United States Department of Agriculture

Regulatory Impact Analysis for the Conservation Stewardship Program

Amendments made by the Agriculture Improvement
Act of 2018 to the Food Security Act of 1985
Title XII – Conservation
Chapter 4 Subchapter B – Conservation Stewardship
Program Section 1240I et seq.

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Natural Resources Conservation Service

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Regulatory Impact Analysis for the Conservation Stewardship Program

Contents

Executive Summary 4
Background 6
Program Description and Features 7
Program Funding 10
CSP and the Agriculture Improvement Act of 2018: Mandated Changes, Proposed Discretionary Changes, and Projected Program Impacts 11
Changes to the CSP Funding Structure and Contract Renewals 13
Creation of the Grassland Conservation Initiative 14
Ranking Factors...15
Measurement of Environmental Improvement 16
Factors to Consider in Determining Payment Levels..17
List of Preparers 18
Works Cited 18
Appendix...19

List of Tables

Table 1. CSP Authorized Funding FY 2014-FY 2018 and FY 2019-2023...7
Table 2. CSP Annual Obligations All Signups by Fiscal Year, Top Ten States in FY 2018 8
Table 3. Payment Rates by Land Use 9
Table 4. CSP Performance—Benefits to the Environment, FY 2018 10
Table 5. CSP Authorized Funding FY 2014-FY 2018..11
Table 6. Total Projected Program Obligations for CSP, 2019 through FY 2023 11
Table 7. CSP Statutory Changes Under the 2014 and 2018 Farm Bills...12
Table 8. CSP Signup Information 14
Table 9. CSP Active Acres, 2018-2023 14
Table 10. Base Acres Eligible for the Grassland Conservation Initiative...15
Table 11. Cost of Enhancements Targeted for Payment Over 100 Percent of Payment Rate, FY 2018 contracts 17
Table 12. Program Impacts of 2018 Farm Bill Statutory Requirements and Discretionary Actions ....**Error! Bookmark not defined.**
Table 13. Conservation Stewardship Program Annual Obligations, FY 2014-2018, All Signups. ...19

List of Figures

Figure 1. Conservation Stewardship Program: Top Ten States with Respect to Number of Contracts, 2014-2018..6
Figure 2. Conservation Stewardship Program: Top Ten States with Respect to Acres Enrolled, 2014-2018..7

Regulatory Impact Analysis for the Conservation Stewardship Program

Executive Summary

Compared to the Conservation Stewardship Program (CSP) as authorized under the 2014 Farm Bill, Congress significantly reduced the program's size in the 2018 Farm Bill—from $9 billion[1] to $3.975 billion over 5 years--but left much of CSP's underlying structure intact. With fewer dollars available, fewer contracts will be funded under the 2018 Farm Bill. However, the program will continue to fund high-ranking applications across all States, with the aim of improving cost effectiveness based on dollars per additional unit of conservation effect.

Funds for all activities conducted under the contract are obligated up front and funds for contract renewals will come from the available funds at the time of contract renewal. The 2018 Farm Bill also eliminated the 10-million-acre cap on enrollment and the annual $18 per acre cap on program costs, moving to an annual funding level for new contracts similar to the Environmental Quality Incentives Program (EQIP).

Regarding changes beyond funding and the elimination of the acreage cap, only revised contract renewal conditions are expected to generate impacts that are moderately different from the 2014 Farm Bill. CSP contracts continue to run for 5 years and include the potential for a one-time renewal option for an additional 5 years. Under the 2014 Farm Bill, renewals were non-competitive and at the request of the contract holder. Under the 2018 Farm Bill, contract renewals will be ranked against other contract renewals and funded based on the availability of funds in the year of renewal. The requirement to compete against other applicants for funds will reduce the number of contracts renewed and reduce the funding available for new contracts, reducing the number of conservation activities undertaken. Cost-effectiveness of the program may increase as lower ranked applications will not be funded.

The 2018 Farm Bill also mandates the establishment of the Grassland Conservation Initiative for eligible producers with base acres where the entire farm was planted to grass or pasture, or was idle or fallow, from January 1, 2009 to December 31, 2017. Beginning in FY 2019, the Secretary provided a 1-time election for a producer to enroll eligible land for a 5-year non-renewable term. Participants must meet CSP eligibility conditions, but do not go through the ranking process. Participating producers must agree to meet or exceed the stewardship threshold for not less than 1 priority resource concern by the date on which the contract expires. The annual payment is limited to $18 per acre, and enrolled acreage cannot exceed the number of base acres on a farm.

An estimated 2.4 million acres meet the 2009-17 criterion noted above and are eligible for the Grassland Conservation Initiative. Although these eligible acres are concentrated in Texas,

[1] This includes funding for renewing contracts for an additional five years.

Oklahoma and Kansas, there is eligible acreage throughout most of the country. The Grassland Conservation Initiative is expected to cost $214.9 million over 5 years, representing 5.5-percent of total authorized CSP funding under the 2018 Farm Bill. Cost-effectiveness may be affected marginally as fewer funds will be available for higher ranked applications and contract renewals.

In implementing the 2018 Farm Bill, USDA is following legislative intent to maximize conservation impacts, address natural resource concerns, establish an open participatory process, and provide flexible assistance to producers who apply appropriate conservation measures to comply with Federal, State, and Tribal environmental requirements. Participation in CSP is voluntary. Hence, CSP participation is not expected to negatively impact program participants and nonparticipants.

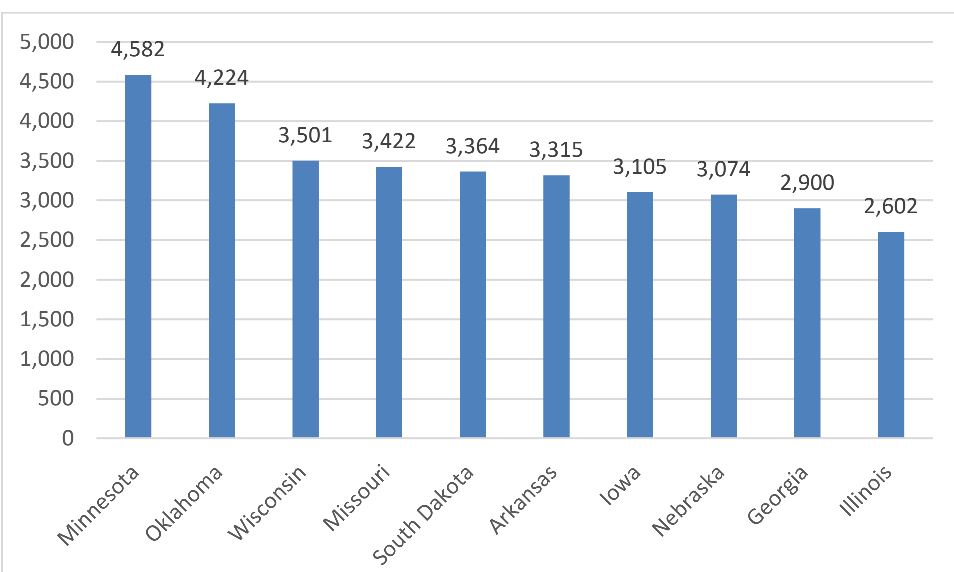
Regulatory Impact Analysis for the Conservation Stewardship Program

Background

The Conservation Stewardship Program is the largest working lands conservation program in the United States. Since its inception as the Conservation Stewardship Program (CSP) in the 2008 Farm Bill, the program has enrolled more than 138.4 million acres with 79.3 million acres currently active. The 2014 Farm Bill authorized NRCS to spend $9 billion to enroll 50 million acres in the program for up to ten years. The program consists of transfers (payments) from the Federal government to producers. These transfers create incentives for program participants to change the way they use their resources and can help correct for market failures. CSP-eligible conservation activities can mitigate negative externalities (such as soil erosion and degradation in water quality), generate positive externalities (increased wildlife and pollinator habitat), or both.

CSP payments provide a financial incentive to spur agricultural producers to adopt additional conservation activities while continuing to maintain their existing level of stewardship. Such efforts also support NRCS strategic objectives of delivering high-quality science and technology for private lands conservation, promoting productive working lands and healthy waters, promoting and enhancing productive agricultural landscapes, and supporting healthy watersheds (Natural Resources Conservation Service, 2016).

Figure 1. Conservation Stewardship Program: Top Ten States with Respect to Number of Contracts, 2014-2018

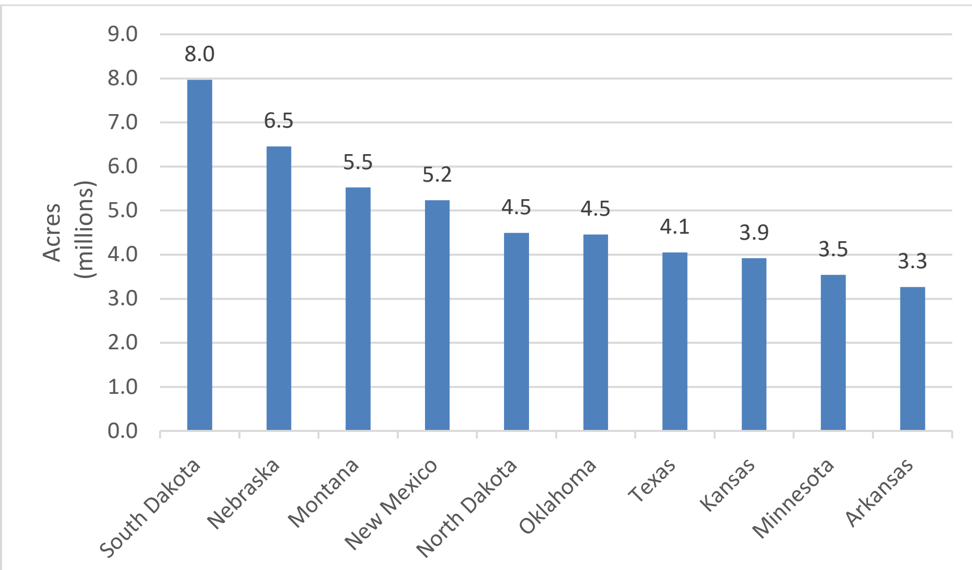


Source: NRCS RCA Interactive Viewer, Program Reports. April 2019.
https://www.nrcs.usda.gov/wps/portal/nrcs/rca/national/technical/nra/rca/ida/

Program Description and Features

CSP is available to all eligible agricultural and forestry applicants—individuals, legal entities, joint operations, Indian Tribes, and Alaskan Native corporations—in all States and U.S. territories. Participation in CSP is voluntary. Applications for CSP are accepted on a continuous basis, with at least one signup occurring in the first quarter of the fiscal year, to the extent practicable. States with the largest number of contracts enrolled include Minnesota, Oklahoma and Wisconsin (Figure 1); those with the largest acreage enrollment are South Dakota, Nebraska, and Montana (Figure 2).

Figure 2. Conservation Stewardship Program: Top Ten States with Respect to Acres Enrolled, 2014-2018



Source: NRCS RCA Interactive Viewer, Program Reports. April 2019.
https://www.nrcs.usda.gov/wps/portal/nrcs/rca/national/technical/nra/rca/ida/

CSP offers technical and financial assistance to farmers adopting and maintaining high standards of resource conservation and environmental stewardship on eligible lands, totaling $3.975 billion under the 2018 Farm Bill (Table 1). Assistance is aimed at both the active management of existing

Table 1. CSP Authorized Funding FY 2014-FY 2018 and FY 2019-2023[1]

	2014 Farm Bill			2018 Farm Bill	
Fiscal Year	**5-Years of Contract Payments**	**Contract Renewal Payments[2]**	**Total Payments**	**Fiscal Year**	**5-Years of Contract Payments**
FY 2014	$900,000,000	$900,000,000	$1,800,000,000	FY 2019	$700,000,000
FY 2015	$900,000,000	$900,000,000	$1,800,000,000	FY 2020	$725,000,000
FY 2016	$900,000,000	$900,000,000	$1,800,000,000	FY 2021	$750,000,000
FY 2017	$900,000,000	$900,000,000	$1,800,000,000	FY 2022	$800,000,000
FY 2018	$900,000,000	$900,000,000	$1,800,000,000	FY 2023	$1,000,000,000
Totals:	$4,500,000,000	$4,500,000,000	$9,000,000,000		$3,975,000,000

[1] Assumes $18/acre weighted average payment rate.
[2] Assumes 100 percent of contracts renew for an additional 5 years (Automatic renewals and associated funding for 2014 Farm Bill contracts were eliminated under the 2018 Farm Bill).

conservation systems and the implementation of new conservation activities on land in production. It provides equitable access to program funds for eligible applicants regardless of crops produced, size of operation, or geographic location.

Table 2. CSP Annual Obligations All Signups by Fiscal Year, Top Ten States in FY 2018[1]

Division[2]	2014	2015	2016	2017	2018
	--- thousand $ ----				
South Dakota	66,134	75,751	93,175	95,384	94,632
Arkansas	72,949	77,861	81,211	84,449	83,576
Minnesota	81,575	85,018	84,083	82,001	80,327
North Dakota	71,382	75,144	77,089	74,743	75,246
Mississippi	28,643	33,276	36,605	44,969	66,477
Nebraska	61,972	60,449	63,937	61,594	64,372
Oklahoma	57,850	61,222	61,187	61,340	58,802
Georgia	38,955	43,331	43,986	48,257	52,831
Kansas	53,311	50,195	47,715	48,449	46,140
Montana	41,872	42,406	46,460	43,109	44,566
Total All States	1,030,871	1,095,879	1,129,295	1,134,534	1,197,294

[1]Represents funds obligated in FY from all contracts regardless of the FY in which the contract was initiated. Does not represent total funds committed under the 2014 Farm Bill in that fiscal year. [2]See Table 13 in the Appendix for listing of all states.
Source: NRCS RCA Interactive Viewer, Program Reports. April 2019.
https://www.nrcs.usda.gov/wps/portal/nrcs/rca/national/technical/nra/rca/ida/

NRCS offers every CSP applicant selected for enrollment a yearly payment (Table 2) based on land type, number of resource concerns meeting stewardship levels at the time of enrollment, and the cost of implementing additional conservation activities. States select five priority resource concerns for each identified ranking pool from the current categories of nationally identified resource concerns: soil quality degradation, soil erosion, water quality degradation, insufficient water, excess water, livestock production limitation, inadequate fish and wildlife habitat, degraded plant condition, air quality impacts, and inefficient energy use. In determining their priorities, States seek input from the State Technical Committee, which includes input from local working groups, in order to target funding to address these priorities. The actual payment received by a given producer varies widely depending on the type of land enrolled, the existing level of conservation, and the number and type of new enhancements and practices to be adopted.

CSP contracts include the entire agricultural operation. As a result, the entire operation needs to meet CSP eligibility criteria with respect to number of resource concerns met in order to qualify. In return, the participant receives a payment based on the extent of their operation. This is different than EQIP, where only the area to be treated is evaluated and payment is only for the conservation practices being implemented on the area being treated.

Eligible lands include cropland, grassland, prairie land, pastureland, rangeland, nonindustrial private forestlands, and agricultural land under tribal jurisdiction. Cropped woodlands, marshes, land being used for livestock production, and other private lands on which resource concerns can be addressed are also eligible.

CSP participants agree to improve, maintain, and manage existing conservation activities and undertake additional conservation activities to address resource concerns. Eligible additional activities include enhancements[2] and conservation practices such as alley cropping, brush management, conservation crop rotation, forest stand improvement, and woody residue treatment.

Annual payments for maintaining existing stewardship levels on the operation include $350 for each resource concern being met and a per acre payment rate based on land use. The per acre payment rates are based on estimated costs of existing conservation practices per acre on each land use. Cropland generally has received the highest payment rate, with range and forestland at the lower end and pasture in the middle (Table 3). In addition, the adoption or improvement of resource conserving crop rotations and advanced grazing management may qualify for supplemental payments. The minimum annual payment is $1,500 per operation.

Total payments per contract in the 2018 sign-up ranged from a low of $7,500 ($8.60/acre/year) to a high of $485,774 ($22.58/acre/year).

Table 3. Payment Rates by Land Use

Land Use	Payment rate
Crop, Pastured Cropland, and Farmstead	$7.00
Pasture	$3.00
Range	$1.00
Forest and Associated Agricultural Land	$0.50

Source: NRCS Programs Financial Assistance Conservation Stewardship Program CSP Payments (https://www.nrcs.usda.gov/wps/portal/nrcs/detailfull/national/programs/financial/csp/?cid=nrcseprd1297344)

The management intensity applied via a CSP enhancement is designed to exceed the minimum treatment requirements of the corresponding NRCS practice standard. The total number of enhancements available for any signup period varies over time. NRCS pays 100-percent of the established payment rate for implementing an enhancement. Under the 2018 Farm Bill, participants will receive 125-percent of the payment rate for installing cover crops and 150-percent of the payment rate for installing resource conserving crop rotations or implementing advanced grazing management.

A few examples help provide context for enhancements. For example, E328J – *Improved crop rotation to provide benefits to pollinators* – is available across several CSP land uses and promotes the planting of nectar and pollen-producing plants in non-cropped areas such as field borders, grassed waterways, and riparian forests. Enhancement bundles such as B000CPL16 – *Non-Irrigated Cropland with Water Bodies (MRBI)* – encourage producers to apply several enhancements at the same time for a higher percentage payment rate. An important enhancement used extensively on pasture, range, and forest lands is E528E – *Grazing management for improving quantity and quality of plant structure and composition for wildlife*, which encourages producers to regularly move their livestock to reduce localized degraded areas and improve the plant community that is available for wildlife.

A contract renewal option allows participants an option to renew their contract for another 5 years if they fully complied with their existing contract and agree to satisfy additional conditions specified by NRCS. Under the 2014 Farm Bill, an additional 5-year term was at the producer's discretion with no competition; under the 2018 Farm Bill, renewals must be ranked with other

[2] CSP Enhancements are listed and described in the section "FY2018 Activity List for Participants" at (https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/csp/).

contracts up for renewal (see below for discussion and analysis).

In 2017, the payment basis for enhancement and existing land use acres changed from a "performance" basis to a "cost of installation" basis. This change made payments more transparent to recipients and better aligned payments with the cost of installing enhancements. It also helps field staff keep payments more consistent with EQIP. Since these changes were made, 51 percent of payments have gone toward maintaining existing stewardship levels and 49 percent of payments have gone toward additional conservation enhancing activities.

Environmental benefits resulting from CSP's conservation activities are difficult to measure, but NRCS models developed through the Conservation Effects Assessment Project (CEAP) have been used to estimate the impacts of fiscal year 2018 expenditures on conservation activities (Table 4). CSP enhancements installed on cropland in FY 2018 are estimated to annually prevent 2.4 million tons of sediment from leaving fields, 20.7 million pounds of nitrogen from leaving fields, and 4.3 million pounds of phosphorus from leaving fields. Installed enhancements are also estimated to retain, on an annual basis, 76.3 million pounds of soil carbon. These estimated changes represent a fraction of the benefits from CSP because current modeling does not capture reductions in pesticide use or integrated pest management enhancements, range and pasture management enhancements, or improvements in wildlife or pollinator habitat. These estimates also do not measure the benefits from keeping preexisting conservation practices in place.

Table 4. CSP Performance—Benefits to the Environment, FY 2018	2018
Performance Indicator	
Sediment prevented from leaving cropland[1] (thousand tons)	2,380.5
Nitrogen prevented from leaving from cropland (thousand lbs.)	20,718.3
Phosphorus prevented from leaving cropland (thousand lbs.)	4,333.9
Soil carbon retained on cropland (thousand lbs.)	76,278.0

[1] Includes sediment loss from water and wind erosion
Source: Internal NRCS analysis, 2018

Program Funding

Congress authorized the enrollment of 12.769 million acres for each fiscal year (FY) covered by the 2008 Farm Bill. Under the 2014 Farm Bill, Congress authorized the enrollment of 10.0 million acres for each fiscal year during the period February 7, 2014, through September 30, 2018. With the 2018 Farm Bill, Congress eliminated the acreage authorization and authorized annual funding beginning in FY 2019 through FY2023 totaling $3.975 billion, down from $9 billion in the 2014 Farm Bill (Table 5). Congress also removed the 7 percent contribution to the Regional Conservation Partnership Program in the 2018 Farm Bill and authorized NRCS to use this funding to supply the technical assistance needed to run the program and assist farmers with the installation of their conservation activities. Technical assistance averaged 15 percent of the obligation amount from FY 2015-2018.

Table 5. CSP Authorized Funding FY 2014-FY 2018

Fiscal Year	Authorized Acreage	5-Years of Contract Payments[1]	Contract Renewal Payments[2]	Total Payments
FY 2014	10,000,000	$900,000,000	$900,000,000	$1,800,000,000
FY 2015	10,000,000	$900,000,000	$900,000,000	$1,800,000,000
FY 2016	10,000,000	$900,000,000	$900,000,000	$1,800,000,000
FY 2017	10,000,000	$900,000,000	$900,000,000	$1,800,000,000
FY 2018	10,000,000	$900,000,000	$900,000,000	$1,800,000,000
Totals:	50,000,000	$4,500,000,000	$4,500,000,000	$9,000,000,000

[1] Assumes $18/acre weighted average payment rate.

[2] Assumes 100 percent of contracts renew for an additional 5 years.

Total government program obligations for CSP under the 2018 Farm Bill are shown in Table 6. Obligations include costs to the government between FY 2019 and FY 2023 and total, in nominal dollars, $3.975 billion. Given a 3 percent discount rate, projected cumulative program obligations equal $3.477 billion in constant 2019 dollars. At a 7 percent discount rate, maximum program obligations equal $3.097 billion in constant 2019 dollars. Average annualized obligations at the 3 percent and 7 percent discount rates equal $759 million and $755 million, respectively.

Table 6. Total Projected Program Obligations for CSP, 2019 through FY 2023

Fiscal Year	Obligation (million $)	GDP Price Deflator[1] (2019=100)	Obligation Constant Dollars (million $)	Discount Factors for 3%	Present Value of Obligation - 3% (million $)	Discount Factors for 7%	Present Value of Obligation - 7% (million $)
FY19	700	100.0000	700	0.9709	680	0.9346	654
FY20	725	102.0000	711	0.9426	670	0.873462	621
FY21	750	104.0400	721	0.9151	660	0.816357	588
FY22	800	106.1208	754	0.8885	670	0.7629	575
FY23	1,000	108.2432	924	0.8626	797	0.7130	659
Total	3,975		3,810		3,477		3,097
Annualized Obligations					759		755

[1]the GDP adjustment is 2.00 percent (OMB)

CSP and the Agriculture Improvement Act of 2018: Mandated Changes, Proposed Discretionary Changes, and Projected Program Impacts

In reauthorizing CSP, Congress reduced the program's size in terms of overall funding. Congress also mandated changes that affect eligibility, ranking, contract renewals, eligible conservation activities, payments for cover crops, resource conserving crop rotations, and advanced grazing management, and allowed the Secretary of Agriculture more discretion, especially concerning the program's emphasis regarding a science-based foundation for environmental improvement and resource concerns (see Table 7). Statutory requirements, discretionary actions, and likely program impacts of the sets of changes are discussed below and summarized at the end of this section in Table 12.

Table 7. CSP Statutory Changes Under the 2014 and 2018 Farm Bills		
	Primary Statutory Requirements of Interest	
Program Elements	**2014 Farm Bill**	**2018 Farm Bill**
CSP Funding		
Acreage enrollment limitation	10,000,000 acres	Not Applicable
National average program rate[a]	$18/acre	Not Applicable
Number of ranking factors	Original five ranking factors remain with a focus on priority resource concerns; one additional factor dealing with former CRP land transitioning into agricultural use.	Requires the Secretary to rank applications based on the natural resource conservation and environmental benefits that result from the conservation treatment on all applicable priority resource concerns at the time of submission of the application; the degree to which the proposed conservation activities increase natural resource conservation and environmental benefits; and other consistent criteria, as determined by the Secretary.
Conditions for contract renewal	Agrees to adopt and continue to integrate conservation activities across the entire agricultural operation and agrees, at a minimum, to meet the stewardship threshold for at least **two priority resource concerns** by the end of the renewed contract period, or to exceed the stewardship threshold of at least **two existing priority resource concerns.**	Agrees to adopt and continue to integrate **new or improved** conservation activities across the entire agricultural operation, **demonstrating continued improvement during the additional 5-year period** and agrees, at a minimum, to meet the stewardship threshold for at least two priority resource concerns by the end of the renewed contract period, or **to adopt or improve conservation activities, as determined by the Secretary, to achieve higher levels of performance with respect to not less** than two existing priority resource concerns**.**
Measurement of environmental improvement	Establishes need to develop and use science-based thresholds for priority resource concerns.	Expands how NRCS determines stewardship threshold, including through the use of quality criteria under a resource management system; predictive analytics tools or models developed or approved by NRCS; data from past and current enrollment in the program; and other methods that measure conservation and improvement in priority resource concerns, as determined by the Secretary.
Factors to consider in determining payment levels	Based on: costs incurred; foregone income; expected environmental benefits; and three conditions related to benchmark and additional activities to meet priority resource conditions plus one additional factor to be determined by the Secretary.	In addition to 2014 Farm Bill criteria it increases payments for cover crop activities to not less than 125-percent of annual payment and it increases the supplemental payment for resource conserving crop rotations and advance grazing management to not less than 150-percent of annual payment
Grassland Conservation Initiative	Not applicable	Establishes Grassland Conservation Initiative Creates special eligibility and other program provisions, i.e. grassland conservation initiative, for cropland for which base acres have been maintained by the Secretary under section 1112(d)(3) of the Agricultural Act of 2014 (7 U.S.C. 9012(d)(3)).

[a]**Includes all** FA **and** TA **associated with the enrollment and participation in the program.**

Changes to the CSP Funding Structure and Contract Renewals

The most important change to CSP in the 2018 Farm Bill involves the funding structure. Under the 2014 Farm Bill, NRCS was authorized to enroll a certain number of acres in CSP and could determine different payment rates for each acre as long as the national weighted average payment rate was $18. Under the 2018 Farm Bill, the mandatory acreage requirement was eliminated and a fixed annual authorization on spending was provided—increasing from $700 million in 2019 to $1 billion in 2023 (refer back to Table 6).

In making this change, Congress eliminated not only the acreage requirement, but also the average $18 per acre payment restriction. The funds for the full contract are now obligated at the time of signing rather than annually as occurred previously. In addition, funds for contract renewal will come from the authorized funds available in the year the contract renewals occur. No additional funding for contract renewals is provided, which means that renewals must compete with new contracts for available funds. Conservation benefits achieved during the original contract period will be considered when a contract is evaluated for renewal. Current participants that are eligible for renewal during the first year of implementation of the 2018 Farm Bill are eligible for a one-year extension of their current contract and payments.

In previous farm bills, contract renewals did not compete. Renewal was automatic as long as participants were willing to renew and as long as they agreed to adopt additional conservation as part of the next contract. Further, the availability of funds for renewals was guaranteed at the time the initial contract was signed. That meant, for example, that the funds used to renew the 2009 and 2010 contracts in the 2015 signup did not reduce the funds available to enroll new contracts. That is, the funding needed to renew the 24 million acres enrolled by the 2009 and 2010 signups did not affect the amount of funds that could be used to enroll 10 million new acres authorized for the 2015 signup.

Under the 2018 Farm Bill, Congress reduced CSP commitments from $1.8 billion a year under the 2014 Farm Bill to $0.795 billion a year. This reduction, assuming average outlays remain near $18/acre, will lead to a significant decline in acres enrolled in the program even though funding increases each year.

The effect of the reduction in the funding commitment between the two Farm Bills on the acres enrolled is analyzed here in two steps: 1) the impact on renewals assuming FY 2014 authority levels but taking into account the shift in timing of renewal obligations; and 2) the impact of taking into account the change in funding amounts in the 2018 Farm Bill. First analyzing the renewal impact, consider that, under the 2014 Farm Bill, contracts signed in 2011 became eligible for renewal in 2016. The 2011 signup had enrolled a little over 12 million acres. Of this amount, roughly 8.9 million acres were re-enrolled in 2016 (Table 8). In 2016, there were also 8 million acres enrolled by new participants, bringing the total number of acres enrolled under 2016 signups to 16.9 million acres (8 million + 8.9 million).

Table 8. CSP Signup Information							
New			Renewals			Renewal Percentage	
Signup	Contracts (No.)	Enrolled Acres (million)	Signup[1]	Contracts (No.)	Enrolled Acres (million)	Contracts	Enrolled Acres
CSP-2010[2]	19,401	23.627	CSP-2015-R	10,918	16.151	56%	68%
CSP-2011	9,140	12.033	CSP-2016-R	5,159	8.935	56%	74%
CSP-2012	8,508	11.109	CSP-2017-R	5,032	8.602	59%	77%
CSP-2013	6,629	8.857	CSP-2018-R[3]	2,631	4.406	40%	50%
CSP-2014	7,335	8.863					
CSP-2015	5,556	6.743					
CSP-2016	6,876	7.999					
CSP-2017	7,173	7.441					
CSP-2018	7,965	7.534					

[1]-R in signup number stands for renewal. [2]Contains two major signups: 2009 and 2010. [3]First year of contract renewals under the cost of installation basis.

Under the restrictions imposed by the 2018 Farm Bill, however—in other words, that renewals are not obligated "up front" but in the year of renewal--only 9.3 million acres[3] total could be enrolled in 2016.[4] As a result, the number of acres enrolled in 2016 would have declined by 7.6 million acres (16.9 million – 9.3 million).[5]

In the second step, the overall impact of the funding restriction for overall active acres in CSP over time is shown in Table 9. Under the 2014 Farm Bill rules, and assuming a 68-percent renewal rate, the number of active acres peaks in 2019 at 84.5 million acres and declines to 63.7 million acres in 2022 and then begins to increase again in 2023 to 66.6 million acres as CSP funding increases each year to $1 billion in 2023. Under the 2018 Farm Bill rules, however, the number of active acres declines steadily to 44.2 million acres as the number of acres available for renewals and new contracts is restricted by funding authorized in each year of the 2018 Farm Bill. At the end of the 2018 Farm Bill, the number of active acres enrolled in the program declines by 22.4 million (66.6 million – 44.2 million).

Table 9. CSP Active Acres, 2018-2023[1]

Program rules	2018	2019	2020	2021	2022	2023
			--- million acres ---			
2014 Farm Bill	76.7	84.5	71.4	68.2	63.7	66.6
2018 Farm Bill	76.7	84.5	60.8	52.2	45.0	44.2
Change	0.0	0.0	-10.6	-16.0	-18.7	-22.4

Source: NRCS ProTract Database, FY2018
[1]Assumes average spent per acre enrolled is $18 and that 68-percent of acres in expiring contracts are renewed under 2014 Farm Bill provisions for 2018-2023. The 68-percent renewal rate is the average renewal rate for 2010-2013 Signups (see Table 7).

Creation of the Grassland Conservation Initiative

Congress mandated creation of the Grassland Conservation Initiative for producers with base acres where the entire farm was planted to grass or pasture (including cropland that was idle or fallow)

[3] The 0.7 million acres "donated" to the Regional Conservation Partnership Program (RCPP) reduced available acres for new enrollments from the 10 million acres authorized by the 2014 Farm Bill to 9.3 million.
[4] This assumes that the acres authorized for the signup of new applications remain at the FY 2014 level and that the average cost of contracts remains at $18/acre.
[5] This assumes that no significant funds are carried over from 2014 Farm Bill signups to fund new and renewed contracts under the new 2018 Farm Bill rules.

from January 1, 2009 to December 31, 2017. Producers whose farms are planted entirely to grass or pasture are not eligible for an Agriculture Risk Coverage/Price Loss Coverage (ARC/PLC) payment for the 2019-2023 crop years but may enroll in the Grassland Conservation Initiative and receive a payment of no more than $18 per base acre. The acres on which payments are made may not exceed the number of base acres on the farm.

Participants must meet eligibility conditions for CSP but need not go through the ranking process. Producers enrolling in the Initiative must develop a grassland conservation plan and agree to meet or exceed the stewardship threshold for not less than 1 priority resource concern by the date on which the contract expires. As such, the Initiative assists producers in protecting grazing uses and conserving and improving soil, water, and wildlife resources.

Grassland conservation contracts are for a 5-year term and are not renewable. Beginning in FY 2019, the Secretary provided a one-time election for a producer to enroll eligible land in the initiative. A Grassland Conservation Initiative contract may be terminated at any time and the producer may retain payments already received under the contract. The Farm Service Agency estimates that there were 2.4 million base acres where the entire farm was planted to grass or pasture (including cropland that was idle or fallow) from January 1, 2009 to December 31, 2017. These base acres are eligible for the Grassland Conservation Initiative. These eligible acres are concentrated in Texas, Oklahoma and Kansas (Table 10). Based on this estimate, the total cost of the Grassland Conservation Initiative would be $214.9 million over 5 years, representing 5.5-percent of authorized CSP funding under the 2018 Farm Bill.

Table 10. Base Acres Eligible for the Grassland Conservation Initiative[1]

State Name	Estimated Uncropped Base Acres	Percentage of Uncropped Base Acres
Texas	743,744	31.1%
Oklahoma	410,770	17.2%
Kansas	170,776	7.2%
Missouri	96,852	4.1%
Louisiana	96,436	4.0%
Montana	83,400	3.5%
Nebraska	65,560	2.7%
Georgia	64,196	2.7%
California	62,321	2.6%
Subtotal	**1,794,055**	**75.1%**
Other States	593,683	24.9%
U.S. Total	**2,387,738**	**100.0%**

[1] Base acres no longer eligible for ARC and PLC payments.
Source: Internal FSA analysis, 2018.

Ranking Factors

Under the 2014 Farm Bill, applications were ranked using 5 statutory ranking criteria to determine how well the current and future conservation management system would address national, state, and local natural resource priorities. These criteria include:

- Level of conservation treatment on all targeted resource concerns at the time of application.
- Degree to which the proposed conservation activities effectively increase conservation performance

- Number of targeted resource concerns proposed to be treated to meet or exceed the stewardship threshold by the end of the contract.
- Extent to which non-targeted resource concerns will be addressed to meet or exceed the stewardship threshold by the end of the contract period.
- Extent to which resource concerns will be addressed when transitioning from the Conservation Reserve Program (CRP) to agricultural production.

Under the 2018 Farm Bill, these 5 criteria are replaced with the broader criteria below, which provide USDA greater flexibility in ranking applications:

- The natural resource conservation and environmental benefits that result from the conservation treatment on all applicable priority resource concerns at the time of submission of the application;
- The degree to which the proposed conservation activities increase natural resource conservation and environmental benefits;
- Other consistent criteria, as determined by the Secretary.

NRCS intends to continue evaluating applications based on the level of expected environmental benefit achieved through adoption of additional conservation activities. Currently, NRCS provides higher points to applicants who agree to adopt more conservation activities in order to meet or exceed the stewardship threshold of a higher number of resource concerns, agree to adopt the additional conservation activities over a greater percentage of their operation, adopt bundles, and adopt conservation activities that target wildlife habitat improvement and soil health. NRCS also uses an efficiency score component in the ranking which considers the environmental benefit associated with an applicant's planned additional conservation activities and the costs associated with implementing these activities. In this way, NRCS prioritizes applications that will provide higher levels of conservation and environmental benefits across the agricultural or forestry operation.

The 2018 Farm Bill also indicates that, if applications receive the same ranking based on the criteria established by USDA, consideration should be given to the extent to which actual and anticipated conservation benefits are provided at the lowest cost relative to other contracts.

The broadening of the ranking factor conditions, the greater flexibility provided USDA, and the addition of cost/benefit analysis in situations where applications are ranked the same, should allow for greater environmental benefit per dollar expended. NRCS will assess the results of its application rankings to evaluate the improvements made over time.

Measurement of Environmental Improvement

The Secretary has considerable discretion in developing and using science-based thresholds. The 2018 Farm Bill expands how NRCS determines stewardship thresholds, including using quality criteria under a resource management system; predictive analytics tools or models developed or approved by NRCS; data from past and current enrollment in the program; and other methods that measure conservation and improvement in priority resource concerns, as determined by the Secretary. The increased flexibility provided by the 2018 Farm Bill should have a negligible impact on program cost-effectiveness and the number of activities undertaken.

Factors to Consider in Determining Payment Levels

The complex mix of factors considered in determining contract obligations consider enhancement and practice costs, income foregone, expected conservation impacts of existing activities and new enhancements and practices, and treated areas of the operation. The 2018 Farm Bill now requires increasing the payment for cover crop activities to at least 125-percent of the annual payment amount determined by the Secretary and increasing the supplemental payment rate for resource conserving crop rotations and advanced grazing management activities to not less than 150-percent.

Table 11. Cost of Enhancements Targeted for Payment Over 100 Percent of Payment Rate, FY 2018 contracts[1]

Enhancements	Base Payment[2] (million $)	Share of Total Obligations (%)	Adjusted Payment[3] (million $)	Share of Total Obligations (%)
Cover crop systems (125%)	22.1	2.6%	27.6	3.2%
Resource conserving rotations (150%)	3.4	0.4%	5.1	0.6%
Prescribed grazing systems[4] (150%)	32.7	3.8%	49.1	5.7%
Total	58.2	6.8%	81.8	9.5%

[1]Includes both new applications and renewals
[2]Annual payment amount as determined by the Secretary (equal to estimated cost of implementing the enhancement)
[3]Payment made to participant after increasing annual payment by the mandated percentage
[4] Prescribed grazing systems are used as a proxy for potential demand advanced grazing management

These increases will, on the face, reduce the amount of CSP funding available to pay for other enhancements and increase the number of contracts that include cover crop enhancements, resource conserving crop rotations, and advanced grazing management. The actual impact will likely not be that great as funds committed to these enhancements in FY 2018 represent 6.8-percent of total obligations (Table 11). The increased payments specified in the 2018 Farm Bill represent 9.5-percent of funds available in FY 2018, which would likely reduce the total number of contracts funded slightly. However, because the least beneficial contracts are ranked lower, the increase in payments for these systems would likely lead to an increase in cost-effectiveness even while reducing the overall benefits because of fewer enrolled acres.

Table 12. Program Impacts of 2018 Farm Bill Statutory Requirements and Discretionary Actions

Statutory	Authorized Program Funds	Impacts on Conservation Activities	Cost-effectiveness
Funding changes (from acre and payment per acre with automatic renewal basis to annual funding)	- $5.025 billion	Significant decrease	Improvement
Conditions for Contract Renewal (Compete for funding with other renewals and new contracts)	Not Applicable	Decrease	Improvement
Grassland Conservation Initiative	$18/acre	Marginal decrease	Marginal decrease
Ranking factors	No Impact	No Impact	Slight Improvement
Measurement of environmental improvement	No Impact	Negligible	Negligible
Factors to consider in determining payment levels	No Impact	Increase[1] Slight Decrease[2]	Slight Improvement

[1]Targeted enhancement—cover crops, resource conserving crop rotations, and advanced grazing management
[2]Other enhancements

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Appendix

Table 13. Conservation Stewardship Program Annual Obligations, FY 2014-2018, All Signups.					
Division	**2014**	**2015**	**2016**	**2017**	**2018**
	------------ thousand $ ------------				
Total	1,030,871	1,095,879	1,129,295	1,134,534	1,197,294
South Dakota	66,134	75,751	93,175	95,384	94,632
Arkansas	72,949	77,861	81,211	84,449	83,576
Minnesota	81,575	85,018	84,083	82,001	80,327
North Dakota	71,382	75,144	77,089	74,743	75,246
Other	29,435	55,200	57,701	61,654	72,733
Mississippi	28,643	33,276	36,605	44,969	66,477
Nebraska	61,972	60,449	63,937	61,594	64,372
Oklahoma	57,850	61,222	61,187	61,340	58,802
Georgia	38,955	43,331	43,986	48,257	52,831
Kansas	53,311	50,195	47,715	48,449	46,140
Montana	41,872	42,406	46,460	43,109	44,566
Illinois	31,479	35,742	39,542	40,424	41,232
Iowa	48,412	43,328	37,051	36,281	38,598
Louisiana	29,570	34,828	35,713	36,960	37,956
Missouri	34,181	34,740	28,473	29,328	35,836
Texas	37,269	35,635	40,605	35,361	34,414
Oregon	20,512	22,676	26,272	27,742	29,227
Wisconsin	20,797	23,782	21,155	22,693	28,654
Colorado	27,921	26,165	26,703	25,303	27,158
Washington	19,897	21,785	23,259	23,139	23,129
New Mexico	27,135	28,290	27,954	26,032	22,199
Indiana	9,557	9,350	12,940	11,031	12,486
South Carolina	6,111	7,127	7,397	7,619	9,458
Alabama	7,204	7,601	7,393	7,456	8,669
Pennsylvania	7,528	7,743	7,522	7,797	8,655
Ohio	6,942	6,802	6,576	7,654	8,418
Tennessee	6,441	7,360	7,171	7,439	8,323
Virginia	7,086	7,538	6,878	6,834	7,695
Idaho	8,057	6,994	7,197	7,607	7,546
Michigan	9,265	8,424	7,029	6,833	7,539
Kentucky	3,829	5,087	4,971	5,650	7,395
Utah	5,595	5,800	7,678	6,447	7,177
New York	6,503	6,436	6,189	6,760	6,977
Wyoming	9,645	8,175	9,840	7,151	6,723
California	9,069	7,504	6,356	6,614	6,079
Florida	3,573	3,749	3,696	3,577	4,112
West Virginia	2,996	3,851	2,278	2,495	4,007
North Carolina	3,732	4,123	3,259	2,955	3,862
Arizona	7,667	5,357	5,688	3,529	3,425
Delaware	1,323	1,511	1,769	1,982	1,866
Maryland	1,309	1,387	1,004	1,234	1,484

Table 13. Conservation Stewardship Program Annual Obligations, FY 2014-2018, All Signups.

Division	**2014**	**2015**	**2016**	**2017**	**2018**
	------------------------------------- thousand $ -------------------------------------				
Alaska	2,086	1,466	1,609	1,272	1,317
Maine	932	916	750	750	851
Hawaii/Pacific	325	706	567	496	795
Nevada	1,115	1,312	1,271	936	712
New Hampshire	287	399	496	688	677
New Jersey	404	592	485	603	620
Caribbean	109	231	175	332	517
Connecticut	301	507	414	483	513
Vermont	189	324	289	404	451
Massachusetts	253	463	302	381	433
Rhode Island	189	223	235	315	410

Source: NRCS RCA Interactive Viewer, Program Reports. April 2019.
(https://www.nrcs.usda.gov/wps/portal/nrcs/rca/national/technical/nra/rca/ida/)