

of EQIP funds from the Chief to the State Conservationists. It also includes provisions for program management such as an incentive awards holdback, progress monitoring, periodic evaluation of program delivery and public disclosure of program results.

NRCS is proposing that the Chief of NRCS, with advice of other Federal agencies and in consultation with FSA, will make National funding allocation decisions that reflect the most pressing national resource needs.

Specifically, NRCS will determine the allocation of EQIP funds to NRCS State Conservationists based on National priorities and measures. NRCS will also include other considerations in their allocation decision, such as:

- The significance of the environmental and natural resource concern and the opportunity for environmental enhancement;
- The conservation needs of farmers and ranchers in complying with the highly erodible land and wetland conservation provisions of 7 CFR part 12;
- The ways the program can best assist producers in complying with Federal, State, local, and Tribal environmental laws, quantified where possible;
- The amount of agricultural land in different land use categories, such as grazing land, specialty crops, and others; and
- Other relevant information to meet the purposes of the program.

NRCS will evaluate the existing allocation formula and will consider additional factors to address air quality concerns such as air quality non-attainment areas and acres of cropland with excessive wind erosion. When updating the national allocation formula, NRCS intends to solicit input from an interagency Task Force of Federal agencies, which have knowledge and expertise in the areas of soil, water, air, wildlife and other related natural resources. NRCS seeks comments regarding what process should be used and factors should be considered when evaluating the National funding allocation formula.

NRCS is also proposing to retain a portion of the initial EQIP funding each fiscal year to reward states that demonstrate a higher level of performance in the implementation of EQIP and in addressing the National priorities in the previous year. When allocating the incentive holdback funds to those states demonstrating higher levels of performance, the Chief of NRCS will analyze the management decisions of the State Conservationist and State EQIP implementation

performance considering factors such as:

- The degree to which states strategically prioritize and address priority resource concerns, such as through statewide conservation plans, fund allocation, and application ranking;
- The use of contracts with long lived practices;
- The use of contracts with cost-effective practices;
- The use of contracts that benefit multiple resources;
- The efficiency and cost-effectiveness of program delivery;
- The degree to which program implementation addresses National priorities;
- The extent to which Technical Service Providers are engaged to help deliver the program;
- The degree to which Limited Resource Producers are participating; and
- The degree to which states encourage innovation and the leveraging of EQIP funds.

NRCS is formulating the incentive award process and anticipates that the financial bonus will be distributed to a limited number of states assuring that the concept of a bonus is maintained. NRCS is soliciting comments regarding what approaches NRCS can use to efficiently and effectively implement this award incentive.

NRCS will set aside a portion of the available EQIP funding for purposes of complying with the "regional equity" provision of section 1241(c) of the 1985 Act as amended by section 2701 of the 2002 Act. The "regional equity" provision requires the Secretary to give, before April 1, a priority for certain conservation program funding to applications in states that have not received an aggregate of \$12 million from those programs.

In order to manage EQIP in a manner that continues to optimize environmental benefits, NRCS will undertake periodic reviews of the effects of program delivery at the state and local level. State Conservationists will prepare annual reports explaining how EQIP was implemented within the state and the accomplishments that were achieved and the Chief will assure that information regarding EQIP implementation will be made available to the public using technology such as the Internet on the NRCS World Wide Web site at <http://www.nrcs.usda.gov/EQIP/>. NRCS seeks comments on how best to evaluate the performance of the EQIP program. For example, how should environmental changes be measured, and what methodologies

would best identify environmental effects due to contract activities? What kind of output measures and data collection strategies should NRCS consider? What approaches could NRCS use to evaluate cost-effectiveness?

Section 1466.6 is a new section that describes the responsibilities of State Conservationists in the allocation of funds and implementation of the EQIP program. Much of the language found in § 1466.6 of the current rule, Conservation plan, has been used in § 1466.9 of the proposed rule, EQIP Plan of Operations.

The allocation of funds within States is the second key component in "optimizing environmental benefits." NRCS proposes that the State Conservationists will be responsible for identifying State priority natural resource concerns that incorporate National priorities and measures, for identifying which of the available conservation practices should be encouraged with recommended funding levels, for establishing local level EQIP performance goals and treatment objectives, and for monitoring program performance of the NRCS field offices to ensure that National priorities and measures are being achieved. As part of this process, the State Conservationist will consider the advice of the State Technical Committee and National guidance, in the form of notices and manuals, state priorities and state based resource inventories.

NRCS also proposes that the State Conservationist may delegate implementation of EQIP to Designated Conservationists. Designated Conservationists will use the advice of Local Work Groups to implement EQIP within their area. This delegation by the State Conservationist allows for greater management flexibility at the State level and, perhaps more importantly, explicitly provides for locally led conservation. The State Conservationist will also provide specific guidance to the offices reviewing and ranking applications regarding what factors should be considered in the ranking process. The State Conservationists will provide periodic reports to the public and the Chief regarding implementation of EQIP.

NRCS is also proposing to require that State Conservationists use the following in decisions related to the management of the program and the allocation of funds:

- The nature and extent of natural resource concerns at the state and local level;
- The availability of existing programs to assist with the activities