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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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The Metropolitan Water District
of Southern California
at its meeting held

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Debra C. Man
EXECUTIVE SECRETARY

June 27, 1995

To: Board of Directors (Committee on Legislation-Information)
From: General Manager
Subject: S. 854, to Amend the Food Security Act of 1985 to Improve the Agricultural Resources Conservation Program

RECOMMENDATION:

For information only.

John R. Wodraska
General Manager

Submitted by:

Debra C. Man

Debra C. Man, Chief
Planning and Resources

Concur:

John R. Wodraska

John R. Wodraska
General Manager

for

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EXECUTIVE SUMMARY:

Senators Lugar (R-Indiana) and Leahy (D-Vermont) have introduced S. 854, a bill to amend the Food Security Act of 1985 to improve the agricultural resources conservation program. The bill would combine the Department of Agriculture's (Department) Colorado River Basin salinity control program with the agricultural conservation program, Great Plains conservation program, and water quality incentives program into an Environmental Quality Incentives Program (EQIP). S. 854 also modifies the Conservation Reserve Program and provides funding for several programs. The bill establishes a priority system for award of federal cost-share and incentives for the newly created EQIP. It provides for a minimum of 75 percent federal cost sharing for on-farm structural practices compared to 49 percent currently. However, the bill gives the Secretary of Agriculture the authority to make incentive payments for land management practices in an amount and at a rate determined by the Secretary, potentially providing a smaller percentage of federal funding for EQIP technical assistance and/or incentive payments as compared to the current 49 percent.

The bill promotes source water quality protection, but the broad nature of the eligibility criteria for EQIP could result in competition for limited funds among the salinity control program in the Colorado River Basin and other eligible programs. The policy principles adopted by your Board on Colorado River Basin management and source water quality protection include:

- continue to participate with the Colorado River Board of California and the other Colorado River Basin states in cooperative interstate efforts to control the salinity of Colorado River water,
- provide water quality protection for drinking water supplies,
- protect potential future uses of water bodies as drinking water supplies, and
- allow flexibility in the implementation of source water quality protection programs, recognizing that such programs will vary from site-to-site.

As such, staff is seeking amendments to S. 854 to provide for the Department of Agriculture's Colorado River salinity control program:

- an assured source of funding,
- an appropriate duration for contracts with farm operators, and
- provisions for State-local cost sharing and repayment no more stringent than current requirements for incentive payments, and

other provisions which promote source water quality protection.

DETAILED REPORT:

Senators Lugar (R-Indiana) and Leahy (D-Vermont) have introduced S. 854, a bill to amend the Food Security Act of 1985 to improve the agricultural resources conservation program. The bill combines the Department of Agriculture's (Department) Colorado River Basin salinity control program with the agricultural conservation program, Great Plains conservation program, and water quality incentives program into an Environmental Quality Incentives Program (EQIP). It would also modify the Conservation Reserve Program and provide funding for several programs.

The bill establishes a priority system for award of federal cost-sharing payments and technical assistance for the newly created EQIP. Payments are based on the significance of soil, water, and related natural resource problems in a region, watershed, or conservation priority area, with a higher priority to:

- assistance and payments which maximize environmental benefits per dollar expended with this prioritization to be done nationally, as well as within the region, watershed, or conservation priority area,
- operators in which State and local governments have provided or will provide financial or technical assistance to the operators for the same purpose, and
- practices on lands on which agricultural production has potential to cause failure to meet water quality standards or other environmental objectives.

The bill provides no specific guidance to the Department as to whether each of the factors listed as higher priority are to be considered equally or whether the Department should assign weights in the evaluation process. If enacted, promulgation of implementing regulations would be necessary.

The bill provides that eligible lands include those that:

- the Secretary of Agriculture (Secretary) determines pose serious threat to soil, water, and related resources by reason of the soil types, terrain, climatic, soil, topographic, flood, or saline characteristics, or other factors or natural hazards,
- a State determines has priority problems due to agricultural non-point sources of pollution,
- are recommended by a State lead agency for protection of soil, water, and related resources, and
- would defeat the purpose of the EQIP if permitted to continue to operate under existing management practices.

The bill provides for a minimum of 75 percent federal cost sharing for structural practices as compared to 49 percent currently for the salinity control program. Structural practices include the establishment of an animal waste management facility, terrace, grassed waterway, contour grass strip, filterstrip, and permanent wildlife habitat. However, the bill gives the Secretary the

authority to make incentive payments for land management practices in an amount and at a rate determined by the Secretary, potentially providing a lower percentage of federal funding for technical assistance and/or incentive payments than the current 49 percent for the salinity control program. Land management practices include nutrient or manure management, integrated pest management, irrigation management, tillage or residue management, and grazing management. The bill promotes source water quality protection, but the broad nature of the eligibility criteria for EQIP could result in competition for limited funds among the salinity control program in the Colorado River Basin and other programs. Furthermore, the Federal EQIP cost-sharing payments are limited to \$10,000 for a one-year contract and \$50,000 for multiple-year contracts. In the past, the Department has issued on-farm Colorado River salinity control contracts for greater than the maximum specified in the bill. Finally, the bill provides guidance to the Secretary to limit the duration of EQIP contracts to between 5 and 10 years. Cost sharing payments for structural practices would be awarded on a competitive offer basis while technical assistance or incentive payments for land management practices would be awarded through an application and evaluation process.

Senator Leahy indicated in his Congressional Record remarks that the Commodity Credit Corporation would be authorized to use its borrowing authority to fund EQIP. However, the authority for the Secretary to use the funds of the Commodity Credit Corporation would be limited to fiscal years 1996 through 2005 only. For fiscal years 1996 and 1997, EQIP funds are to be allocated in the same proportion that existed between practices relating to crop production and livestock production in fiscal year 1995. For fiscal years 1998 through 2005, EQIP funding associated with crop production is to be no less than the total funding level for fiscal year 1995. For fiscal years 2000 through 2005, 50 percent of EQIP funding is to be targeted at practices relating to livestock production unless the Secretary determines the funding is not justified by need or demand.

The bill provides for temporary administration of the Colorado River Basin salinity control program under existing terms and conditions to the extent such terms and conditions are consistent with EQIP until 180 days from enactment or March 31, 1996, whichever is later. This raises a question as to whether the Department can promulgate regulations to implement EQIP within the timeframe which would be required.

Based on the bill's limitation on use of Commodity Credit Corporation funding of \$2.06 billion and a requirement to fund the Conservation Reserve Program (CRP), and Wetlands Reserve Program (WRP), funding for EQIP would be:

<u>Fiscal Year</u>	<u>Total</u> (billion)	<u>CRP</u> (billion)	<u>WRP</u> (billion)	<u>EQIP</u> (billion)
1996	\$2.06	\$1.81	\$0.15	\$0.11
1997	\$2.06	\$1.80	\$0.15	\$0.11
1998	\$2.06	\$1.49	\$0.15	\$0.43
1999	\$2.06	\$1.35	\$0.15	\$0.57
2000 through 2005	\$2.06	\$1.22	\$0.15	\$0.69

However, if contractual obligations exceed \$2.06 billion, payments would be prorated to ensure that payments do not exceed this amount.

It is interesting to note that the bill provides for Lake Champlain in Vermont to be a priority area under EQIP, yet provides no such status to any other area of the nation. Lastly, the bill would eliminate Section 202(c) of the Colorado River Basin Salinity Control Act which authorizes the Department's current cooperative salinity control program. Elimination of that section would create ambiguities with respect to other provisions of the law. For example, it is unclear what authority the Secretary of the Interior would have to obtain repayment of reimbursable costs already expended from the Upper Colorado River Basin Fund and the Lower Colorado River Basin Development Fund, for measures already implemented under Section 202(c). It is also unclear whether the Colorado River Basin states could request the Secretary of the Interior to draw on the two funds to provide the State cost-share under EQIP.

Our Colorado River Basin Management policy principles provide that Metropolitan continue to participate with the Colorado River Board of California and the other Colorado River Basin states in cooperative interstate efforts to control the salinity of Colorado River water. Our source water quality protection policy principles include support of federal legislative programs which:

- provide water quality protection for drinking water supplies,
- protect potential future uses of water bodies as drinking water supplies, and
- allow flexibility in the implementation of source water quality protection programs, recognizing that such programs will vary from site-to-site.

Based on these principles, staff is seeking amendments to S. 854 to provide for the Department of Agriculture's Colorado River salinity control program:

- an assured source of funding,
- an appropriate duration for contracts with farm operators, and
- provisions for State-local cost sharing and repayment no more stringent than current requirements, and

other provisions which promote source water quality protection.