

The Act requires NRCS to set appropriate rates for the base components of CSP payments using data from the 2001 program year in section 1469.23(a). NRCS proposes using regional and local data with adjustments to ensure consistency and regional equity. NRCS will first calculate the average 2001 rental rates using National Agriculture Statistics Service (NASS) regional data (or more local-level NASS data where available). Regional NASS data can help NRCS set rates that could apply within the State.

Where typical rental rates for a given land use vary widely within a State, NRCS will use local data to adjust the average county-level rates, then use a discounting procedure to set the final rate at a percentage of that average rate. Consistent local data are not readily available for all areas for all land uses, but NRCS will use the available data to determine reasonable local rates where feasible. The State Conservationists can also contribute additional local data, with advice from the State Technical Committee.

Once local average 2001 rental rates for each land use category are established, NRCS will then multiply those average rental rates by a consistent reduction factor to compute the final base rates. The results of the CSP proposed rule economic analysis indicated that, with all other payments held constant, the lower the reduction factor used on regional land rental rates, the less effect the base payment has on the overall producer payment. This results in more net environmental benefits accruing to the program. NRCS proposes the reduction factor to be 0.1, meaning that the final base rates will be 10 percent of the local average rental rates. NRCS believes this discounting approach will help:

- Minimize the effect of the base payment on land rental rates, land values and commodity prices
- Maximize participation in the program
- Focus funds toward increased environmental performance through additional practices and enhancements payments
- Maximize environmental benefits and reduce program costs
- Continue to provide the participant with fair and equitable compensation for the social benefits derived from the contract.

NRCS is seeking comment on whether the reduction factor should be fixed or variable over the life of the program, with the 0.1 factor being the upper limit.

The proposed rule sets base components of CSP payments to no more than 25 percent of the contract cap

in Tier I and no more than 30 percent of the contract cap in Tier II and III.

Section 1469.23(b) and (c) describes how the Chief will determine and announce the practices eligible for new and existing payments based on the highest net benefits. NRCS proposes to limit the number of both new and existing practice payments to a short high priority list. State Conservationists will have an opportunity to tailor the list to meet the needs of local and State conditions. NRCS proposes to limit the new and existing practice payments to well below the statutory cap of 75 percent by setting a fixed rate for practices by county. By limiting practice payments, the opportunity exists to maximize the potential for enhancement payments. Although the Act allows higher levels of maintenance payments, NRCS believes that this proposal encourages all participants to adopt a higher level of conservation and to participate in locally led conservation efforts, record keeping and demonstration projects. Setting a fixed rate for existing practice payments will reduce the administrative burden for participants and local offices by avoiding the calculation of maintenance payments on individual practices, collecting receipts, and an overall reduction in paperwork associated with the program. In addition, having a fixed rate will avoid the uncertainty about developing consistent and uniform costs across State and county lines and the perplexity of calculating reasonable costs for routine maintenance activities can be avoided entirely.

NRCS proposes in Section 1469.23 that the program will pay for the land management practices that have a high potential to improve the conditions of the resources of concern, and that are determined to increase conservation benefits as determined by the State Conservationist, with advice from the State Technical Committee and local work group and that actions and activities that increase the management intensity above the quality criteria level be identified and paid as an enhancement activity.

Section 1469.23(d) proposes that State Conservationists, with advice from the State Technical Committee and local work groups, will determine the list of activities that qualify for enhancement payments and how the payments will be calculated. This approach customizes payments at the State level, and allows such leaders to focus and encourage activities they determine are important.

NRCS is proposing utilizing the enhancement component of a CSP payment to increase conservation performance regardless of tier of

participation (including activities related to energy conservation) as a result of additional effort. The statute offers five types of enhancement activities and NRCS is seeking comments on the following concepts:

(1) 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, provide for more efficient resource utilization and energy conservation;

(2) 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;

(3) 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;

(4) Cooperates 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

(5) Carries out 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 gathering plant samples for analysis.

NRCS believes that, depending on local needs and concerns and availability of resources, different enhancement activities may be appropriate for different locations. For example, some watersheds may be covered by a conservation plan that involves most producers, whereas others may not. Additionally, implementing more conservation practices would yield environmental benefits only if those practices are appropriately tailored to address resource concerns on the agricultural operation. Finally, evaluation and assessment activities would likely provide more useful data if they are