

(ii) An applicant is eligible to participate in CSP Tier II only if the benchmark condition inventory demonstrates to the satisfaction of NRCS that the applicant has addressed all of the nationally significant resource concerns of Water Quality and Soil Quality to the minimum level of treatment on the entire agricultural operation. Under Tier II, the entire agricultural operation must be enrolled in CSP.

(iii) An applicant is eligible to participate in CSP Tier III only if the benchmark condition inventory demonstrates to the satisfaction of NRCS that the applicant has addressed all of the resource concerns listed in Section III of the NRCS Field Office Technical Guide with a resource management system that meets the minimum level of treatment on the entire agricultural operation. Under Tier III, the entire agricultural operation is enrolled in CSP including other land as defined in § 1469.5(b)(5).

(5) Share or be entitled to share in the crop or livestock available for marketing from the agriculture operation;

(6) Complete a benchmark condition inventory for the entire agricultural operation or the portion being enrolled in accordance with § 1469.7(a);

(7) Supply information, as required by NRCS, to determine eligibility for the program; including but not limited to information related to eligibility criteria in the sign-up announcement; and information to verify the applicant's status as a beginning farmer or rancher;

(8) Meet additional eligibility criteria and contract requirements that may be included in a CSP sign-up announcement pursuant to § 1469.20(b).

(b) To be eligible for enrollment in CSP, land must be:

(1) Private agricultural land;

(2) Private non-industrial forested land that is an incidental part of the agriculture operation;

(3) Agricultural land that is Tribal, allotted, or Indian trust land; and

(4) Other incidental parcels, as determined by NRCS, which may include, but are not limited to, land within the bounds of working agricultural land or small adjacent areas (such as center pivot corners, field borders, turn rows, intermingled small wet areas or riparian areas); or

(5) Other land on which NRCS determines that conservation treatment will contribute to an improvement in an identified natural resource concern, including areas outside the boundary of the agricultural operation or enrolled parcel such as farmsteads, ranch sites, barnyards, feedlots, equipment storage areas, material handling facilities, and

other such developed areas. Other land must be treated in Tier III contracts.

(c) The following land is not eligible for enrollment in CSP:

(1) Land enrolled in the Conservation Reserve Program;

(2) Land enrolled in the Wetlands Reserve Program;

(3) Land enrolled in the Grassland Reserve Program pursuant to 16 U.S.C. 3838n;

(4) Public land.

(d) The following land is not eligible for any payment component in CSP: Land that is used for crop production after May 13, 2002, that had not been planted, considered to be planted, or devoted to crop production, as determined by NRCS, for at least 4 of the 6 years preceding May 13, 2002.

(e) Selection and funding of priority watersheds.

(1) NRCS will nationally prioritize watersheds based on a score derived from a composite index of existing natural resource, environmental quality, and agricultural activity data. The watershed prioritization and identification process will consider several factors, including but not limited to:

(i) Vulnerability to surface and ground water quality;

(ii) Potential for excessive soil quality degradation;

(iii) Condition of grazing land.

(2) Priority watersheds selected, in which producers would be potentially eligible for enrollment, will be announced in the sign-up notice.

(3) NRCS will request public comment on the process used to select the watersheds before the sign-up announcement.

§ 1469.6 Enrollment categories.

(a) NRCS will publish and consider public comment on the specific enrollment categories that will be used for identifying, classifying and prioritizing contracts to be funded pursuant to § 1469.20(b). Enrollment categories would be constructed using science-based, data-supported criteria consistent with historic conservation performance. The enrollment categories will be defined by criteria related to resource concerns and levels of treatment already documented in the benchmark inventory, and willingness to achieve additional environmental performance.

(b) All applications which meet the sign-up criteria within the priority watersheds will be placed in an enrollment category regardless of available funding.

(c) NRCS will develop subcategories within each enrollment category. The

development of subcategories may consider several factors, including:

(1) Willingness of the applicant to participate in local conservation enhancement activities;

(2) Targeting program participation for Limited Resource Producers;

(3) Targeting program participation to water quality priority areas for nutrient or pest management;

(4) Targeting program for at-risk species habitat creation and protection; and

(5) Other priorities as determined by the Secretary.

(d) At the beginning of each sign-up, the Chief will announce the order in which categories are eligible to be funded. The preamble to the sign-up notice must specify the projected number of applicants for enrollment in each category, projected expenditures for enrollees in the priority category, available funding, and other revenue projected to be available for the sign-up, and results—projected total expenditures for enrollees by priority category. The determination should include consideration of relevant internal and external factors, *e.g.*, changes in the cost of practice implementation, changes in technology, changes in the cost of non-USDA technical assistance, and waiting time to receive technical assistance.

(e) An eligible application will be placed in the highest priority enrollment category and sub-category for which the application qualifies.

(f) Enrollment categories and subcategories will be funded in priority order until the available funds specified in the CSP sign-up announcement are exhausted.

§ 1469.7 Benchmark condition inventory and conservation security plan.

(a) Benchmark condition inventory.

(1) CSP applicants will develop and submit a benchmark condition inventory of the entire agricultural operation or the portion of the agricultural operation intended to be enrolled in accordance with § 1469.5(a)(7).

(2) The benchmark condition inventory must include:

(i) A description of the applicant's production system on the agricultural operations;

(ii) The land uses, acreage, and other information; and

(iii) The existing conservation practices and resource concerns, problems, and opportunities on the operation.

(3) NRCS will use the benchmark condition inventory to:

(i) Determine CSP eligibility;