

Environmental Quality Incentives Program
Summary of Proposed Rule
29 January 2003

- The Environmental Quality Incentives Program (EQIP) is reauthorized in the Farm Security and Rural Investment Act of 2002 (Farm Bill).
- The fundamental philosophy of the program, assisting agricultural producers to install conservation practices to provide environmental benefits, has not changed.
- Agricultural producers who are interested in participating in the program will apply as they have in the past and should experience a quicker turn around on their application.
- Producers also have some expanded financial opportunities with higher contract limits and the ability to receive payments earlier in the contract period.
- NRCS will optimize environmental benefits through an approach that integrates consideration of national priorities in four key program components:
 - The allocation of financial resources to States;
 - The allocation financial resources within States;
 - The selection of conservation practices and the establishment of cost-share and incentive payment levels; and
 - The application ranking process.

The proposed rule makes the following changes that are open for comment for 30 days:

- Proposes provisions for improving program management through an incentive awards holdback, progress monitoring, periodic evaluation of program delivery, and public disclosure of program results.

National Priorities and Measures

- Establishes National priorities:
 1. Reduction of nonpoint source pollutants; such as nutrients, sediment, or pesticides and excess salinity; in impaired watersheds consistent with TMDLs where available, as well as the reduction of groundwater contamination, and the conservation of ground and surface water resources;
 2. Reduction of emissions, such as particulate matter, NO_x, volatile organic compounds, and ozone precursors and depleters that contribute to air quality impairment violations of National Ambient Air Quality Standards;
 3. Reduction in soil erosion and sedimentation from unacceptably high rates on highly erodible land; and
 4. Promotion of at-risk species habitat recovery.

- Establishes national measures that:
 - Increase overall environmental benefits, for example by addressing multiple resource concerns, ensuring more durable environmental benefits, and limiting adverse ancillary impacts;
 - Encourage innovation;
 - Support the statutory mandate to apply nationally 60 percent of available financial assistance to livestock-related conservation practices;
 - Employ appropriate tools to more comprehensively serve EQIP purposes, such as Comprehensive Nutrient Management Plans and Integrated Pest Management Plans.

National Allocation Process

- National priorities and measures will be used as guidance in determining the amount of funds received by states. NRCS also will include other considerations in allocation decisions, such as:
 - The significance of the environmental and natural resource concern and the opportunity for environmental enhancement;
 - The conservation needs of farmers and ranchers in complying with the highly erodible land and wetland conservation provisions of 7 CFR part 12;
 - The ways the program can best assist producers in complying with Federal, State, local, and Tribal environmental laws, quantified where possible;
 - The amount of agricultural land in different land use categories, such as grazing land, specialty crops, and others; and
 - Other relevant information to meet the purposes of the program.

State Allocation of Financial Resources

- State Conservationists use the following in decisions related to the management of the program and the allocation of funds:
 - The nature and extent of natural resource concerns at the state and local level;
 - The availability of existing programs to assist with the activities related to the priority natural resource concerns;
 - The existence of multi-county and/or multi-state collaborative efforts to address natural resource concerns;
 - Ways and means to measure performance and success; and
 - The degree of difficulty that producers face in complying with environmental laws.
- State Conservationists will be responsible for:
 - Identifying State priority natural resource concerns that incorporate National priorities and measures;

- Identifying which of the available conservation practices should be encouraged with recommended funding levels; and
- Establishing local level EQIP performance goals and treatment objectives, and monitoring program performance of the NRCS field offices to ensure that National priorities and measures are being achieved.
- The State Conservationist may delegate implementation of EQIP to Designated Conservationists. Designated Conservationists will use the advice of Local Work Groups to implement EQIP within their area. This delegation by the State Conservationist allows for greater management flexibility at the State level and, perhaps more importantly, explicitly provides for locally led conservation.
- EQIP implementation may vary across jurisdictional boundaries. For example, some states may use state-level based program delivery while others may use county or parish based or regional (multi-county) based delivery.
- While this proposal explicitly recognizes National priorities and measures, NRCS will continue to rely on *locally led conservation* as an important cornerstone of EQIP. Using a locally led process ensures consideration of the wide variability between and within states regarding resource issues, solutions, and limitations.
- A portion of EQIP funding will be retained to reward states that demonstrate a higher level of program management performance and address National priorities.

State Allocation Incentive Award

- When allocating the incentive holdback funds to those states demonstrating higher levels of performance, the Chief of NRCS will analyze the management decisions of the State Conservationist and State EQIP implementation performance considering factors such as:
 - The degree to which states strategically prioritize and address priority resource concerns, such as through statewide conservation plans, fund allocation, and application ranking;
 - The use of contracts with long lived practices;
 - The use of contracts with cost-effective practices;
 - The use of contracts that benefit multiple resources;
 - The efficiency and cost-effectiveness of program delivery;
 - The degree to which program implementation addresses National priorities;
 - The extent to which Technical Service Providers are engaged to help deliver the program;
 - The degree to which Limited Resource Producers are participating; and
 - The degree to which states encourage innovation and the leveraging of EQIP funds.
- NRCS is formulating the incentive award process and anticipates that the financial bonus will be distributed to a limited number of states assuring that the concept of a bonus is maintained.

- Annual reports will explain how EQIP was implemented within the state and the accomplishments that were achieved.
- Information regarding EQIP implementation will be made available to the public using technology such as the internet on the NRCS World Wide Website at <http://www.nrcs.usda.gov/EQIP/>.
- CCC seeks comments on how best to evaluate the performance of the EQIP program. For example, how should environmental changes be measured, and what methodologies would best identify environmental effects due to contract activities? What kind of output measures and data collection strategies should NRCS consider? What approaches could NRCS use to evaluate cost-effectiveness?

Selection of Practices and the Establishment of Payment Levels

- NRCS State Conservationists will determine which conservation practices will be eligible and the maximum payment levels in the State.
- The State Conservationist may also request that the Designated Conservationist determine which conservation practices will be eligible in localities within the limits established by the State Conservationist.
- Financial assistance is available to all livestock producers regardless of size.
- NRCS proposes that state and local lists of eligible practices, cost-share rates and incentive payment levels, and the ranking process will be posted on the NRCS EQIP website before final ranking of applications. NRCS will also make the appropriate ranking process or processes available at each local NRCS office

Application Ranking Process

- The State Conservationist, or the Designated Conservationist, will develop an application ranking process that reflects both priority state resource concerns and the national priorities and measures.
- The ranking will determine which applications will be awarded contracts.
- The ranking process will evaluate applications according to the magnitude of the environmental benefits resulting from the treatment of the priority natural resource concerns.
- The ranking process will be designed to award higher scores for offers from producers that address National and State priorities in conjunction with local resource concerns.
- The ranking process will score the producer's offer of conservation practices according to the following criteria, as well as other locally defined pertinent factors:
 - Use of cost-effective conservation practices;
 - Treatment of Multiple Resource Concerns;
 - Use of conservation practices that provide environmental enhancements for longer periods of time; and

- Compliance with Federal, State, or local regulatory requirements concerning soil, water, and air quality; wildlife habitat; and ground and surface water conservation.

Approval of Contracts

- NRCS is also proposing that the approving authority for EQIP contracts will be the State Conservationist or designee except that:
 - The approving authority for any contract that contains a structural practice with a cost-share rate exceeding 50 percent is the State Conservationist, and
 - The approving authority for any contract with a total value of \$100,000 or more is the NRCS Regional Conservationist.

Limited Resource and Beginning Farmers

- The Secretary has the authority to increase the cost-share rate up to 90 percent for limited resource farmers and ranchers and beginning farmers or ranchers. NRCS proposes to use two criteria to define a limited resource producer or rancher:
 - A person with direct or indirect gross farm sales not more than \$100,000 (to be increased starting in FY 2004 to adjust for inflation) and
 - A total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household income (to be determined annually) in each of the previous two years.
- The definition for beginning farmer or rancher is consistent with the USDA definition of that term under Section 343(a) of the Consolidated Farm and Rural Development Act. This regulation interprets the maximum length of farming experience allowable for beginning farmer or rancher to be 10 consecutive years. All members of an entity must qualify.

Technical Service Providers

- NRCS will provide technical assistance.
- NRCS will encourage producers to use the services of certified personnel of cooperating Federal, State, or local agencies, or private entities who can provide technical assistance.
- As determined by the State Conservationist, NRCS may contract with private enterprises or enter cooperative agreements with other Federal, State, or local entities for services related to EQIP implementation. NRCS retains the responsibility for ensuring that technical program standards are met. This section of the regulation remains unchanged, as proposed, but may be modified in the final rule to conform with the final rule for Technical Service Provider Assistance.

Department Streamlining Changes

- Program administered by NRCS;
- Reduces planning requirements needed to develop the contract; and
- Allows producers to have more than one contract per tract at any given time.

Statutory Program Refinements

- Producers can receive payments in the same year the contract is approved.
- Applications will be evaluated for funding based on a State and locally developed procedure to optimize environmental benefits with consideration of national priorities.
- The bid-down provision (competitive cost-share reduction among program participants) has been eliminated.
- The minimum length of an EQIP contract has been reduced to 1 year after the implementation of all practices.
- The maximum length remains the same at 10 years.
- Although the maximum cost-share rate remains at 75 percent, limited resource producers and beginning farmers and ranchers may be eligible for up to 90 percent cost-share.
- Livestock operations are eligible to receive cost-share payments for waste storage facilities regardless of size.
- Contracts which include an animal waste storage system require the development and implementation of a comprehensive nutrient management plan (CNMP).
- Conservation Priority Areas are no longer required.
- The maximum payment limitation is \$450,000 per individual or entity over the life of the 2002 Farm Bill, regardless of the number of farms or contracts.
- No individual or entity may receive EQIP payments in any crop year in which the individual or entity's average adjusted gross income for the preceding three years exceeds \$2.5 million, unless 75 percent of the income is derived from farming, ranching, or forestry interests.
- At least 60 percent of the funds for EQIP shall be targeted to livestock production practices, including grazing.
- Incentive payments are available for developing a CNMP and its component elements.
- Other points include:
 - EQIP uses the local work group process convened by the conservation district.
 - Individuals, Indian Tribes, and other entities engaged in livestock or crop production are eligible to participate
 - Eligible land includes cropland, rangeland, pasture, private non-industrial forest land, and other farm or ranch lands.
 - Producers must be in compliance with highly erodible land and wetland provisions of the 1985 Food Security Act, as amended.
 - EQIP is implemented through an EQIP plan of operations.
 - Producers have the option to receive technical assistance from NRCS or approved technical service providers.

- All work and practices must meet NRCS standards and specifications.
- The 2002 Farm Bill added two aspects to EQIP, Conservation Innovation Grants and Ground and Surface Water Conservation.
- Upon completion of appropriate rule making, competitive Conservation Innovation Grants may be used to leverage federal investment, stimulate innovative approaches, and accelerate technology transfer. These grants cannot exceed 50 percent of the cost of the project.
- Ground and Surface Water Conservation provides cost-share and incentive payments to producers where the assistance will result in a net savings in ground or surface water resources in the agricultural operation of the producer.
- A total of \$50 million has been targeted for the Klamath Basin in California and Oregon to carry out water conservation activities.

For More Information

If you need more information about EQIP, please contact your local USDA Service Center, listed in the telephone book under U.S. Department of Agriculture, or your local conservation district. Information also is available on the World Wide Web at:
<http://www.nrcs.usda.gov/programs/farbill/2002/>