

rental data for FY2001 with adjustments to ensure consistency and regional equity. In addition, NRCS proposes to apply a consistent reduction factor to all regional rental rates to scale down the share of payments going to base payments (for all tiers of participation). The more that program payments are made toward aspects directly related to additional environmental performance, rather than on base payments, more conservation is likely to be obtained. The results of the CSP proposed rule economic analysis indicates that, all other payment held constant, the lower the reduction factor used on regional rental rates, the less the effect the base payment has on the overall producer payment. This results in more net environmental benefits accruing to the program. This will lower payments to producers, but does it in an equitable manner and allows more producers to participate within the available funding. NRCS proposes that the base rate, once established, will be fixed over the life of the program. NRCS invites comment on the appropriate reduction factor, and whether it should be fixed or vary by sign-up.

To ensure funding go towards the greatest environmental benefit, NRCS is also proposing that the practice payments be constrained to below that offered by other USDA cost-share programs.

NRCS is proposing to utilize the enhancement component of a CSP payment to increase conservation performance regardless of the tier of participation (including activities related to energy conservation) as a result of additional effort. Enhancement activities would be determined by the State Conservationist with consideration of national priorities and any emphasis designated in the sign-up announcement. The statute offers five types of enhancement activities and NRCS is seeking comments on the following concepts:

- The improvement of a significant resource concern to a condition that exceeds the requirements for the participant's tier of participation and contract requirements in Section 1469.5. For example, activities that increase the performance of management practices (management intensity) that contribute to additional improvement to the condition of the resources, or provide for more efficient resource utilization and energy conservation;

- An improvement in a priority local resource condition, as determined by NRCS. For example, addressing water quality and wildlife concerns by the installation of riparian forest buffers to provide shade and cool surface water

temperatures to restore critical habitat for salmon;

- Participation in an on-farm conservation research, demonstration, or pilot project. For example, conducting field trials with cover crops, mulches, land management practices to control cropland and stream bank erosion;

- Cooperation with other producers to implement watershed or regional resource conservation plans that involve at least 75% of the producers in the targeted area. For example, carrying out land management practices specifically called for in a watershed plan that control erosion and sedimentation, improve soil organic matter levels, reduce surface water contamination, and improve the condition of related resources; or

- Implementation of assessment and evaluation activities relating to practices included in the Conservation Security Plan, such as water quality sampling at field edges, drilling monitoring wells and collecting data, and gathering plant samples for specific analysis.

Alternative Approaches

In addition to the preferred approach, NRCS considered several alternatives. NRCS is seeking comments on the proposed approach and these alternatives.

1. Use Enrollment Categories To Prioritize CSP Resources in High-Priority Watersheds Identified by NRCS Administrative Regions

This alternative approach is similar to the "NRCS Preferred Approach" outlined above as it focuses CSP participation in high-priority watersheds that are identified using natural resource and land use data. Importantly, this approach differs in that it does not restrict program eligibility to a limited number of watersheds.

Under the "NRCS Preferred Approach," the agency proposes to set a "high bar" for producer eligibility in two steps—by (1) requiring producers to have at a minimum already addressed all national priority resource concerns, and (2) restricting eligibility to high-priority watersheds.

This alternative proposes a modified process for determining eligibility and using watersheds to focus CSP's resources. The proposed alternative process is outlined below:

- NRCS will set a high bar for producer eligibility by requiring producers to have at a minimum already addressed all water quality and soil quality resource concerns (the minimum conservation requirement increases for

each CSP Tier, as under the "NRCS Preferred Approach"). In addition, this alternative may require a higher level of demonstrated conservation (e.g., requiring a minimum soil condition index score).

- Prior to each sign-up period, NRCS will rank all watersheds in the country based on objective data (e.g., land use, agricultural activity, and/or environmental quality vulnerability). The watersheds will be ranked separately in each NRCS administrative region in order to account for regional and local resource concerns and priorities. (Watersheds are land regions that drain into a river or other body of water, and natural resource agencies designate watershed boundaries for planning purposes. Under this approach, NRCS will use watershed boundaries of a "medium" size [at the eight-digit hydrologic unit scale developed by the U.S. Geological Survey].)

- NRCS will then place the regionally prioritized watersheds into CSP enrollment categories. The priority ordering of watersheds may change with each CSP sign-up, depending on national conservation priorities and resource conditions.

- NRCS will place eligible producers into the watershed-based enrollment categories.

- Producers will be further ranked in each watershed-based category according to their willingness to implement additional conservation, existing level of conservation effort (e.g., number of targeted conservation practices already installed and/or soil condition index score), and other program participation priorities as determined by the Secretary.

- NRCS will announce through a CSP sign-up notice the priority ranking of watersheds and the enrollment categories the agency has placed the watersheds. The sign-up notice will also announce the dollar "size" of the CSP sign-up, as well as provide an estimate of how many enrollment categories will likely be funded.

There are many benefits to prioritizing and focusing conservation activities in watersheds with recognized resource concerns and environmental quality vulnerability. Given the statutory spending cap and the relatively limited number of agricultural operations that could be enrolled into CSP, it is important to concentrate CSP's resources in order to generate demonstrable conservation improvements in areas of the country that face the greatest environmental challenges. In addition, assessing and ranking watersheds prior to a CSP sign-