

GEORGIA COST-SHARE PROGRAM: NEEDS AND CONSIDERATIONS

Jimmy R. Bramblett

AUTHOR: Water Resources Specialist/Adjunct Research Scientist, United States Department of Agriculture, Natural Resources Conservation Service, Federal Building, Athens, Georgia 30601/The University of Georgia, College of Agricultural and Environmental Sciences, Department of Agricultural and Applied Economics, Athens, Georgia 30602.

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Abstract. Georgia agriculture is a critical component of the state's economy, generating \$38.9 billion dollars annually. Of this total individual producers collectively generated \$7.9 billion dollars despite being subjected to extreme climatic and market conditions over the past three years. However, the average net farm income was only \$24,203 for 1997. In fact, some 58 percent of Georgia farms reported a net loss during that year. At the same time increasing concerns over water quality have resulted in new regulations requiring the adoption of practices imposing a significant cost to individual producers. A statewide agricultural cost-share program has been suggested as one possible tool to help producers offset the direct out-of-pocket expenses associated with conservation adoption. Georgia currently receives a limited amount of federal funds to mitigate the costs of implementing conservation practices. Unfortunately, these funds provide less than one-tenth of one percent of estimated needs. In 2000, the Natural Resources Conservation Service [NRCS], through local Soil and Water Conservation Districts, provided \$2.8 million to 417 land users under the agency's primary cost-share program, the Environmental Quality Incentives Program [EQIP]. During this same period, over 2,100 applicants requested an estimated \$14 million in cost-share funds. The need for a statewide cost-share program is evident; however, setting up such a program requires structural and organizational components be in place for successful administration.

INTRODUCTION

Agricultural producers manage land for the production of food and fiber. Technological advances, in conjunction with extremely committed individuals in the agricultural complex, have resulted in tremendous industrial production efficiency. In fact, US farmers produce enough food to feed themselves and XX other individuals. This efficiency is further recognized in the fact that we only spend about 12 percent of our income on food in this country. This is the lowest percentage of any industrialized nation in the world.

Georgia agriculture is a critical component of the state's economy. As an industry, it generates \$57 billion dollars annually and provides jobs for some 579,000 individuals across the state. Of this total, Georgia's 40,000 individual producers collectively generated \$7.9 billion dollars despite

being subjected to extreme climatic and market conditions over the past three years.

The average net farm income for 1997 was only \$24,203. This is 28% below the state median income of \$33,623. In fact, some 58 percent of Georgia farms reported a net loss during that year. Much of these dismal earnings reports from agricultural operations can be attributed to the fact that agricultural producers are "price-takers". They do not have the flexibility, as do virtually all other industrial agents, to pass along increased operating costs to a market that consumes their product.

Agricultural producers have been asked, and in some cases told, to do a better job of protecting the state's environment. Additional conservation actions can be expensive. It has been suggested that clean water is an "entitlement"; thereby, raising the question of who should pay for implementing agricultural BMP's on farms. Some have suggested a statewide agricultural cost-share program as one possible tool to help producers offset the direct out-of-pocket expenses associated with conservation adoption. Others have simply questioned the need for such a program in Georgia. Finally, some have articulated that a cost-share program for Georgia will be met with resounding success immediately.

The objectives of this paper are to answer the following questions:

1. Who should pay for the implementation of agricultural best management practices?
2. Is there a need for a State Cost Share Program?
3. What organizational-structural considerations must be addressed in order to have a successful Cost-Share Program?

COST-SHARE RATIONALE

Agriculture is an industry that introduces potential pollutants to the environment in the food production, processing, and distribution system. At the farm level, how producers manage potential pollutants determines the environmental sustainability of their farm, community, watershed, county, and region of the state. Proper management of potential pollutants helps improve water quality and reduce soil erosion.

Soil and water conservation activities result in numerous public benefits such as a reduced risk of public health hazards, increased swimming and fishing opportunities, decreased treatment costs for drinking water, greater assimilative capacity for development [a key concern for the Atlanta Metro Region], to name a few. When agricultural producers manage their operations to eliminate the potential for off-site non-point source pollution, then society becomes a beneficiary. Therefore, it is reasonable to ask who should pay for the additional costs associated with implementing BMP's; particularly when it is in response to regulatory pressures for cleaner water. Should agricultural producers pay, should society pay, or should both pay for BMP's?

This question is not a new one, in fact, it has been debated numerous times in Congress. A variety of Federal Programs to install conservation measures have been on the books for almost 47 years, beginning with the Small Watershed Program in 1954. Under this program, and many other programs, Congress has agreed that both agricultural producers and society should pay for the costs of implementing agricultural BMP's. The rate at which society pays has varied according to program objectives, expected participation rate, and natural resource issues being addressed. Currently, Federal cost-share programs provide for a rate of up to 75 percent. Even Section 319[h], Non-Point Source Implementation Grants, from the Clean Water Act provide for a cost-share rate of 60 percent of the installation BMP's in both farm and non-farm situations.

Pursuant to this rationale, other states in the southeast have also subscribed to this philosophy with a cost-share program of their own. Namely, that costs associated with the implementation of BMP's yield public benefits and therefore should be borne, at least in part, by society.

COST-SHARE NEEDS

Georgia currently receives a limited amount of federal funds to mitigate the costs of implementing conservation practices. Are these funds sufficient to meet the need for installing agricultural BMP's? Does this level of funding meet the current demand for cost-share funds in Georgia?

During the fall of 1999, UGA Scientist participating on the Animal Waste Awareness through Research and Extension Team [AWARE Team], and NRCS Technical Specialist collaborated to estimate how many dollars would be needed to install agricultural BMP's state-wide. To accomplish this the group of Scientists and Practitioners considered the 1996-97 list of impaired streams. Additionally, it was assumed that BMP's would be installed to NRCS standards and specifications. As a result, an estimated \$1.7 billion were needed on farms state-wide, with some \$700 million needing to be spent in watershed with streams on the state's 303[d] list.

Environmental Quality Incentives Program [EQIP]: During 2000, over 3,000 applicants requested an estimated

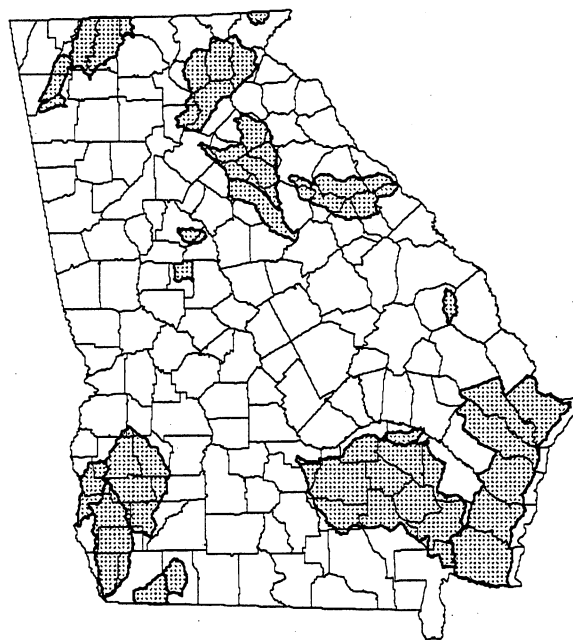


Figure 1. USDA Priority Area Map for Conservation Programs.

Source: USDA-NRCS; Special Projects Team; Athens, Georgia.

\$14 million through NRCS's main conservation program, EQIP. The program was only able to provide \$2.8 million to 417 Georgia producers through incentive payments for conservation practices recommended in a site-specific conservation plan. Some 62 percent of these funds were directed to Priority Areas [Figure 1].

Forestry Incentives Program [FIP]: Estimated funding needs for the year exceeded \$2.5 million while total funds obligated amounted \$697,000.

Out of the 960 landowners applying for funding on a requested 38,676 acres of land, 550 contracts were approved for the year on almost 12,000 acres. The vast majority of these contracts were for establishment of loblolly and slash pine for timber production. Landowners participating in the program planted 11,944 acres in the 1999-2000 planting season, resulting in nearly 8 million trees being planted.

Conservation Reserve Program [CRP]: CRP in Georgia offers landowners 10-15 year contracts to safeguard cropland acres by reducing soil erosion, sedimentation in streams and lakes, improving water quality, and establishing wildlife habitats. Through a competitive bid process, land is selected for enrollment that offers the greatest environmental benefits.

The CRP continuous sign-up allows producers to enroll high priority practices such as grassed waterways, filter strips, and riparian buffers at any time. During 2000, some 800 acres were enrolled under this process.

NRCS enrolled nearly 67,000 acres in 97 counties in CPR during 2000; however, another 53,162 acres expired from CRP contracts. Leaving a net gain of just less than 14,000 acres for the year.

Wetlands Reserve Program [WRP]: The main focus of WRP in Georgia has been to provide habitat for wildlife and migratory birds, including threatened and endangered species. Other benefits of wetlands include water quality, flood storage, erosion control, recreational opportunities, and carbon storage.

In 2000, NRCS installed restoration or enhancement practices on 2,666 acres of wetlands. Over 50 acres were enrolled in the WRP, bringing the total WRP acreage in easements to 4,735.

Since 1996, Georgia has established 10 permanent easements with payments totaling \$3,476,000 on 5,290 acres of degraded wetlands. Restoration payments total \$58,600. NRCS in Georgia has restored 318 acres at a cost of \$14,000 without an easement

Section 319[h] Non-Point Source Implement Grants:

The Georgia Soil and Water Conservation Commission, The University of Georgia, and several Georgia Resource Conservation and Development Councils have been working to augment federal cost-share programs via 319[h] Grants. In 2000, these organizations secured almost \$3 million to address issues related to agricultural BMP implementation.

Summary:

Currently there are five federal cost-share programs providing over \$5 million annually in incentives to private landowners for the purpose of implementing best management practices that improve water quality, reduce soil erosion, and improve wildlife habitats. NRCS also has a Small Watershed Program that occasionally supplements ongoing cost-share programs. Collectively, these programs fall far short of the estimated \$14 million requested, and even further short of the estimated \$1.7 billion needed to eliminate the potential for NPS pollution from farms.

Georgia is the only state in the southeast that does not offer state cost-share incentives to assist landowners and agricultural producers implement water quality improvement and conservation practices. Other states offer these programs, administered by their soil and water conservation agency; to derive public benefits from enhanced environmental sustainability. Other states in the region have responded to the need for environmental protection, and the realities of the agricultural economy, by developing cost-share programs to supplement the federal funds. For example, since 1986, the North Carolina legislature has appropriated nearly \$7 million annually for their state cost-share program, which assists farmers through financial incentives of up to 75 percent of the costs of installing BMP's. While, \$7 million will not meet all of Georgia's conservation needs for agriculture, or even the

demand for conservation funds from agriculture, it would more than double the amount of funds available for these purposes in this state on an annual basis.

COST-SHARE PROGRAM CONSIDERATIONS

The need for a state-cost share program is evident. The state agency that has been suggested to administer such a program is the Georgia Soil and Water Conservation Commission. However, developing and administering such a program requires much more than appropriating state funds with a mandate to go forth and do good. In fact, there are a number of fundamental considerations, which must be adequately addressed before any state cost-share program can be ready for success. The following list is a partial list of these considerations in alphabetical order:

Accounting – Some state unit of government must be designated and authorized to receive and disburse funds for the program.

Application Process – A consistent state-wide application form, and process, must be developed to ensure consistent and equitable consideration of all applicants. It must also demonstrate flexibility to allow for the diversity of Georgia agriculture.

Budgeting Process – A process to objectively identify conservation needs must be established. Conservation needs can then serve as a basis for formulating annual budget request.

Compliance/Eligibility – A process must be established to ensure producers are in compliance with environmental laws and Georgia permit requirements.

Compliance/Repayment – A process should be developed to identify and recapture state funds used for purposes other than those intended.

Contracting – Ensure that an adequate number of well-trained contracting personnel are in place.

Contracts – Develop a policy on contract length, implementation period, maintenance period, etc.

Cost-Share Method – Establish a cost-share method that includes cost-share to cover actual costs, actual not to exceed a maximum costs for specific BMP's, average annual costs for common BMP's, etc.

Cost-Share Practices – Identify which best management practices will be eligible for cost-sharing, and if this cost-sharing will be for implementation only, or if there will also be incentives for operation and maintenance.

Cost-Share Rates – Determine if cost-share rates will be standard for all practices [i.e. 65 percent], or if they will vary according to landowner groups [i.e. socially disadvantaged] or conservation needs [i.e. water quality, wildlife habitat, etc.]. Also, a maximum per year and life of the contract are normally established.

Educational Assistance – A state cost-share program should have funds included to provide educational assistance so that individuals and communities can know about the program, and details of the program.

Executive Board – There must be some oversight and decision-making body for program administration.

Landowner Policies – Determine who is eligible for cost-share [i.e. renting vs. owning], what happens when farms are sold, and the policy to implement upon the death of an agricultural operator.

Reporting Requirements – Identify documentation requirements of individual producers for cost-share funds. Also, identify when and how state agency's reporting on the use of state funds.

Ranking Criteria – Determine which factors should be included to determine the allocation of state funds to individuals, regions of the state, or conservation issues of concern.

Technical Assistance – A state cost-share program should include funds to ensure that an adequate number of well-trained technical specialists are recommending appropriate BMPs to provide the maximum on-farm and off-farm benefits for the site-specific situation.

Training - A state cost-share program should include funds to develop and deliver necessary training to personnel that will ensure successful administration of a highly technical program.

The Georgia Soil and Water Conservation Commission [GSWCC] is uniquely positioned to administer such a program through their unique delivery system associated with the State's 40 Soil and Water Conservation Districts. However, if GSWCC is the state agency tapped for such a responsibility, they should be adequately compensated, beyond conceived cost-share funds going to private landowners. This is particularly true for the first few years of such an initiative to address the considerations identified above, which will provide them with a fair opportunity to develop a successful program.

CONCLUSION

Establishing a state agricultural cost-share program is a formidable challenge. Yet, the agricultural community has demonstrated the ability to rise to such challenges through a cooperative spirit among private landowners, industrial trade groups, and government agencies. The purposes of this paper were to:

1. Discuss who should pay for the implementation of agricultural best management practices.
2. Document the need for a State Cost Share Program.
3. Identify organizational-structural that considerations must be addressed in order to have a successful Cost-Share Program.

An overall rationale for a state cost-share program is that everyone should participate in sharing the costs since everyone, ultimately, benefits from the implementation BMPs on farms. The need for such a program in Georgia

was overwhelmingly documented, principally by the fact that some \$1.7 billion dollars are needed, \$14 million are requested through EQIP alone, and only \$5 million are available. Finally, the need to provide adequate support, beyond the issuance of state funds to private landowners, was presented. It is obvious that a state cost-share program is a highly technical process that will require a significant investment on the part of all Georgians. Other states across the southeast have concluded that the benefits associated with this type of investment far outweigh the costs.

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