated or reduced if the pending joint budget resolution is enacted in its drafted form.

Among the mandatory conservation programs, the Administration proposes to increase spending for the Wetlands Reserve Program from \$264 million in 2007 to \$455 million in 2008 by raising the enrollment ceiling from 150,000 acres to 250,000 acres (which is the maximum annual enrollment currently authorized). No funding would be provided for four mandatory programs, although the Klamath Basin and Grasslands Reserve programs will have used their total authorized funding by the end of FY2007, while funding for the Wildlife Habitat Reserve Program will expire at the end of FY2007 and no funding would be provided for the Agricultural Management Assistance Program, which is authorized at \$10 million in FY2008. The request does call for providing \$97 million for the Farmland Protection Program, even though authorization for appropriations expires at the end of FY2007. It also calls for limiting Conservation Security Program spending to \$316 million, and would reduce budget authority for this program by \$80 million over 10 years (FY2006-FY2015).

**FY2007 Appropriations.** Appropriations for FY2007 are being provided under a continuing resolution (P.L. 109-383) through February 15, 2007, because a final bill was not enacted. The FY2007 appropriations process appears to continue a trend of recent years where Administrations had proposed more substantial reductions in conservation funding than Congress had been willing to support. The Senate-reported bill and the House-passed bill (both H.R. 5384) both rejected many of the Administration's proposed reductions for discretionary programs. The Senate

bill reduced discretionary conservation funding by \$3.0 million (from \$993.4 million in FY2006 to \$990.5 million in FY2007), while the House-passed bill reduced discretionary funding to \$919.6 million, a decline of \$73.8 million. The Administration's proposal would have reduced funding \$204.8 million to \$788.6 million. Both bills did agree with some of the requested reductions in mandatory conservation funding from authorized levels, which would increase by \$257 million to \$4.09 billion in FY2007 under current law unless Congress acts to limit funding. The Administration request would have lowered six programs a total of \$435.0 million, while the Senate bill cut a total of \$371 million by making reductions to five programs, and the House bill cut eight programs by a total of \$482.8 million.

**Discretionary Programs.** For Conservation Operations, the Senate provided \$835.3 million, which is more than either the amount provided by the House (\$791.5 million) or that requested by the Administration (\$744.9 million). It is also a slight increase from the amount provided in FY2006, \$831 million after the rescission. Both bills identified numerous earmarks, and specified that they be funded in addition to, rather than as a part of, allocations to states. They both stated that all earmarks from FY2006 not identified in the report accompanying the bill were not to be funded in FY2007. Both bills provided level funding for the Watersheds Surveys and Planning account, \$6.0 million, rejecting the Administration's request for no funding. Both bills also rejected the Administration request for no funding for Watershed and Flood Prevention Operations; the Senate bill provided \$62.1 million, while the House bill provided \$40.0 million. Both amounts were a reduction from the FY2006 appropriation of \$74.3 million. Both bills provided \$31.2 million for the Watershed Rehabilitation Program, which is the same as in FY2006, and rejected the Administration request to reduce funding to \$15.3 million. They both also provided level funding for the Resource Conservation and Development Program, \$50.8 million, rejecting the Administration request to reduce funding to \$26.0 million. The Senate bill provided \$5.0 million to the Healthy Forests Reserve Program, while the House bill provided no funding; the Administration had requested \$2.5 million.

**Mandatory Programs.** Mandatory programs, excluding the Conservation Reserve Program, are authorized to increase by \$149 million to \$2.0 billion in FY2007. As shown in **Table 1**, the Senate bill made fewer and generally smaller reductions to these authorized levels than the House bill, and the House bill agreed with more of the Administration's proposed reductions than the Senate bill. The largest difference was for the Wetlands Reserve Program, where the Senate bill concurred with the Administration proposal to enroll 250,000 acres, as authorized, while the House bill limited enrollment to 144,766 acres. As shown in this table as well, among the larger of the other differences between the bills were funding for the Environmental Quality Incentives Program and for the Conservation Security Program. **Table 1** compares authorized levels under the 2002 farm bill (as amended by the Deficit Reduction Act of 2005) with both bills and the Administration request, and the resulting scorekeeping adjustments.

**Table 1. Reductions in Mandatory Conservation Programs**  
(dollars in millions, unless noted otherwise)

<b>Program</b>	<b>FY2007 Authorized Level under 2002 Farm Bill*</b>	<b>FY2007 Request</b>	<b>House Bill (H.R. 5384)</b>	<b>Senate Bill (H.R. 5384)</b>
Environmental Quality Incentives Program	\$1,270	\$1,000	\$1,087	\$1,031
Conservation Security Program	\$373	\$342	\$280	\$373**
Wildlife Habitat Incentives Program	\$85	\$55	\$55	\$63
Wetlands Reserve Program	250,000 acres	250,000 acres	144,766 acres	250,000 acres
Farm and Ranch Lands Protection Program	\$97	\$50	\$50	\$58
Ground and Surface Water	\$60	\$51	\$51	\$54
Small Watershed Rehab. Program	\$65	\$0	\$0	\$0
Ag. Management Assistance	\$14	\$0	\$6	\$14

**Source:** CRS, using Senate Appropriations Committee and Congressional Budget Office data. See also CRS Report RS22243, *Mandatory Funding for Agriculture Conservation Programs*, by Jeffrey A. Zinn, for authorized funding and limits on mandatory conservation programs.

\* Figures in the FY2007 authorized column represent how much are currently available, including reductions made by the Deficit Reduction Act of 2005 (P.L. 109-171).

\*\* Based on CBO scoring, which differs from Administration figures.

Appropriations bills have included reductions in mandatory programs each year, although they are often different than the Administration request. Starting in FY2003, the portion of the authorized mandatory funding for conservation that Congress has allowed has declined each year from the preceding year. It fell from 97.6% of the authorized amount in FY2003 to 87.2% of the total in FY2006. Each of the mandatory programs is supported by different constituencies who decry reductions from the funding commitment that was established in the 2002 farm bill; those who support the reductions point out that overall conservation funding has been rising rapidly, even after these reductions are taken into account.

## 2007 Farm Bill

Farm bill considerations are in the formative stages in Congress, where agricultural leaders have stated that they will attempt to complete the conference on this legislation by September 30. Congress is growing more active in anticipation of this debate, with numerous oversight hearings. Most recently, the Senate Agriculture Committee held an oversight hearing on the Conservation Security Program and Environmental Quality Incentives Program on January 17, 2007. The House Agriculture Committee held numerous field hearings to gather farm bill input during the second session of the 109<sup>th</sup> Congress, and conservation topics were addressed at several of them.

The Administration offered its set of farm bill proposals to Congress on February 2, 2007. These proposals come out of a process that involved more than 50 listening sessions and the development of broad theme papers. The theme paper on conservation and the environment, issued in June 2006, identified four “generalized alternatives”: (1) improve existing conservation programs, (2) provide “green payments” for land in production to enhance environmental benefits and provide income support, (3) encourage private sector markets for environmental services, and (4) expand conservation compliance or establish a standard of care.<sup>30</sup> The Administration is offering 10 proposals for conservation. The Administration presents each as a recommended solution to a problem. These proposals would cost an estimated \$7.8 billion above current conservation costs. The proposals (and additional costs) are as follows:

- Consolidate six programs that provide financial assistance to land owners and producers into a revised Environmental Quality Incentives Program, and create a new sub-program to deal with water quality and quantity issues on a regional basis (\$4.25 billion).
- Amend the Conservation Security Program to emphasize higher levels of conservation and expand enrollment from more than 15 million acres today to more than 96 million acres in 10 years (\$500 million above the current 10-year baseline).
- Consolidate the three easement programs for working lands into a single program (\$900 million above the current 10-year baseline).
- Increase the focus of a reauthorized Conservation Reserve Program on environmentally sensitive lands, with priority for lands enrolled on which biomass crops for energy are produced.
- Increase the Wetlands Reserve Enrollment cap to 3.5 million acres (\$2.125 billion).
- Expand conservation compliance to include “sod saver” to discourage conversion of grasslands into cropland.
- Designate a portion of each conservation program to socially disadvantaged and beginning producers.
- Encourage the development of new private-sector environmental markets to supplement and compliment conservation programs (\$50 million).
- Repeal legislative language that requires a minimum amount of conservation funds go to every state.
- Consolidate the two emergency response programs for conservation into a single program.

Many interests have been discussing what provisions might be considered for a conservation title in a farm bill in 2007. For each of the many issues addressed in a farm bill, coalitions are forming and groups are developing their priorities and positions. The American Farmland Trust, in particular, has been very active in soliciting input from a wide range of interests and has developed a wide-ranging set

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<sup>30</sup> For more information on the green payment concept, as well as a comparison of views about it from the United States and Europe, see CRS Report RL32624, *Green Payments in U.S. and European Union Agricultural Policy*, by Charles Hanrahan and Jeffrey Zinn.



of general proposals, which it released in early summer of 2006.<sup>31</sup> The Administration proposal addresses many of the topics being most widely discussed at this time. They include (in no particular order) the following.

- How to better integrate conservation efforts with commodity policies through green payments or by other means.
- Whether conservation funding will continue to grow, and how conservation funds should be allocated among the many programs in the future, as well as where (which states and regions) and who (which producers or problems) should receive higher priority for access to these programs, what levels of funding are necessary to successfully deal with the backlog of interest in program participation, and whether that level of funding should be provided.
- Whether funding for working lands, generally referred to as green payments and perhaps modeled after the CSP, should be expanded, both because of the likely need for such a program if trade talks are successfully concluded (an outcome that is currently in considerable doubt) and because such an effort would complement the many land retirement conservation programs.
- How to make energy policies that encourage expanded crop cultivation for biofuels compatible with land retirement and other conservation goals.
- How to address issues new to the farm bill or of growing importance in conservation policy, such as endangered species, invasive species, and water supplies in the West.
- Whether the federal conservation agencies have the capacity to deliver programs, and whether they should be expanded to include new mission areas or receive significant additional funding.
- How to condense and coordinate the plethora of conservation programs that already exist.
- What role(s) the Bush Administration's Cooperative Conservation Initiative and related types of efforts that involve voluntary partnerships might play in agriculture conservation policy.<sup>32</sup>
- Whether there are opportunities to use more market-based approaches in conservation efforts, such as establishing ecosystem markets or selling carbon credits.
- Whether there are opportunities to apply conservation efforts at larger scales, such as ecosystems or watersheds.

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<sup>31</sup> Information on these proposals can be accessed through the American Farmland Trust website [<http://www.farmland.org>].

<sup>32</sup> More information on this Initiative can be found at [<http://cooperativeconservation.gov>].