Conservation Programs in the 2018 Farm Bill

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Executive Summary

In April and June 2018, the House and Senate independently voted to approve two distinct versions of a new farm bill that, with respect to conservation programs, have many similarities but differ in some important ways. Both bills would retain funding for conservation programs at close to current levels, but with modest overall cuts. Nevertheless, with expected annual average outlays of close to $6 billion between 2019 and 2023, they would continue to account for about 30 percent of all federal spending on farm programs.

Both bills would also retain support for two broad categories of the program. The first category includes paid land diversion programs that shift acres from agricultural production to conserving uses. The second category consists of working lands programs that pay farmers to adopt or continue to use conservation practices. Both legislative initiatives continue a trend of shifting funds toward working lands programs and away from paid land diversion programs.

To a large extent, both bills would concatenate the wide range of paid land diversion programs available under the 2014 Farm Bill into two major initiatives: the Conservation Reserve Program (CRP) and the Agricultural Conservation Easement Program (ACEP). The CRP would continue to focus resources on land diversion in the Midwest and the Great Plains, rather than in more populated regions where water-quality issues are of considerable concern and benefits are likely to be higher. The House bill exacerbates that problem by freezing the geographic distribution of current CRP enrollments. In addition, funds would be shifted modestly toward the ACEP, although there are substantial questions about whether conservation easement programs, which result in more permanent land diversion, provide much in the way of environmental and other conservation benefits.

Three programs account for the bulk of spending on working lands initiatives: the Environmental Quality Incentives Program (EQIP), the Conservation Stewardship Program (CSP), and the Regional Conservation Partnership Program (RCPP). Both the Senate and House bills include modest increases in funding for the RCPP, which focuses on major projects that cut across state boundaries addressing explicit national environmental problems such as water quality in extensive watersheds (for example, the Chesapeake Bay). The House bill limits funding to shorter time periods than the Senate bill does even though such projects often take many years to have their full effects. The Senate bill retains the EQIP and CSP programs as separate and distinct entities. The House bill restricts the scope of conservation practices eligible for subsidies by replacing CSP contracts with stewardship contracts under EQIP, with a corresponding reallocation of funds toward the EQIP initiative.

Overall, none of the changes in the House and Senate bills would substantively increase the environmental benefits derived from outlays on the CRP, EQIP, and CSP programs that account for 90 percent of all federal spending on conservation programs. Some efficiencies in program implementation would be obtained through rationalizing the number of conservation programs. Further, the modest expansion in funding for the RCPP at the expense of support for the CRP, EQIP, and CSP could, at the margin, increase the environmental benefits obtained from federal conservation programs.
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From their earliest days of the 1930s New Deal, farm bills in the US have included conservation programs. Those programs have always had multiple goals, which have evolved as the US economy has changed. Initially, there were two major objectives: (1) protecting the country’s agricultural productive capacity by conserving essential resources such as soils and water and (2) providing income support for important farm constituencies by reducing the amount of crop land in production as a means of increasing prices. The rise of the 1970s environmental movement motivated adding new goals, notably protecting water quality and wildlife habitat and, somewhat later, preservation of wetlands, grasslands, and farming more generally—all of which were essentially grafted onto the existing program rootstock.¹

That expansion of goals signaled an increase in the importance of conservation in the farm bill and was correspondingly accompanied by increases in spending on conservation. In 1990, for instance, spending on conservation programs amounted to $1.9 billion, most of which paid for retirement of highly erodible land. By 2014, spending on conservation programs had almost doubled, due to expansion of both highly erodible land retirement and subsidies for conservation on working farmland. In 1990, conservation programs accounted for about a fifth of direct federal farm program payments to farmers. By 2014, the conservation program share of direct federal farm program payments to farmers had increased to about a third.²

Since the New Deal programs of the 1930s, the federal government has used two general types of policy instruments in pursuit of conservation goals: (1) paying farmers to divert farmland into some form of conservation use such as grassland, forest, or wetlands and (2) paying farmers to install and maintain farming practices on working farmland that reduce erosion and runoff or protect wildlife habitat. Currently, five major programs implement one or both of these conservation strategies.

The Conservation Reserve Program (CRP) and Agricultural Conservation Easement Program (ACEP) use the first approach. The CRP pays farmers to convert cropland (and some grassland) to conservation uses, while the ACEP pays farmers to maintain or restore wetlands or grasslands. The Environmental Quality Incentives Program (EQIP) and Conservation Stewardship Program (CSP) use the second approach. EQIP subsidizes up to 75 percent of the cost of installing approved conservation structures or equipment on working farmland, while the CSP pays farmers an annual fee to maintain a suite of approved conservation management practices on working farmland. The fifth program, the Regional Conservation Partnership Program (RCPP), funds projects at a regional or watershed scale that are undertaken by governmental or nonprofit entities. Those projects can include both land diversion and subsidies for conservation on working farmland and technical assistance to farmers provided by those projects.

Over the past 30 years, subsidies for conservation on working farmland have increased in importance relative to subsidies for land diversion. In 1990, for instance, the CRP accounted for virtually all conservation spending under the farm bill. By 2017, its share had fallen to under half, while EQIP and CSP...
The RCPP is quite small, accounting for only 2 percent of spending on major conservation programs since its inception in the Agricultural Act of 2014.

Both the Senate (Agriculture Improvement Act of 2018) and House (Agriculture and Nutrition Act of 2018) draft reauthorizations of the farm bill retain the current status of conservation programs in terms of the overall level of spending on conservation and the importance of conservation subsidies relative to other direct payments to farmers. Both legislative proposals also arrest the trend toward conservation on working farmland at the expense of land diversion by retaining the division of expenditures at roughly current levels. The Congressional Budget Office (CBO) projects that both bills would increase outlays on these five major conservation programs by roughly $310–$350 million over fiscal year (FY) 2019–23, or about 1 percent relative to a baseline of $28.7 billion (Figure 1).6

Figure 1. Projected Outlays Under the Senate and House Farm Bills


According to the CBO projections, outlays on conservation programs under both the Senate and House farm bills would total about a third of combined spending on the programs that account for most of the direct payments to farmers (commodity programs, crop insurance, and conservation) over that same period. Under both bills, as in the Agricultural Act of 2014, outlays on subsidies for conservation on working farmland (EQIP and CSP) would account for over half of conservation spending, and outlays on payments for land diversion (CRP and ACEP) would account for under half, while the share of outlays under RCPP would increase by 1 or 2 percentage points (Figure 2).
However, the Senate and House farm bills would affect the structures of the individual programs differently (Figure 3). Both bills increase funding for ACEP and decrease funding for CRP while keeping the overall share of spending on land diversion roughly constant. The House bill eliminates the CSP and incorporates some, but not all, of its provisions into EQIP. Both bills feature increases in RCPP spending.

The two bills differ in important details within each program as well. The following sections compare the changes the two bills would make to each of the five major conservation programs, and evaluate the potential advantages and disadvantages of those changes.

**The Conservation Reserve Program**

The CRP pays farmers to convert highly erodible cropland with a history of active crop production (and in some cases grassland) to vegetative cover and to maintain it in that state for five to 10 years. In return, farmers receive annual rental payments and cost sharing for the expenditures incurred by the farm in installing the vegetative cover. In FY2018, total enrollment in the CRP was capped at 24 million acres, of which no more than two million acres could come from grassland.

There are two avenues for enrolling land in the CRP: a competitive process conducted each year and a noncompetitive continuous enrollment process for installing specific practices on environmentally...
sensitive land (e.g., riparian buffers, filter strips, grass waterways, shelterbelts, and living snow fences). Bids for enrolling land through annual sign-ups are evaluated using an Environmental Benefits Index—which accounts for impacts on erosion, water quality, air quality, and wildlife habitat as evaluated by the Natural Resources Conservation Service (NRCS)—and the rental rate offered by the landowner. Harvesting and grazing on CRP land may be allowed but subject to a 25 percent reduction in rental payments. Bids for continuous enrollment are evaluated on a case-by-case basis.

Both the Senate and House bills authorize expansion of CRP acreage while imposing limits on rental rates to keep expenditures close to current levels. The Senate bill authorizes an increase in CRP acreage to 25 million acres over the entire FY2019–23 period and caps rental rates at 88.5 percent of the average of the county in which each parcel is located. The House bill authorizes an increase in CRP to 25 million acres in FY2019, 26 million acres in FY2020, 27 million acres in FY2021, 28 million acres in FY2022, and 29 million acres in FY2023. Rental rates are capped at 80 percent of the county average for the first enrollment and 65 percent of the county average for the second enrollment, with further reductions of 10 percentage points for each subsequent enrollment.

A major criticism of the CRP is that it has achieved too little in terms of environmental-quality improvements. Agriculture is a major contributor to the nation’s water-quality problems. The nonpoint source nature of agricultural emissions has made them

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Figure 3. Five-Year Shares of Conservation Program Outlays Under the Senate and House Farm Bills

difficult to regulate. Without regulation, subsidies provided by conservation programs in the farm bill have been the principal policy instrument used to address agriculture’s contributions to water-quality problems.

Since the CRP’s inception, enrollment has been heavily tilted toward land in the High Plains and High Desert areas, which have low population densities and are subject to wind erosion and thus contribute relatively little to water-quality improvements and environmental quality more generally. Enrollment at the national level is conducted via reverse auctions in which farmers submit bids for enrollment and the US Department of Agriculture (USDA) evaluates those bids using an index that (1) quantifies environmental benefits and (2) weighs those benefits relative to the rental rate the farmer requested. However, the components of that index overweight characteristics of High Plains and High Desert parcels, so the geographic distribution of enrollment today is virtually identical to that distribution in 1990. As a result, the cost-effectiveness of the CRP is low: The program could achieve much greater improvements in environmental quality for the amount of money spent.

At best, the House bill would petrify the current misallocation of CRP acreage and could actually worsen it. One provision of the House bill requires that each state’s share of CRP acreage equals its average share during 2007–16, essentially freezing the existing geographic distribution of CRP acreage. Another provision requires enrollment of grassland acreage equal to one million acres in FY2019 and rising by 0.5 million acres each year to a level of three million acres in FY2023.

In comparison, the current farm bill allows enrollment of grassland but sets an upper bound of two million acres. The House bill also differs from current law by specifying that any unused portion of the grassland set aside cannot be used for any other purpose. Since grasslands are overwhelmingly located in the regions where CRP enrollment is currently highest, these provisions could skew the geographic distribution of CRP acreage in a way that reduces any contributions to water-quality improvements.

Both the Senate and House bills attempt to contain costs by capping rental payments at less than 100 percent of the county average. These provisions are at best misguided. The cost of parcels offered for CRP enrollment should be evaluated in terms of environmental performance rather than land; that is, in terms of dollars per unit of environmental benefit rather than dollars per acre. Making parcels that rent at or above the county average ineligible will likely prevent farmers from converting some parcels with exceptionally high environmental benefits from crop production to vegetative cover.

The Senate bill imposes new restrictions on continuous sign-up acreage, requiring that 30 percent be allocated to parcels whose primary benefits consist of wildlife habitat and 40 percent be allocated to parcels whose primary benefits pertain to water quality. The criteria used to score wildlife habitat benefits contribute to overweighting environmental benefits of parcels in the High Plains and High Desert by failing to give extra weight to endangered and threatened species and by ignoring the number of people who obtain use value from that habitat. By reserving a share of continuous sign-up land for wildlife habitat, in principle, these restrictions could contribute to the geographic misallocation of CRP land and limit the extent to which the continuous sign-up process could be used to address water-quality problems.
The Environmental Quality Incentives and Conservation Stewardship Programs

Two separate programs subsidize conservation practices on working farmland: EQIP and CSP. EQIP pays farmers for up to 75 percent of the costs incurred for installing structures that limit erosion or runoff of fertilizers and animal wastes; establishing conservation farming systems such as reduced tillage, strip cropping, and contour farming; and establishing riparian buffers, filter strips, and other forms of approved vegetative cover over a period of up to 10 years.

Both programs cap subsidies at relatively modest levels. EQIP recipients are limited to payments totaling $20,000 per year, or $80,000 in any six-year period. CSP payments are limited to $25,000–$45,000 annually, based on the overall extent of conservation practices maintained on the farm over a five-year period.

Funds for both programs are currently allocated to states according to the extent of farming activity rather than potential environmental-quality improvements. The formula used to distribute EQIP funds among states closely tracks each state’s share of farm operations. Current law requires that CSP funds be distributed among states on the basis of each state’s share of eligible farmland. Current law also requires that 60 percent of EQIP spending be devoted to measures relating to livestock production and that 5 percent be reserved for wildlife habitat. Both programs will cost share expenditures incurred by farms for conversion to organic production. EQIP will not pay for organic certification, but CSP will.

Both the Senate and House bills cut total combined funding for these two programs relative to the amounts the government currently spends. The CBO estimates that the Senate bill would reduce outlays for the two programs by $20.9 billion over 2019–23 relative to a baseline of $28.7 billion, a cut of roughly 3 percent, while the House bill would reduce outlays for the two programs by $1.6 billion, a cut of almost 6 percent.12 (However, under the House bill, any CSP outlays associated with obligations under existing contracts would be continued.)

The Senate bill leaves the overall structure of the EQIP and CSP programs largely intact while making some adjustments to their implementation. Two adjustments to EQIP have the potential to change the distribution of spending in ways that achieve greater environmental benefits: (1) reducing the set aside for livestock measures to 50 percent and (2) requiring that EQIP funds be allocated to states in accordance with findings of an NRCS program that identifies conservation needs and evaluates the performance of existing programs relative to those needs (the Conservation Effects Assessment Project).

Several modifications of CSP also have the potential to increase environmental benefits per dollar of government outlays. These include (1) requiring that proposed CSP projects be evaluated on the basis of natural resource conservation and environmental benefits rather than on levels of conservation activity; (2) increasing allowable subsidy rates for cover crops, which have been shown to be effective in reducing nitrogen runoff; and (3) adding grazing management, comprehensive conservation planning, and support for ongoing organic production to the set of practices eligible for CSP funding.

In contrast, the House bill proposes a radical restructuring of these two programs. It eliminates CSP entirely. To compensate, it creates a class of five- to 10-year stewardship contracts within EQIP that provides payments for several classes of practices currently eligible for CSP funding. These include precision conservation management, cover crops, and resource-conserving crop rotations.

Thus, the House bill would subsidize a narrower range of conservation practices than current law does. Stewardship contracts are limited to practices that address resource concerns identified as conservation priorities, of which no more than three can be chosen for each area of a state. (The current law allows five.) The provision also reduces the range of management practices eligible for funding. The House bill also specifies that stewardship contracts account for no more than 50 percent of EQIP spending and retains the current requirement that 60 percent of EQIP funds be set aside for livestock-related practices, provisions that will likely reduce spending on management practices.
Overall, the House bill creates a built-in bias toward structures and landscape alterations at the expense of ongoing management practices. The effects of that bias will likely be amplified by raising the cap on subsidies to $50,000 per year, which could lead to funding a smaller number of more expensive structural projects. By limiting choices among conservation practices, the House bill will likely reduce both potential environmental benefits achieved by the program and the efficiency with which those benefits are achieved.

Finally, in contrast to the Senate bill, the House bill does not specify any changes to how EQIP funds are allocated, thereby forgoing an opportunity to improve targeting of EQIP spending to achieve greater environmental benefits.

### Agricultural Conservation Easement Program

The Agricultural Act of 2014 created ACEP by consolidating the Wetlands Reserve Program, the Grasslands Reserve Program, and the Farmland Protection Program. The program’s goals are to protect current and future agricultural uses (including grazing) by limiting nonagricultural uses. ACEP purchases permanent easements that require farmers to maintain or restore wetlands or grasslands or prevent farmland from being developed for nonagricultural uses. Budgetary authority for the program rose from $400 million in FY2014 to $500 million in FY2017 before being cut to $250 million in FY2018.13

The geographic distributions of spending and enrollments are highly skewed. Five states (Florida, Arkansas, California, Louisiana, and Montana, in order of funding received) accounted for 35 percent of ACEP financial assistance obligations during FY2014–17. Five southern states (Louisiana, Arkansas, Georgia, Florida, and Mississippi, in order of acreage enrolled) accounted for half of wetlands acres enrolled and about a quarter of financial obligations. Six High Plains and mountain areas (Montana, Wyoming, Colorado, Texas, Oregon, and Utah, in order of acreage enrolled) accounted for almost half the agricultural land easements and over an eighth of financial obligations.

The Senate bill provides budgetary authority in the range of $400–$425 million per year for 2019–23. The House bill provides budgetary authority of $500 million annually for every year during that period. Increased funding for the ACEP and the creation of conservation reserve easements within the CRP in the Senate bill mark a trend toward permanent land retirement at the expense of temporary land retirement (Figure 3). Empirical evidence about the potential impact of such a shift on environmental-quality improvements is lacking.

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However, the environmental effectiveness of this program seems questionable in numerous ways. Farmland preservation easements, for instance, are likely to be most effective when undertaken by local governments as part of overall land use planning (e.g., when coordinated with downzoning, designation of preservation priority areas, restrictions on well drilling and septic systems, and regulations limiting development). Uncoordinated wetlands preservation can have similarly limited effectiveness. And the need for grassland preservation is not obvious given the nation’s large existing stock.
Regional Conservation Partnership Program

The RCPP was created by the 2014 Farm Bill. The program funds conservation projects at a watershed or regional scale. The projects may be undertaken by states, local governments, and quasi-governmental entities such as water districts, nonprofits, and similar entities. Projects aimed at restoring or enhancing water quality or conserving the quantity of water are eligible for funding.

RCPP includes preexisting programs such as the Chesapeake Bay Watershed Initiative, the Great Lakes Basin Program, the Agricultural Water Enhancement Program, and the Cooperative Conservation Partnership Initiative. In addition to using $100 million per year in funding from the Commodity Credit Corporation (CCC) during FY2014–18, the RCPP has been able to use up to 7 percent of funds from EQIP, CSP, and ACEP. Portions of those funds not used by the RCPP reverted to the programs of origin.

The majority of RCPP spending is allocated on a national basis: The 2014 act specifies that 40 percent of spending be allocated on a national competitive basis and 35 percent be allocated to crucial conservation areas (limited to eight nationally). The remaining 25 percent is allocated to states with the proviso that those funds be allocated on a competitive basis in each state.

Redirecting conservation spending toward national environmental priorities in general and water quality in particular has been a positive step, as has emphasizing coordinated efforts at a regional or watershed scale. Both the Senate and House bills continue progress in that direction by increasing funding for RCPP (Figure 3). The Senate bill provides budgetary authority for $200 million per year in CCC funding during FY2019–23 and, in addition, 7 percent of funds from EQIP, CSP, and ACEP. Portions of those funds not used by the RCPP reverted to the programs of origin.

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Further, unused portions of the latter monies cannot revert to the program of origin, creating incentives for greater coordination of those programs’ activities at a watershed or regional scale. The House bill provides budgetary authority of $250 million in CCC funding annually over that same period and retains the diversion of 7 percent of funds from EQIP, CSP, and ACEP but continues to allow unused funds to revert to the programs of origin.

At the same time, the Senate bill weakens the RCPP’s focus on the most pressing water-quality and water-quantity concerns in the nation as a whole. It does so in two ways. First, it increases the share of RCPP funds allocated to states to 40 percent, with the remaining 60 percent allocated on a national competitive basis. Second, it expands the criteria for eligibility to include projects that address natural resource concerns more generally and land protection that, in particular, promotes the long-term sustainability of farming.

The House bill retains the existing structure of the program but limits RCPP contracts to a period of five years, subject to renewal at the USDA secretary’s discretion. That limit on contract length can create bureaucratic obstacles for the continuation of projects—such as the Chesapeake Bay Watershed Initiative—that require longer time periods to be successful.

Conclusion

At the most general level, both the Senate and House farm bills retain most of the current features of agricultural conservation programs in terms of funding levels, the relative importance of conservation programs as indicated by their total share of all direct federal payments to farmers, division between land diversion and subsidies for conservation on working farmland, state versus federal control over allocation of funds, and likely geographic distribution of spending. A positive feature of both bills is increased funding for the RCPP, which targets environmental problems of greater national importance and offers greater coordination of conservation spending at a watershed or regional level.

However, the Senate bill attenuates that positive step somewhat by expanding the program’s scope and giving states authority over a larger share of spending. Further, imposing caps on CRP rental rates common to both bills is not a positive step. It is likely to
prevent farms from enrolling high-productivity land with exceptionally high-potential environmental benefits, reducing the cost-effectiveness of the program.

Other negative features of the House bill include provisions that freeze the existing geographic distribution of CRP enrollments, discourage CRP reenrollment, and restrict the scope of conservation practices eligible for subsidies by replacing CSP contracts with stewardship contracts under EQIP. Finally, both bills increase emphasis on permanent rather than temporary land diversion. Whether that is an effective and welfare-enhancing change depends on how conservation easement program funds are allocated, and legitimate questions can be raised about how effectively such programs are currently managed.

About the Author

Erik Lichtenberg is a professor in the Department of Agricultural and Resource Economics at the University of Maryland, College Park. He is a fellow of the Agricultural and Applied Economics Association and a former coeditor of the American Journal of Agricultural Economics. He has written extensively on environmental issues in agriculture.
Notes


