

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the conservation programs included in Title II of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). Two years ago, almost to the day of this hearing-- May 13, 2002, President Bush signed the farm bill into law and stated that, "For farmers and ranchers, for people who make a living on the land, every day is Earth Day. There are no better stewards of the land than people who rely on the productivity of the land. And we can work with our farms and ranchers to help improve the environment." The 2002 Farm Bill represents an increased commitment of more than \$17.1 billion in funding over 10-years for conservation. The 2002 Farm Bill is an historic commitment by the members of Congress and this Subcommittee to invest in the future of agricultural conservation in America. Today, I am pleased to provide an update on the conservation investment you made for America's working farm and ranch families.

The working lands in this nation provide many opportunities to address substantial improvements on a broad range of emerging conservation challenges faced by farmers and ranchers, including soil erosion, wetlands conservation, wildlife habitat improvement, and farm and rangeland protection. Private landowners will benefit from a portfolio of voluntary assistance, including cost-share, land rental, incentive payments, and technical assistance. The 2002 Farm Bill places a strong emphasis on the conservation of working lands - ensuring that lands remain both healthy and productive.

Mr. Chairman, I would note that this is the first hearing that has been conducted in Congress regarding the full impact of the 2002 Farm Bill conservation provisions, and I want to commend you for holding this hearing today. The Natural Resources Conservation Service (NRCS) is eager to provide an overview of implementation of the farm bill investments and the technology that supports moving conservation efforts into the 21st century.

Historic Investment

With the passage of this legislation, NRCS was challenged to develop and issue new program rules, train and update our workforce and partners on the changes contained within the legislation, and deliver the programs to America's farmers and ranchers in a timely and efficient manner. I am proud to report that we met, and in most cases exceeded, these expectations. We challenged NRCS staff throughout the nation since the passage of the 2002 Farm Bill. And it is clear that our field staff have answered the call. The State allocations for the Farm Security and Rural Investment Act funds for FY 2002-2004 total roughly \$3.3 billion in conservation dollars that have successfully reached farmers, ranchers, and other customers.

Since passage of the 2002 Farm Bill, the Agency has moved aggressively forward to publish program rules, complete companion policy guidance documents, develop program manuals, and reach out to employees and landowners with program information.

To date, NRCS has published rules for ten major programs, including:

- 1) Environmental Quality Incentives Program (EQIP) Final Rule, published May 30, 2003, after evaluating and considering the public input from over 1,250 letters containing 4,900 specific comments;
- 2) Wetlands Reserve Program (WRP) Final Rule, published June 7, 2002;
- 3) Grassland Reserve Program (GRP) Notice of Fund Availability, published June 13, 2003. The Interim Final Rule will be published in the near future;
- 4) Wildlife Habitat Incentives Program (WHIP) Final Rule, published July 24, 2002;
- 5) Farm and Ranch Lands Protection Program (FRPP) Final Rule, published May 16, 2003;
- 6) Agricultural Management Assistance (AMA) Final Rule, published rule April 9, 2003;
- 7) Conservation Security Program (CSP) Advance Notice of Rulemaking published April 3, 2003. The Proposed Rule was published January 2, 2004, with receipt of over 14,010 letters and more than 70,000 specific comments the Agency is currently analyzing.
- 8) Private Grazing Lands Final Rule, published November 12, 2002;
- 9) Conservation Innovation Grants (CIG) The Interim Final Rule and Requests for Proposals, published March 29, 2004. The comment period on the Interim Final Rule will be open through May 28, 2004, with Requests for Proposals accepted during this same time period; and
- 10) Technical Service Providers (TSP) Interim Final Rule, first published on November 21, 2002. Subsequently, two amendments to the rule have been published, clarifying issues on methods for payment, and certification and payment requirements for public sector entities. More than 360 entities offered over 1,200 comments, and 335 recommendations. The Final Rule is currently under development.

NRCS also issued six Request for Proposals including the Biomass Research and Development Initiative in March of 2003 and January 2004; Farm and Ranch Lands Protection Program in May 2002, April 2003, and March 2004; and Conservation Innovation Grants to be awarded in 2004.

In addition, we have three new rules currently under review, including an Interim Final Rule on confidentiality of producer's conservation case file and location of National Resource Inventory (NRI) data points; a Final Rule on the Appeals Procedures; and a Final Rule on Equitable Relief.

It is important to note, during this time of tremendous increased workload, NRCS continued to

make significant gains in other aspects of the Agency mission. In 2003 alone, we provided assistance to nearly 4 million farmers, ranchers, and other customers, provided assistance to over 300,000 female and minority customers, mapped or updated 22.5 million acres of soils, released 20 new conservation plants for commercial and private use, distributed more than one million publications, and gained more than one million hours in donated time through our Earth Team volunteer program.

We are proud of the work our Agency and partners have accomplished with America's farmers and ranchers in planning and delivering conservation.

Lean, Local, and Accessible

One of the core themes that I have stressed to our Agency is the need to be lean and local. Throughout the implementation of the Farm Bill, we have worked hard to provide as much decision-making flexibility to the local level as possible. In addition, we have worked to provide streamlined business processes to improve use of valuable staff resources. The 2002 Farm Bill poses many implementation challenges and requires our Agency to work more efficiently.

One of the most important investments we can make today in improved efficiency is the development of new and improved technical tools for use by our staff, Technical Service Providers, our partners, and the general public. In concert with the rollout of the 2002 Farm Bill, we launched the Electronic Field Office Technical Guide (eFOTG). The eFOTG is the primary reference of NRCS operations at the field level, and provides conservation information and scientific and technological resources on the Web in an easy-to-use environment. The Field Office Technical Guide used in each field office is localized so that its contents apply specifically to the geographic area for which it was prepared. This dynamic document is designed to evolve to incorporating research and on-the-ground experience. It represents the best science and technology in the conservation of our Nation's natural resources.

The electronic technical guides are linked to 8,000 NRCS web pages and external sites. Content includes data in technical handbooks and manuals, scientific tools that help generate conservation alternatives, conservation practice standards, conservation effects case study reports, and other electronic tools for evaluating the effects of conservation technical assistance. In total, the eFOTG has made our information more accessible, and supports the President's Management Agenda for E-Government.

The eFOTG is part of larger efforts at developing Smartech. Smartech uses electronic tools--from handheld devices in the field to a nationally available Web farm of databases, applications, and information. Smartech was conceived to modernize NRCS operations by integrating

conservation technology with our conservation planning and application.

Access and Accountability

As a core principle, we need to increase the accessibility of NRCS to the public, not only by providing conservation data, but also by making our internal processes more easily understood. We have taken steps to make items such as our program allocation formulas, backlog, and participation data much more transparent to the general public. All of this information can be found on the Web. We have worked to foster competition and reward performance, in our internal functions and also in contracting and cooperative agreements. Throughout implementation, our goal has been to provide the best and most efficient service to producers at the local level, and to make NRCS more farmer-friendly and accessible.

Increasing Third-Party Technical Assistance

With the historic increase in conservation funding made available by the 2002 Farm Bill, NRCS will look to non-Federal partners and private technical service providers to supply the technical assistance needed to plan and oversee the installation of conservation practices. I am proud to report that, at the end of April 2004, NRCS had over 1,700 individuals certified as Technical Service Providers (TSPs), with 1,200 more individuals pending. In terms of businesses, NRCS has certified 160, with over 220 more applications in process. In FY 2003, NRCS obligated \$23 million for utilization of TSPs, with that funding quickly utilized across the Nation. For FY 2004, we are using \$40 million worth of TSP services. We are excited about the additional assistance provided by TSP's that will complement our expertise and increase our capacity to deliver services.

NRCS developed an Internet-based system for approving individuals and entities to provide technical services called TechReg. Individuals and entities may register in TechReg and become certified to provide specific categories of technical services. Once certified, the individuals are included on the approved list of technical service providers. Landowners and producers can locate TSPs certified in their State and county from the TechReg web site to help them meet their conservation goals.

NRCS has reached out aggressively to establish formal relationships through Memorandums of Understanding with key organizations. The goal is to forge a partnership and cooperate on providing Technical Services to the Agency. Some of these groups include American Society of Agronomy's Certified Crop Advisers, The Society for Range Management, The Wildlife Society, The University of Tennessee, Agricultural Extension Service, The Irrigation Association, Environmental Management Solutions, LLC, National Alliance of Independent Crop Consultants, and the Society of American Foresters.

We are excited about this new partnership and the prospect of TSP expertise continuing to

complement our ongoing work.

Streamlining and Cost Savings

NRCS devoted considerable effort to streamline our operations, becoming leaner and more efficient in delivering our core work. Since the 2002 Farm Bill, NRCS:

? Reviewed and revised 95 National Conservation Practice Standards, and currently updating an additional 32;

? Deployed the NRCS Electronic Field Office Technical Guide;

? Streamlined program delivery, resulting in reduced costs without compromising quality;

? Developed new software called PROTRACTS to speed up and keep up with the processing of the large increase in Farm Bill program contracts, allowing more time and dollars to be directed toward planning and applying conservation on the land; and

? Transitioned from an offset to a direct charge method of accounting to better identify and control costs.

As Farm Bill implementation progresses, we will continue to improve on many fronts. We will continue streamlining and getting more efficient in working with our partners as well.

Farm Bill Technical Assistance Cost Savings

The streamlining and efficiencies NRCS has gained mean that even more conservation funding can be utilized for financial assistance to producers.

NRCS worked closely with Farm Service Agency (FSA) to develop Conservation Reserve Program (CRP) efficiencies that resulted in additional allocations to the Environmental Quality Incentives Program, Wildlife Habitat Incentives Program, Grassland Reserve Program and the Wetlands Reserve Program.

This accomplishment is indicative of the work we are doing in cooperation with FSA to identify better ways of doing business for programs like CRP, including moving from Agency certification of all practice installations to a 10 percent sample, with the other 90 percent self-certified by the producer.

These accomplishments have also come within the context of the challenges we face on funding for technical assistance. As you are aware, the current situation has necessitated that we utilize funding from various Farm Bill program accounts to support other conservation programs, including the WRP and CRP. The President's budget request proposes to address that issue by

establishing a discretionary account for technical assistance for CRP and WRP.

Technical assistance funding for conservation programs has been the subject of ongoing discussion for several years, and is a topic of interest to this Subcommittee. We appreciate Congress taking steps to address the long-standing issues of technical assistance for Farm Bill conservation programs in the Consolidated Appropriations Act of 2003. The long term solution to the technical assistance issue is proposed in FY 2005 with the establishment of a new Farm Bill Technical Assistance account for CRP and WRP, and dedicating resources for this purpose. This will allow the Agency to provide more financial assistance to farmers and ranchers in the other mandatory Farm Bill programs.

Conservation Programs

Environmental Quality Incentives Program (EQIP). EQIP was re-authorized by Section 2301 of the 2002 Farm Bill.

The purpose of EQIP is to provide flexible technical and financial assistance to landowners that face serious natural resources challenges that impact soil, water, and related natural resources, including grazing lands, wetlands, and wildlife habitat management.

The 2002 Farm Bill made several changes to the EQIP to streamline and improve efficiency. Just a few of the changes include:

? Increasing authorized funding from \$200 million in FY 2001 to \$400 million in FY 2002, and increasing to \$1.3 billion per year by FY 2007;

? Reducing the minimum length of a contract from five years to one year after installation of the last practice;

? Allowing cost-share rates of up to 90 percent for limited resource farmers or ranchers and beginning farmers or ranchers;

? Removing the provision prohibiting a producer from receiving cost-shares for an animal waste facility on an animal operation with more than 1,000 animal units;

? Removing language authorizing targeting of funds to Conservation Priority Areas;

? Allowing payments to be made in the first year of the contract;

? Eliminating the competitive bidding by applicants;

? Revising the purpose from "maximize environmental benefits per dollar expended" to "optimize environmental benefits"; and

? Changing the maximum payment limitation from \$50,000 per person per contract to \$450,000

per individual or entity for all contracts entered into in fiscal years 2002 through 2007.

In an effort to make the program more effective and efficient, the Department also initiated several streamlining changes, including:

- ? Eliminating the program's dual administration by changing Farm Service Agency (FSA) participation from concurrence to consultation;
- ? Reducing the planning requirements needed to develop the contract; and
- ? Allowing producers to have more than one contract per tract at any given time.

Benefits

The increased funding for EQIP in the 2002 Farm Bill greatly expands program availability for optimizing environmental benefits. Including funding distributed in FY2002, 2003, and 2004, totaling \$2.2 billion, EQIP will benefit close to 200,000 participants. In addition, EQIP leverages additional funding from landowner match requirements, and State and local cost-share programs.

Producer demand continues to be high for EQIP assistance. At the end of May 2003, NRCS published priority resource concerns and program rules for EQIP resulting from the changes enacted in the 2002 Farm Bill. We believe that the increased program flexibility and improved program features will continue to make EQIP one of the most popular and effective conservation efforts Federal Government-wide.

Ground and Surface Water Conservation (GSWC). GSWC is authorized by Section 1240I of the 2002 Farm Bill. The purpose of the program is to promote ground and surface water conservation by providing cost-share payments and incentive payments to producers to carry out eligible water conservation activities with respect to agricultural producers. A net savings in groundwater or surface water resources in the agricultural operation of the producer is a program requirement. Program operation is similar to the Environmental Quality Incentives.

NRCS has obligated over \$116 million in financial assistance for this program through FY2004.

Klamath Basin Funding. The 2002 Farm Bill authorized \$50 million to carry out water conservation activities in the Klamath Basin in Oregon and California to provide assistance to producers to facilitate conservation measures that would result in an on-farm net savings in ground or surface water resources.

Since the passage of the farm bill, NRCS has allocated over \$34 million in financial and technical assistance in the Klamath Basin funding through FY2004. Up until the end of FY 2003, this funding has helped more than 2,700 local landowners receive farm bill assistance. This funding, and the technical assistance provided, addressed natural resource concerns on over 66,000 acres in the Basin. With proper irrigation management and application, landowners have been able to lower their on-farm water use by 6,700 acre-feet. Converting from flood systems to more efficient irrigation systems can typically result in an average of 30 percent on-farm savings.

Mr. Chairman, the Klamath Basin represents a challenging situation, as farmers are faced with the need to conserve water use and still farm in a cost-effective manner. We feel the Farm Bill funding implementation in this area is a showcase example of how rural landowners can rise to the challenge of addressing limited water availability while meeting environmental objectives.

Wetlands Reserve Program (WRP). WRP is a voluntary program in which landowners are paid to retire marginal agricultural lands if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive an easement payment based on the agricultural or other raw land value and are provided with cost-share assistance to cover the restoration expenses. The 2002 Farm Bill increased the program enrollment cap to 2,275,000 acres. The FY 2005 Budget request estimates that nearly 200,000 acres will be enrolled in 2005, an appropriate level to keep us on schedule to meet the total acreage authorization provided in the Farm Bill.

At the end of FY 2003, WRP had a total enrollment level of 1,470,998 acres on 7,831 projects. Approximately 80 percent of these acres are subject to permanent easement; 14 percent are 30-year easements; and 6 percent are restoration cost-share agreements.

On Earth Day, April 22, 2004, Agriculture Secretary Ann M. Veneman announced that farmers and ranchers produced an estimated gain of 131,400 acres of wetlands from 1997-2002 according to the National Resources Inventory (NRI).

The NRI reports changes in the Nation's private land use. The most gains occurred in the Corn Belt and Delta States where farmers and ranchers have created, maintained or enhanced numerous wetlands through conservation programs such as the Wetland Reserve Program and Conservation Reserve Program.

On that same day in Maine, President Bush made the commitment to the country to move beyond the no net loss of wetlands in America to having an overall increase of Americans' wetlands over the next five years. He specifically mentions expanded incentive and partnership measures, such as the Wetlands Reserve Program.

WRP is a good way to provide incentives to the landowners to contribute to the increase of

wetlands in America for the good of the country, for the good of the habitat of our country, and for the good of the wildlife of our country. All these efforts will add to the beauty of our Nation, and provide habitat for millions of birds and fish.

Grassland Reserve Program (GRP). New in the 2002 Farm Bill, the GRP assists landowners in restoring and protecting grassland by enrolling up to 2 million acres under easement or long term rental agreements. Program participants can also enroll in restoration agreements to restore the functions and values of the grassland. The 2002 Farm Bill authorized \$254 million for implementation of this program during the period 2003-2007. This program is administered in cooperation with Farm Service Agency (FSA).

FY2003 was the first year this program was available, and NRCS and FSA, through Notice of Funding Availability, allocated \$52 million in financial assistance to all 50 States. The average estimated cost per acre for easement acquisition was approximately \$382. The average estimated cost per acre for rental agreements was \$134 per acre. With this funding approximately 240,000 acres were enrolled in this program. Approximately 78,000 acres were enrolled as easement projects, and 162,200 acres were enrolled as rental agreements. For FY2004, we have allocated an additional \$54 million and will operate the program through soon to be published rulemaking.

Mr. Chairman, this program is one of the most highly demanded programs we have to date. Ranching families in America are excited about this program, and are willing to participate. We are excited about the future opportunity this program represents.

Wildlife Habitat Incentives Program (WHIP). WHIP was authorized by Section 2502 of the 2002 Farm Bill. The program continues to develop habitat for upland wildlife, wetlands wildlife, threatened and endangered species, fish, and other types of wildlife.

Under WHIP, NRCS provides technical and financial assistance to landowners to improve wildlife habitat conditions on their property. NRCS enters into five- to 10-year cost-share agreements with landowners, providing up to 75 percent of the funds needed to implement wildlife habitat development practices. NRCS can also enter into one-year wildlife emergency agreements to help landowners meet the immediate habitat needs of wildlife affected by natural disasters, such as the drought during the summer of 2002. The 2002 Act also authorizes NRCS to provide additional cost-share assistance to landowners who enter into 15-year agreements for the purpose of developing essential plant and animal habitat. The 2002 Act authorized \$360 million for implementation of the program from FY 2002 through FY 2007.

Since passage of the 2002 Farm Bill, NRCS has utilized more than \$39 million dollars in financial and technical assistance to enroll nearly 4,200 agreements on over 600,000 acres. On

average, NRCS reimbursed participants approximately \$6,800 for each long-term agreement. The average agreement size is 150 acres. Since the program began in 1998, national enrollment includes a total of 14,500 agreements on more than 2.3 million acres. In FY 2004, NRCS has allocated over \$34.6 million.

On March 30, 2004, the Secretary of Agriculture announced the availability of \$3.5 million under the WHIP Salmon Habitat Restoration Initiative. The Salmon Habitat Restoration Initiative will be available in Alaska, California, Idaho, Maine, Oregon, and Washington.

In the remaining years of the 2002 Farm Bill implementation, NRCS anticipates that WHIP will serve the growing need that landowners have for wanting to meet the habitat needs of species in decline. NRCS is working with landowners and partners to assist with habitat development projects for sage grouse, salmon, bog turtle, and northern bobwhite quail.

Farm and Ranch Lands Protection Program (FRPP). Section 2503 of the 2002 Farm Bill repealed the Farmland Protection Program, authorized by the Federal Agriculture Improvement and Reform Act of 1996, and authorized a new program that has been named in rulemaking the Farm and Ranch Lands Protection Program.

Through FRPP, the Federal Government establishes partnerships with State, local or tribal government entities, or nonprofit organizations to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural uses. FRPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil or that contains historical or archaeological resources. FRPP provides matching funds of no more than 50 percent of the purchase price for the acquired easements.

Prior to the 2002 Farm Bill, NRCS protected 540 farms covering 113,700 acres with \$53 million. Since the 2002 Farm Bill, the FRPP has enrolled 818,300 acres on 1,431 farms and ranches with \$215.4 million.

Agriculture Management Assistance Program (AMA). AMA provides financial assistance to producers to construct or improve water management or irrigation structures; plant trees for windbreaks or improve water quality. The program also offers financial assistance to mitigate crop failure risks through diversification or resource conservation practices.

The 2002 Farm Bill provides \$20 million annually for financial assistance in 15 States, as determined by the Secretary, in which participation in the Federal Crop Insurance Program is historically low through 2007. The 15 States designated by the Farm Bill to participate in the

program are Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

NRCS implemented 962 contracts on 360,000 acres with \$9.8 million obligated for implementation of conservation practices in fiscal years 2002 and 2003. In FY2004 \$14 million will be available for AMA.

Conservation Security Program (CSP). The CSP is authorized by Section 2001 of the 2002 Farm Bill. The CSP is a voluntary program that provides financial and technical assistance for the conservation, protection, and improvement of natural resources on Tribal and private working lands. The program provides payments for producers who practice good stewardship on their agricultural lands and incentives for those who want to do more.

The U.S. Department of Agriculture (USDA) has been moving forward aggressively to implement the program, and we are proud of the work that has been achieved thus far. We at USDA are enthusiastic about the prospects of CSP, and look forward to making the program available on farms and ranches across America.

The Conservation Security Program proposed rule was published for public comment on January 2, 2004, with the comment period that closed on March 2, 2004. The response from the public was overwhelming with more than 14,000 comments from the public, in a variety of forms including e-mail, paper letters, and facsimiles, including more than 70,000 specific comments. The Agency also conducted 10 National listening sessions around the country and many individual sessions in States on the proposed rule. Our staff has worked diligently to assemble the body of comments and ensure that each comment will receive fair consideration and review. These comments are available for public viewing and copying at USDA, and are available electronically as well. Ultimately, it is this body of public discourse that will drive the next steps of policy decisions on program design. While we are not in a position today to debate the contents of the proposed rule, I would like to put the contents of the proposed rule in perspective in terms of our approach and rationale.

Budgetary Aspects of CSP

Mr. Chairman, the single most misunderstood aspect of CSP is the budget for the program. When the President signed the 2002 Farm Bill into law, the Conservation Security Program was estimated to cost \$2 billion over ten years. I would note that this amount is 400 times the amount originally authorized for the Wildlife Habitat Incentives Program, and 571 times greater than the original funding for the Farm and Ranch Lands Protection Program.

Under revised law, Congress placed a cap on expenditures of only \$41.443 million for this

fiscal year. We have designed the program in a way that provides funding obligations in a similar way that Conservation Reserve Program obligations are structured. For example, the President's Budget Request of \$209 million for CSP in FY 2005 will provide about \$1.7 billion in funding over the life of the contracts to farmers and ranchers. We are proud of what we are accomplishing, and look forward to making funding available to producers this year.

Watershed Approach

A second area of misunderstanding is about our proposed watershed approach. The dollars Congress has made available will not even begin to meet the immediate demand. There is a potential applicant pool of 700,000 producers to sign up for the CSP program. The CSP statute prohibits ranking applications, but instead would allow all applicants to be accepted into the program and receive a payment. Given the \$41 million available for this Fiscal Year and unknown amounts for FY 2005 and beyond, USDA has proposed a program that focuses CSP's activities and benefits in high-priority regions that meet the environmental and philosophical goals of the program. CSP will also be flexible enough to match funding available for any given fiscal year, by making the program available in selected watersheds and emphasizing enrollment categories. Our approach also deals with the constraint placed in statute on technical assistance at 15 percent of expended CSP funding in a fiscal year. If USDA were to conduct a nationwide signup for CSP, technical assistance costs would far exceed the \$41 million made available for the program just for the signup. Mr. Chairman, we have proposed what we believe to be the best course of action in designing a staged program that focuses resources at environmental priorities and that can be modified based upon available funding.

Base Payments and Enhancements

There has also been considerable discussion regarding the way the CSP base payment is structured under the proposed rule. Again, it is critical to consider the funding available and demand for the program. In order to ensure defensible environmental results for the program, we have proposed placing "increased emphasis on increased conservation." That is to say, those farmers and ranchers who agree to do more, get more in the way of financial support from the program. Our goal is to design a program that is easy to understand for farmers, ranchers, and those implementing the program. We also want to ensure that the program produces demonstrable conservation results that will show the American taxpayer the value of good conservation on working lands.

Conclusion

As I mentioned, our next step is to conduct a thorough review and consideration of the public comments. It will be this input that assists us in finalizing the program design. The task is massive, but we have dedicated appropriate staff expertise to tackle the job. Our goal is to publish a final rule this summer, with a signup occurring during FY 2004. USDA is ready to deliver the program to the public and begin seeing results. We consider the CSP to be a brand new day for conservation policy.

Watershed Rehabilitation Program. One of the Agency's strategic goals is to reduce risks from drought and flooding in order to protect community health and safety. A key tool in meeting this goal is providing financial and technical assistance to communities and implementing high priority watershed rehabilitation projects to address dam safety. The Watershed Rehabilitation Program is authorized under section 14 of the Watershed Protection and Flood Prevention Act, approved August 4, 1954, as amended by section 313 of Public Law 106-472, November 9, 2000.

The purpose of this program is to assist communities in addressing public health and safety concerns and environmental impacts of aging dams. Rehabilitation also provides opportunities for communities to gain new benefits, such as adding municipal and irrigation water supplies, recreation, and wetland and wildlife enhancement.

To date, almost \$70 million has been appropriated for watershed rehabilitation in fiscal years 2002 thru 2004. Considerable progress has been made in a very short time since this new authorization was provided and funded. NRCS has worked with communities to identify dams that are nearing the end of the designed life span, and need rehabilitation not only to ensure that the dams are safe and protect the people of the community, but also will continue to provide flood control, recreation, and wildlife habitat for another 50 to 100 years.

Plans have been authorized for the rehabilitation of 25 dams. The 18 dams that have been rehabilitated to date have reduced the risks to 1530 people living downstream, and provided \$1,060,000 in annual flood damage reduction. More than 580 homes and businesses, 330 farms and ranches, and 60 bridges benefit from these rehabilitated dams.

Additional Conservation Features

Aside from the core conservation programs, the 2002 Farm Bill included additional legislative language that makes important conservation improvements.

Regional Equity. Legislation was written into the 2002 Farm Bill giving priority to States that have not received for the fiscal year, an aggregate amount of at least \$12 million under the Environmental Quality Incentives Program, including Ground & Surface Water Conservation Program and Klamath Basin, Grassland Reserve Program, and Farm and Ranch Lands Protection Program.

As a result, for fiscal year 2004, regional equity adjustments of \$55.7 million were allocated to thirteen States and the Caribbean Area, including Alaska, Connecticut, Delaware, Hawaii, Maine, Massachusetts, Nevada, New Hampshire, New Jersey, Rhode Island, South Carolina, Vermont, West Virginia, and Puerto Rico.

Mr. Chairman, regional equity is well received in many parts of the country. The Agency has put into place a mechanism to assess and reevaluate excess program funding in the regional equity States should they not be able to obligate all the allocation in the allotted time frame. As the fiscal year progresses, we can steer unobligated dollars to States that can utilize the funds by the end of the fiscal year, if needed.

Conservation Innovation Grants (CIG). Section 1240H established CIG as a new discretionary provision under the EQIP. Through CIG, the Secretary is authorized to pay the cost of competitive grants to carry out projects that stimulate the development and adoption of innovative conservation approaches and technologies while leveraging the Federal investment in environmental enhancement and production, in conjunction with agricultural production. Funds for CIG come from EQIP, and the funding level will be determined annually by the NRCS Chief. Fifteen million dollars has been allocated for CIG in FY 2004.

NRCS published a Request for Proposals and will accept applications until May 28, 2004. While funding requests are capped at \$1 million per proposal, the anticipated range of funding for an individual project is between \$75,000 and \$500,000. Based on the interest in similar grant programs, we anticipate that CIG could generate over 400 applications. With the \$15 million provided for fiscal year 2004, we anticipate funding 40 to 70 projects.

Confidentiality of Producers Conservation Plans. The voluntary adoption of conservation practices on agricultural land and non-agricultural land reaps great public benefits such as soil loss reduction, water quality improvement, water conservation, wildlife habitat development, and wetland restoration. The 2002 Farm Bill greatly expands the funding available to implement NRCS conservation programs. The Farm Bill also included a provision to protect information about program applicants or program participants, and their agricultural and non-agricultural operations to ensure that they would continue to participate in the expanded availability of conservation programs.

Section 1244 of the Food Security Act of 1985, as amended, balances the public right to information to ensure an open government and an informed public while also protecting the privacy rights of program applicants and program participants from opening up their proprietary information to competitors or the general population.

NRCS is in the process of developing rules to be published to clarify the protection cooperators would receive under these provisions.

Biomass Research and Development Initiative. Section 9008 of the Farm Security and Rural Development Act of 2002, provided for a reauthorization of the Biomass Research and

Development Act of 2000 and authorized \$75 million in funding from the Commodity Credit Corporation (CCC) for fiscal years 2002 through 2007. In addition, Section 2306 of the Energy Policy Act (PL 102-486) provides authority and requirements for financial assistance for programs covered by Titles XX through XXII of the Act. In 2003, Title II of the Healthy Forest Restoration Act (PL 108-148) was included in the initiative. Through this Biomass Research and Development Initiative, grants are available to eligible entities to carry out research, development, and demonstrations on biobased products, bioenergy, biofuels, biopower, and related processes.

In March 2003, the U.S. Department of Agriculture released the request for proposals (RFP) for the 2003 USDA/DOE Joint Solicitation for the Biomass Research and Development Initiative. USDA received approximately 400 proposals in response to the solicitation. All eligible proposals were competitively evaluated in a process that included a joint USDA/DOE technical merit review, as well as cost analysis and programmatic review based on the respective independent priorities of the departments as published in the solicitation.

In September of 2003 USDA and DOE jointly awarded over \$23 million in grant awards to 19 applicants, with USDA awarding \$16 million to 15 applicants. In the FY 2004 program, USDA and DOE intend to award up to \$24 million.

We are very pleased with the outcome of the Biomass Research and Development program. The initiative has resulted in cooperative funding for a diverse and innovative array of projects including anaerobic digestion, biorefineries, biomass focused forest management training, and innovative use of feedstocks. We are optimistic about the future of this program and look forward to continued collaboration and mutual progress with the Department of Energy.

Measuring Success

As stated earlier, we have made significant progress in improving the availability and transparency of program outputs. For example, program allocations, contract information, and backlog data are all available in table and map form on our website.

But while we have excellent information about our program outputs, we still lack data about the environmental outcomes of our programs.

As a result, starting in 2003, NRCS in collaboration with other USDA and Federal agencies, initiated the Conservation Effects Assessment Project (CEAP) to develop a scientific assessment of the environmental and related outcomes from Farm Bill conservation programs at both the national and watershed scale over the next five years.

The national assessment initially focuses on water quality, soil quality, and water conservation benefits from cropland, including the Conservation Reserve Program. Using the Natural Resources Inventory (NRI), supplemented by farmer surveys, and verified by USDA computer models, CEAP will estimate national benefits from conservation practices and programs. In addition, our future plans include estimates for wildlife, grazing lands, and

wetlands benefits from conservation activities.

NRCS plans to release the initial CEAP report by April of 2005, followed by annual reports through 2008.

We know that farmers and ranchers are making important gains in conservation on working lands. We are excited to capture this data and tell the story of the improvements being gained.

Looking Ahead

In other efforts to streamline Farm Bill delivery and support current technology needs, NRCS announced on May 5, 2004, we would be reorganizing our Agency. The purpose of this reorganization is to improve NRCS's operational, technology support, and resource assessment functions to strengthen our ability to help America's farmers and ranchers reach their conservation goals and offer them the latest science-based technologies. The 2002 Farm Bill has put a tremendous workload on the Agency to improve our technology transfer, realigning the structure of the Agency to support this goal is imperative.

Conclusion

As we look ahead, it is clear that the challenge before us will require dedication of all available resources - the skills and expertise of the NRCS staff, the contributions of volunteers, and continued collaboration with partners. Conservation Districts, Resource Conservation and Development Councils, State and local agencies, and other valuable partners continue to make immeasurable contributions to the conservation movement. Since enactment of the 2002 Farm Bill, these organizations contributed over \$2.4 billion to conservation programs. It is this partnership at the local level that makes a real difference to farmers and ranchers. As we move forward, we will accelerate the use of third-party sources of technical assistance as well. We recognize that the workload posed by future demand for conservation will far outstrip our capacity to deliver, and seek to complement our resources with an appropriate system of qualified expertise.

I thank the Chairman and Members of the Subcommittee for the opportunity to appear here today, and for your ongoing support and attention to implementation of the Conservation Provisions of the 2002 Farm Bill. I would be happy to respond to any questions that Members might have.