

installed on cropland systems might include: Crop rotation, residue management, fertilization, weed control, insect control, buffers, field borders and irrigation water management, if irrigated. Conservation practices typically installed on orchard and vineyard systems might include: Crop selection, residue management, fertilization, weed control, insect control, buffers, field borders and irrigation water management, if irrigated. Conservation practices typically installed on pasture systems might include: Pasture and hayland planting, fertilization, grazing management, haying, weed control, water facilities, cross fencing and irrigation water management, if irrigated. Conservation practices typically installed on rangeland systems might include: Prescribed grazing, brush management, prescribed burning, water development, fencing, riparian area management, weed control and range seeding.

Additionally, to ensure that CSP's limited resources are focused first on the most pressing environmental concerns, NRCS is proposing to impose eligibility requirements based on selected priority watersheds. Only producers located within those watersheds will be eligible for a given sign-up. A majority of the agricultural operation must reside in the selected watershed. The eligible watersheds will be announced and identified through CSP sign-up announcement. The watersheds selected for CSP eligibility may vary in each CSP sign-up.

NRCS proposes to identify watersheds (using eight-digit hydrologic unit codes developed by the U.S. Geological Survey) around the nation based on objective information from natural resource, environmental quality, and agricultural activity data. The watershed prioritization process will consider several factors, including the vulnerability of surface and groundwater quality, the potential for excessive soil quality degradation, and the condition of grazing land in the watershed.

Limiting participation to high-priority watersheds in this manner will allow NRCS to reduce the administrative burden on applicants, as well as, technical assistance costs of processing a large number of applications that cannot be funded. For example, data shows that in fiscal year 2003 about 750,000 agricultural producers received some kind of USDA program benefits. Assuming that as many as 500,000 producers might apply for enrollment in each CSP sign-up and that current funding would only support about

50,000 total contracts, the majority of applicants would have completed an extensive application process only to be frustrated by the limitation on funding. Additionally, NRCS would have to provide technical assistance to 450,000 producers who would not be able to participate in CSP. Because of the statutory limit on technical assistance to 15% CSP's total funding, this would not be feasible.

By using a system of selected watershed and enrollment categories, NRCS can make the program available ultimately in all 50 States, the Caribbean Area, and the Pacific Basin area. The program would benefit participants without regard to the size of their operation, crops produced, geographic location, or any other factor unrelated to the conservation characteristics of the operation.

3. Contract Requirements Should Be Sufficiently Rigorous To Ensure That Participants Undertake and Maintain High Levels of Stewardship

The CSP statute requires that a Conservation security plan for a Tier I CSP contract address one or more significant resource concerns on part of an agricultural operation. NRCS is proposing that CSP participants must address the nationally significant resource concerns of water quality and soil quality as described in Section III of the NRCS Field Office Technical Guide (FOTG).

The CSP statute requires that a conservation security plan for a CSP Tier II contract must address one or more significant resource concerns on the entire agricultural operation. NRCS is proposing that CSP participants must address the nationally significant resource concerns of water quality and soil quality as described in Section III of the NRCS FOTG. In addition, by the end of the contract period, they must address an additional resource concern to be selected by the applicant and approved by NRCS, over the entire agricultural operation.

The CSP statute requires that a conservation security plan for a CSP Tier III contract must address all significant resource concerns on the entire agricultural operation.

NRCS is proposing that CSP participants in all tiers must address, by the end of the contract period, additional requirements as required in the enrollment categories as selected by an applicant or in the sign-up announcement over the contract acreage.

NRCS is proposing, in addition to the statutorily mandated contract requirements, to give funding priority to

producers who are willing to undertake enhancement activities, such as addressing locally identified resource concerns or providing important assessment and evaluation information.

4. Prioritize Funding To Ensure That Those Producers With the Highest Commitment to Conservation Are Funded First

To effectively implement the program, NRCS believes it is necessary to prioritize applicants based on their existing level of conservation performance and their willingness to undertake additional conservation activities above and beyond the regulatory contract requirements for their tier of participation. This does not mean that individual contracts must compete with each other according to an Environmental Benefits Index, as in the Conservation Reserve Program. Rather, NRCS would place applicants in enrollment categories and include in the sign-up announcement the order in which those categories would be funded. All applicants in a category and a subcategory selected for funding would be offered a CSP contract. NRCS will develop criteria for construction of the enrollment categories such as the soil conditioning index, soil and water quality conservation practices and systems, and grazing land condition.

Sub-categories may be established within the categories. All applications which meet the sign-up criteria will be placed in an enrollment category regardless of available funding. An application will be placed in the highest priority enrollment category or categories for which the application qualifies. Categories will be funded in priority order until the available funds are exhausted.

One issue arises in grouping contracts by enrollment categories. What should happen if the first five priority categories can be fully funded, but the sixth cannot? Should NRCS prorate the funding for the sixth category, not fund that category at all (saving funds for a future sign-up), or choose amongst category six applicants according to some criteria (for example by date of application or by identifying priority subgroups)? NRCS invites comment on this issue.

5. Structure Payments To Ensure That Environmental Benefits Will Be Achieved

The Act requires base payments of CSP to be based on 2001 national rental rates by land use category or "another appropriate rate that ensures regional equity" (emphasis added). NRCS proposes using regional and local land