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With the recent Senate approval of the Omnibus Appropriations Bill and the President's signature on January 23, funding levels for fiscal year 2004 (FY2004) have finally been set for several federal agencies including the Department of Agriculture.

The 2004 federal fiscal year runs from October 1, 2003 through September 30, 2004. Thus, the appropriations process was not completed until almost five months into the fiscal year. Until the process was complete, the federal government was operating under a series of continuing resolutions that essentially maintained operations at funding levels from the previous fiscal year.

For some discretionary programs, including many agricultural conservation programs, funding of new applications and contracts was dependent on new appropriations. Now that the process is complete, USDA has released nearly \$1.5 billion in conservation funding for financial assistance and technical assistance through the end of the current fiscal year.

As noted in two Conservation Education Training Meetings for county agents and agency personnel in December, the funding authority for conservation programs has grown substantially under the 2002 Farm Bill. The funding levels announced for this year confirm the growing commitment to conservation, particularly on working lands.

Details of the presentations from the meetings are available on the AgManager website at [www.agmanager.info](http://www.agmanager.info). There is a link to the meeting proceedings in the Policy section on the Conservation Programs page at [agmanager.info/policy/conservation/default.asp](http://agmanager.info/policy/conservation/default.asp).

### **Authorizations, Appropriations, and Spending**

As an aside, it is worth distinguishing between two different types of federal government spending and two different types of budgeting levels. First is the budget distinction between authorization and appropriation. Legislative language must first authorize any program and then appropriate funding to implement the program. The various conservation programs are generally authorized up to specific enrollment or spending levels in major legislation like the 2002 Farm Bill or its predecessors in 1996, 1990, 1985, and so on. However, many of the programs are not operational until they are allocated funding in the appropriations bills for each fiscal year.

The second distinction is between mandatory and discretionary spending. As the name implies, mandatory (or entitlement) spending is spending that is mandated by legislation. The Conservation Reserve Program (CRP) is an example of mandatory spending. Legislation authorized a cap on enrollment in the CRP in terms of acreage. The amount of spending authorized to enroll acreage up to that cap is not set by the annual appropriations process but is instead unlimited. Once participants successfully enroll land in the CRP, they are entitled to the CRP payments and are not subject to annual appropriations decisions. Thus, it is the specifics of the program and the eligibility rules for the program that really determine annual spending on mandatory programs.

In contrast to mandatory spending, discretionary spending is set annually in the appropriations process. Most of the conservation programs fall

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into the category of discretionary spending. Thus, even though the 2002 Farm Bill authorized major increases in funding for various conservation programs, actual spending levels for each program are dependent on annual appropriations.

### **Conservation Funding for 2004**

A brief rundown of FY2004 funding for various conservation programs implemented by USDA's Farm Service Agency (FSA) or the Natural Resources Conservation Service (NRCS) follows below. Links to more information on the various conservation programs are available on the AgManager website in the Conservation Programs page of the Policy section at [agmanager.info/policy/conservation/default.asp](http://agmanager.info/policy/conservation/default.asp).

Further information on each program is also available directly from the administering agency at the link noted in each section.

Conservation Reserve Program (CRP). While the CRP is an entitlement program with mandatory spending authorization, actual spending is dependent on the amount of acres enrolled. FY2004 spending of \$1.6 billion was announced back in October, 2003 for program payments in the CRP. The recent appropriations bill adds \$79.2 million for technical assistance for the CRP in the current fiscal year. More information on the CRP is available from FSA at [www.fsa.usda.gov/daftp/cepd/crp.htm](http://www.fsa.usda.gov/daftp/cepd/crp.htm).

Conservation Security Program (CSP). The CSP appears to be finally on its way to producers and landowners. First authorized in the 2002 Farm Bill, the CSP has experienced and is still seeing political debate over its funding and eventual implementation. Proposed rules for the CSP are currently out for public comment. More information from NRCS is available on the CSP at [www.nrcs.usda.gov/programs/csp/](http://www.nrcs.usda.gov/programs/csp/).

Authorized funding for the CSP was not limited in the 2002 Farm Bill, thus it appears to work as an entitlement program like the CRP. However, the amount of money that will actually be spent on the CSP remains a question. After the 2002 Farm Bill was passed, the CSP was alternately estimated to cost from \$2 billion to nearly \$7 billion over a ten-year period, the period over which federal spending baselines are estimated

each year. The agricultural disaster assistance bill passed in February 2003 placed a cap of \$3.8 billion on CSP spending in order to "save" an estimated \$3.1 billion in spending which was redirected to agricultural assistance. The current appropriations bill removed that cap, effectively returning the CSP to a fully-funded program. However, the bill also placed a limit on funds to be expended in FY2004 for the CSP to a total of \$41 million. Thus, the CSP looks like an entitlement program, albeit one that is capped in spending for the current year. The announcement of available funds for FY2004 listed \$35.2 million for financial assistance and \$5.5 million for technical assistance for a total of \$40.7 million, just within the \$41 million limit after accounting for administration.

The idea of a "capped" entitlement program leaves several unanswered questions regarding implementation. Since individuals that apply and qualify for payments are "entitled" to those payments, the eligibility guidelines and program requirements would necessarily need to be strict enough such that spending on qualifying contracts stays within the \$41 million limit. Whether this is done by limiting eligibility to operations in certain high-priority watersheds or by implementing a stringent set of practice and resource requirements or both remains to be seen. USDA's proposed rule would target enrollment to certain high-priority, but as of yet unnamed watersheds. However, it is worth remembering that the Grassland Reserve Program (GRP) was also first proposed to be available in only certain priority areas, but political pressure dictated a change to national implementation. What happens with the CSP remains to be seen.

Environmental Quality Incentives Program (EQIP). The EQIP is funded with \$661 million for financial assistance such as cost-share and incentive payments and \$171.1 million for technical assistance for a total of \$832.1 million. An additional \$64.5 million of EQIP funding is committed to ground and surface water conservation with \$51 million in payments and \$13.5 million in technical assistance, making for a total of \$896.6 million for FY2004. Including other components that are part of the EQIP program, the total EQIP appropriation for FY2004 is limited to no more than \$975 million, just

slightly less than the authorization of \$1 billion for FY2004 originally in the 2002 Farm Bill. More information on the EQIP is available from NRCS at [www.nrcs.usda.gov/programs/eqip/](http://www.nrcs.usda.gov/programs/eqip/).

Farm and Ranch Lands Protection Program (FRPP). The FRPP is funded at \$87.5 million for FY2004 with \$84.8 million for payments and \$2.7 million for technical assistance. More information on the FRPP is available from NRCS at [www.nrcs.usda.gov/programs/frpp/](http://www.nrcs.usda.gov/programs/frpp/).

Grassland Reserve Program (GRP). The GRP was authorized by the 2004 Farm Bill up to a total of two million acres or \$254 million for FY2003 through FY2007. For FY2004, \$69.5 million was allocated with \$54.2 million for payments and \$15.3 million for technical assistance. This is an increase over the first-year funding in FY2003 of nearly \$50 million. More information from NRCS is available on the GRP at [www.nrcs.usda.gov/programs/GRP/](http://www.nrcs.usda.gov/programs/GRP/).

Wetlands Reserve Program (WRP). The WRP is

similar to the CRP in that it is limited by acreage, not funding. The 2002 Farm Bill more than doubled the enrollment cap to 2.275 million acres, creating substantial authorization for new enrollments. However, the FY2004 appropriations bill limits new enrollment during the year to no more than 189,144 acres. USDA announced funding of \$275.4 million for financial and technical assistance to approach this goal. More information on the WRP is available from NRCS at [www.nrcs.usda.gov/programs/wrp/](http://www.nrcs.usda.gov/programs/wrp/).

Wildlife Habitat Incentives Program (WHIP). The WHIP was also expanded greatly over the life of the 2002 Farm Bill, with up to \$60 million authorized in FY2004 and \$80 million per year in FY2005 through FY2007. The FY2004 appropriations bill limits WHIP spending to no more than \$42 million of which USDA announced program funding of \$33.3 million, \$27.2 million for financial assistance and \$6.1 million for technical assistance. More information on the WHIP is available from NRCS at [www.nrcs.usda.gov/programs/whip/](http://www.nrcs.usda.gov/programs/whip/).