

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is a light blue color with darker blue outlines for continents. The hourglass is centered on the page.

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*Mandatory Funding for Agriculture Conservation Programs*

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**Abstract.** The Farm Security and Rural Investment Act of 2002 authorized large increases in mandatory funding for several agricultural conservation programs. Most of these programs expire in FY2007, and the 110th Congress is likely to address future funding levels in a farm bill. Since FY2002, Congress has acted, through the appropriations process, to limit funding for some of these programs below authorized levels. It limited total funding for all the programs to 97.6% of the authorized total in FY2003, and the percentage declined annually to 87.3% in FY2006. Program supporters decry these growing limitations as reductions that compromise the intent of the farm bill. Others counter that, even with the limitations, overall conservation funding has grown substantially, from almost \$3.1 billion in FY2003 to almost \$3.8 billion in FY2006. This report reviews the funding history of the programs since the 2002 farm bill was enacted.

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## CRS Report for Congress

# Mandatory Funding for Agriculture Conservation Programs

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### Summary

The Farm Security and Rural Investment Act of 2002 authorized large increases in mandatory funding for several agricultural conservation programs. Most of these programs expire in FY2007, and the 110<sup>th</sup> Congress is likely to address future funding levels in a farm bill. Since FY2002, Congress has acted, through the appropriations process, to limit funding for some of these programs below authorized levels. It limited total funding for all the programs to 97.6% of the authorized total in FY2003, and the percentage declined annually to 87.3% in FY2006. Program supporters decry these growing limitations as reductions that compromise the intent of the farm bill. Others counter that, even with the limitations, overall conservation funding has grown substantially, from almost \$3.1 billion in FY2003 to almost \$3.8 billion in FY2006. This report reviews the funding history of the programs since the 2002 farm bill was enacted. It will be updated periodically.

### Introduction

A major issue in the upcoming farm bill debate is likely to be funding for conservation programs. Current authorization for mandatory funding for most of these programs, under the Farm Security and Rural Investment Act of 2002 (P.L. 107-171), expires at the end of FY2007. Mandatory funding means that the amount authorized by Congress is available unless limited to smaller amounts in the appropriations process; if appropriators do not act, the amount that was authorized is provided to the program. These mandatory funds are provided by the U.S. Department of Agriculture's Commodity Credit Corporation, a financing institution for many agriculture programs, including commodity programs and export subsidies.

While most conservation programs currently are authorized using mandatory funding, discretionary funding is used for six conservation programs. For discretionary programs, appropriators decide how much funding to provide each year in the annual agriculture appropriations bill, subject to any maximum limit set in law. Conservation program advocates prefer mandatory funding over discretionary funding. They believe that it is generally easier to protect authorized mandatory funding levels from reductions

during the appropriations process than to secure appropriations each year. However, since FY2002, Congress has limited funding for some of the mandatory programs each year below authorized levels in annual appropriations acts. Advocates for these programs decry these limitations as significant changes from the intent of the farm bill, which compromise the programs' ability to provide the anticipated magnitude of benefits to producers and the environment. Others, including those interested in reducing agricultural expenditures or in spending the funds for other agricultural purposes, counter that, even with these reductions, overall funding has grown substantially.

## Mandatory Conservation Funding Before 2002

Congress provided mandatory funding for selected conservation programs for the first time in the 1996 farm bill (P.L. 104-127).<sup>1</sup> Prior to 1996, all conservation programs had been funded as discretionary programs. Conservation program advocates viewed mandatory funding as a much more desirable approach, and Congress agreed, enacting provisions that moved some conservation programs from discretionary to mandatory funding. Some advocates viewed this change in funding as a major achievement in the 1996 farm bill. Amounts authorized for these programs at the time may seem modest when compared with today's levels. Programs funded with mandatory funding, and their authorized levels under the 1996 law, included the following:

- Conservation Reserve Program (a maximum of 36.4 million acres at any time through FY2002, with no dollar amount specified);
- Wetland Reserve Program (a maximum of 975,000 acres at any time through FY2002, with no dollar amount specified);
- Environmental Quality Incentives Program (\$130 million in FY1996, and \$200 million annually thereafter through FY2002);
- Wildlife Habitat Incentives Program (a total of \$50 million between FY1996 and FY2002);
- Farmland Protection Program (a total of \$35 million with no time span specified); and
- Conservation Farm Option (\$7.5 million in FY1997, increasing each year to a high of \$62.5 million in FY2002).

## The 2002 Farm Bill

The 2002 farm bill greatly expanded mandatory funding for conservation, authorizing the annual funding levels shown in **Table 1**. Mandatory funding was provided both for expiring programs that were reauthorized and for new programs created in the legislation. The increase in authorized funding levels was widely endorsed for many reasons. Conservation supporters had long been seeking higher funding levels, and this was another significant step in that effort. An argument that proved particularly persuasive in this farm bill debate was documentation of large backlogs of interested and eligible producers who were unable to enroll because of a lack of funds. Demand to participate in some of the programs exceeded the available program dollars several times over, and some Members reasoned that higher funding was warranted to satisfy this demand.

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<sup>1</sup> The one exception to this statement is that the 1985 farm bill (P.L. 99-198) authorized mandatory funding for the Conservation Reserve Program in FY1986 and FY1987.

Funding for FY2002 is not included in **Table 1**, as the FY2002 appropriations legislation was enacted on November 28, 2001, six months before the 2002 farm bill. Program funding decisions had to be based on prior legislation. Indeed, by the time this farm bill was enacted, the FY2003 appropriations process was well along.<sup>2</sup> However, the 2002 farm bill did authorize money in FY2002 for several mandatory programs.

## Spending Limits on Mandatory Appropriations Since FY2002

In each year since FY2002, annual agriculture appropriations acts have capped funding for some of the mandatory conservation programs below authorized levels. The programs that are limited and the amounts of the limitations change from year to year. One program, the Wetland Reserve Program, has been capped in enrolled acres, which appropriators translate into savings based on average enrollment costs. **Table 1** compares the authorized spending level for each of the programs with the amount that Congress actually provided through the appropriations process. It does not include any mandatory conservation programs enacted since the 2002 farm bill, including the Conservation Reserve Program Technical Assistance Account (enacted in P.L. 108-498), the Healthy Forest Reserve (enacted in P.L. 108-148), and the Emergency Forestry Conservation Reserve Program (enacted in P.L. 109-148).

Many of the spending reductions originate in the Administration's budget request. Since the farm bill states that the Secretary "shall" spend the authorized amounts for each program each year, Congress must act to limit spending to a lesser amount. The mix of programs and amounts of reduction in the Administration request have varied from year to year. Congress has concurred with the Administration request some years for some programs. Starting in FY2003, the requested reductions in mandatory funding below the authorized levels (shown in the table), are as follows:

- In FY2003, the request was submitted before the farm bill was enacted, and did not include any requests to reduce funding levels.
- In FY2004, the request was to limit the Wetlands Reserve Program (WRP) to 200,000 acres (\$250 million), limit the Environmental Quality Incentives Program (EQIP) to \$850 million, limit the Ground and Surface Water Program (GSWP) to \$51 million, limit the Wildlife Habitat Incentive Program (WHIP) to \$42 million, limit the Farmland Protection Program (FPP) to \$112 million, limit the Conservation Security Program (CSP) to \$19 million, and eliminate funding for the Watershed Rehabilitation and Agricultural Management Assistance (AMA) Programs.
- In FY2005, the request was to limit the WRP to 200,000 acres (\$295 million), EQIP to \$985 million, WHIP to \$59 million, FPP to \$120 million, and CSP to \$209 million, and eliminate funding for the Watershed Rehabilitation and AMA Programs.

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<sup>2</sup> In addition, during the FY2001 appropriations process, Congress had provided one-time funding to several conservation programs beyond what had been authorized in the 1996 farm bill. These one-time appropriations were congressional and Administration responses to a combination of forecasts of federal budget surpluses and high demand to participate in the programs.

**Table 1. Authorized and Actual Funding Levels for Mandatory Conservation Programs, FY2003-FY2007**

(figures in millions; limited to programs enacted in or amended by provisions in the 2002 farm bill)

Program	FY2003		FY2004		FY2005		FY2006		FY2007	
	Auth.	Actual	Auth.	Actual	Auth.	Actual	Auth.	Actual	Auth.	Actual <sup>a</sup>
<b>Conservation Reserve Program<sup>b</sup></b>	39.2 mil. acres (\$1,821)	No limit (\$1,821)	39.2 mil. acres (\$1,798)	No limit (\$1,798)	39.2 mil. acres (\$1,828)	No limit (\$1,828)	39.2 mil. acres (\$1,993)	No limit (\$1,993)	39.2 mil. acres (\$2,187)	
<b>Conservation Security Program<sup>c</sup></b>	\$0	\$0	\$53	\$41	\$282	\$202	\$331	\$259	\$373 <sup>h</sup>	
<b>Environmental Quality Incentive Program</b>	\$700	\$695	\$1,000	\$975	\$1,200	\$1,017	\$1,200	\$1,017	\$1,270 <sup>h</sup>	
<b>Ground and Surface Water Program</b>	\$45	\$45	\$60	\$51	\$60	\$51	\$60	\$51	\$60	
<b>Klamath River Basin Program<sup>d</sup></b>	\$12	\$12	\$19	\$19	\$10	\$10	\$8	\$8	\$6	
<b>Grasslands Reserve Program<sup>e</sup></b>	\$38	\$38	\$57	\$57	\$128	\$128	\$54	\$54	\$0	
<b>Wildlife Habitat Incentive Program</b>	\$30	\$30	\$60	\$42	\$85	\$46	\$85	\$43	\$85	
<b>Farmland Protection Program</b>	\$100	\$100	\$125	\$112	\$125	\$112	\$100	\$74	\$97	
<b>Wetlands Reserve Program<sup>b</sup></b>	250,000 acres (\$314)	245,833 acres (\$309)	250,000 acres (\$354)	189,144 acres (\$285)	250,000 acres (\$344)	154,500 acres (\$275)	250,000 acres (\$392)	150,000 acres (\$250)	250,000 acres (\$403)	
<b>Agriculture Management Assistance Program<sup>f</sup></b>	\$20	\$1	\$14	\$14	\$14	\$14	\$14	\$5	\$14	
<b>Watershed Rehabilitation Program<sup>g</sup></b>	\$45	\$0	\$50	\$0	\$55	\$0	\$60	\$0	\$65	
<b>Biomass Program</b>	\$14	\$14	\$14	\$14	\$14	\$14	\$14	0	<sup>i</sup>	
<b>TOTAL (% of total authorized that was provided)</b>	\$3,139	\$3,065 (97.6%)	\$3,604	\$3,357 (93.1%)	\$4,145	\$3,697 (89.2%)	\$4,311	\$3,759 (87.23%)	\$4,560	

a. These amounts will be filled in after appropriations legislation for these fiscal years is enacted.

b. Information in the appropriations process uses acres rather than dollars; costs are estimated based on enrolled acres during fiscal year. FY2006 and FY2007 are CBO estimates, and do not include the Emergency Forestry Conservation Reserve Program, estimated to spend \$21 million in FY2006 and \$110 million in FY2007.

c. Since this is a capped entitlement for total spending over 10 years, the authorized amounts are CBO estimates of spending.

d. Funding for this program is specified as \$50 million, to be made available "as soon as practicable after the date of enactment."

e. Program has both total spending and total acreage limits, without specifying any annual levels for either funding or enrollment.

f. Program amended in FY2004 appropriations making \$14 million available for conservation annually, with the remainder available for other purposes.

g. Program also is authorized to receive discretionary funding through annual appropriations.

h. Authorized amounts reduced to these levels by Reconciliation Act of 2005 (P.L. 109-148) and, for CSP, by lower funding levels in earlier years.

i. Program will be transferred to Rural Development by March 1, 2006.

- In FY2006, the request was to limit the WRP to 200,000 acres (\$321 million), EQIP to \$1.0 billion, WHIP to \$60 million, FPP to \$84 million, Biomass Research and Development to \$12 million, and CSP to \$274 million, and eliminate funding for the Watershed Rehabilitation and AMA Programs.
- In FY2007, the request is to limit EQIP to \$1.0 billion, GSWP to \$51 million, WHIP to \$55 million, FPP to \$50 million, Biomass Research and Development to \$12 million, and CSP to \$342 million, and eliminate funding for the Watershed Rehabilitation and AMA Programs.

## Discussion

While Congress has reduced funding for some mandatory conservation programs, either in support of an Administration request or on its own, the reductions did not exceed 10% of the total until FY2005. However, the gap between authorized levels and actual amounts continues to grow. As a percentage, this gap has grown from 2.4% of the total authorized amount in FY2003 to 12.7% in FY2006. Even with these changes, however, actual total funding has risen almost \$720 million over the same four-year time period, which is an increase of almost 25% from the FY2003 authorization.<sup>3</sup>

Reductions have not been uniform among programs. The largest mandatory program, the CRP, has not been limited in any way by appropriators since the 2002 farm bill was enacted. The second-largest program, EQIP, has absorbed the largest reductions from authorized levels, totaling \$396 million between FY2003 and FY2006. Funding for a third program, the CSP, has been amended four times since 2002. As initially enacted, it was the first true conservation entitlement program; that is, any individual who met the eligibility requirements would be accepted into the program. Congress has capped CSP and then repeatedly reduced the cap to fund other activities, usually disaster assistance.

More generally, the table shows that reductions have varied from year to year and program to program since 2002. At one extreme, the Watershed Rehabilitation Program has received no mandatory funding in any year (it is one of the five conservation programs authorized to receive discretionary appropriations as well, and those have been provided), and at the other extreme, the CRP has not been limited in any way. Some of the programs have unusual characteristics that affect how they are treated for budget purposes, as noted in the table footnotes. For example, the Grasslands Reserve and Klamath River Basin Programs each have a total authorized level that is not subdivided by fiscal year in the authorizing legislation. For those programs, the amount that was spent each year (not the remaining lifetime authorization) is included for purposes of calculating the percentage by which funding is reduced.

As a result of the many variations in how these programs are authorized (some in acres and others in dollars, and some as a total amount and others by year), there are several alternative ways to calculate the annual and total reduction from the authorized level. However, all of these calculations lead to the same general set of observations. First, overall funding for the suite of mandatory agriculture conservation programs has

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<sup>3</sup> If the full authorized amount had been provided in FY2006, the increase would have been more than 35% from the FY2003 authorized amount.

been reduced each year. Second, the magnitude by which this suite of programs is being reduced has been growing each year. Third, these reductions may still be significant to current or potential beneficiaries of those program. Fourth, even with the reductions, overall funding for the group of mandatory programs has continued to rise. Finally, funding for the discretionary agricultural conservation programs varies more from year to year, with much larger percentage reductions than the mandatory programs in some years. Greater variation in funding for discretionary programs supports the view of conservation proponents that using the mandatory approach has been a more successful and predictable approach to conservation program funding in recent years. (For more information on each of these programs, see CRS Report RL32940, *Agriculture Conservation Programs: A Scorecard*, by Jeffrey A. Zinn and Tadlock Cowan.)

## Concluding Observations

When considering whether reductions in mandatory funding for conservation programs compromise the conservation effort, three points are relevant. First, a measure of how conservation funding is viewed in relation to other agriculture funding was provided in the FY2006 reconciliation process, which required the agriculture committees to reduce total USDA mandatory program funding by \$3.0 billion over five years, including a reduction of \$176 million in FY2006. Conservation provided \$934 million of those savings, with no reductions for FY2006. This amount is about 25% of the total reduction that was enacted, \$3.7 billion over five years. The savings came from lowering caps on spending for CSP and EQIP in future years (which also required authorizing them beyond FY2007), and eliminating unspent funds for the Watershed Rehabilitation Program carried over from earlier years. Part of the debate was whether conservation is being asked to bear a disproportionate share of these reductions. (For more information, see CRS Report RS22086, *Agriculture and FY2006 Budget Reconciliation*.)

Second, it appears highly likely that reductions to mandatory program spending at the current scale will continue. Reductions have been in every administration request and annual appropriations bill since FY2003. It is less certain, however, whether these reductions will continue to grow as a percentage of the total. Future change will depend on both congressional support for conservation specifically, and broader pressures that influence overall federal spending. It is likely that the affected programs and the magnitude of the reductions will continue to vary from year to year, making it difficult to forecast the future based on the past.

Third, supporters of conservation programs may look for ways to address the challenge of spending reductions in the next farm bill. However, several broader forces may make it difficult to authorize higher funding levels or to protect current funding levels for these conservation programs. One force may be broad efforts to control federal spending. A second force may be competition among various agriculture constituencies for limited funds; the FY2006 reconciliation process provided an indication of how Congress will treat conservation when it must make decisions based on this competition. A third force may be limits on the capacity of federal conservation agencies, at current staffing levels and with the current approaches, to plan and install all the conservation practices that additional funding would support, and it seems likely that increasing staff levels in federal agencies to provide more conservation will not be an option.