

SEC. 2204. CHANGES IN OWNERSHIP; AGREEMENT MODIFICATION; TERMINATION.

Section 1237E(a) of the Food Security Act of 1985 (16 U.S.C. 3837e(a)) is amended by striking paragraph (2) and inserting the following:

“(2)(A) the ownership change occurred because of foreclosure on the land; and

“(B) immediately before the foreclosure, the owner of the land exercises a right of redemption from the mortgage holder in accordance with State law; or”.

Subtitle D—Environmental Quality Incentives

SEC. 2301. ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.

Chapter 4 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3839aa et seq.) is amended to read as follows:

“SEC. 1240. PURPOSES.

16 USC 3839aa.

“The purposes of the environmental quality incentives program established by this chapter are to promote agricultural production and environmental quality as compatible goals, and to optimize environmental benefits, by—

“(1) assisting producers in complying with local, State, and national regulatory requirements concerning—

“(A) soil, water, and air quality;

“(B) wildlife habitat; and

“(C) surface and ground water conservation;

“(2) avoiding, to the maximum extent practicable, the need for resource and regulatory programs by assisting producers in protecting soil, water, air, and related natural resources and meeting environmental quality criteria established by Federal, State, tribal, and local agencies;

“(3) providing flexible assistance to producers to install and maintain conservation practices that enhance soil, water, related natural resources (including grazing land and wetland), and wildlife while sustaining production of food and fiber;

“(4) assisting producers to make beneficial, cost effective changes to cropping systems, grazing management, nutrient management associated with livestock, pest or irrigation management, or other practices on agricultural land; and

“(5) consolidating and streamlining conservation planning and regulatory compliance processes to reduce administrative burdens on producers and the cost of achieving environmental goals.

“SEC. 1240A. DEFINITIONS.16 USC
3839aa-1.

“In this chapter:

“(1) **BEGINNING FARMER OR RANCHER.**—The term ‘beginning farmer or rancher’ has the meaning provided under section 343(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1999(a)).

“(2) **ELIGIBLE LAND.**—

“(A) **IN GENERAL.**—The term ‘eligible land’ means land on which agricultural commodities or livestock are produced.

“(B) INCLUSIONS.—The term ‘eligible land’ includes—

“(i) cropland;

“(ii) grassland;

“(iii) rangeland;

“(iv) pasture land;

“(v) private, nonindustrial forest land; and

“(vi) other agricultural land that the Secretary determines poses a serious threat to soil, air, water, or related resources.

“(3) LAND MANAGEMENT PRACTICE.—The term ‘land management practice’ means a site-specific nutrient or manure management, integrated pest management, irrigation management, tillage or residue management, grazing management, air quality management, or other land management practice carried out on eligible land that the Secretary determines is needed to protect from degradation, in the most cost-effective manner, water, soil, or related resources.

“(4) LIVESTOCK.—The term ‘livestock’ means dairy cattle, beef cattle, laying hens, broilers, turkeys, swine, sheep, and other such animals as are determined by the Secretary.

“(5) PRACTICE.—The term ‘practice’ means 1 or more structural practices, land management practices, and comprehensive nutrient management planning practices.

“(6) STRUCTURAL PRACTICE.—The term ‘structural practice’ means—

“(A) the establishment on eligible land of a site-specific animal waste management facility, terrace, grassed waterway, contour grass strip, filterstrip, tailwater pit, permanent wildlife habitat, constructed wetland, or other structural practice that the Secretary determines is needed to protect, in the most cost effective manner, water, soil, or related resources from degradation; and

“(B) the capping of abandoned wells on eligible land.

16 USC
3839aa-2.

“SEC. 1240B. ESTABLISHMENT AND ADMINISTRATION OF ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.

“(a) ESTABLISHMENT.—

“(1) IN GENERAL.—During each of the 2002 through 2007 fiscal years, the Secretary shall provide cost-share payments and incentive payments to producers that enter into contracts with the Secretary under the program.

“(2) ELIGIBLE PRACTICES.—With respect to practices implemented under this chapter—

“(A) a producer that implements a structural practice in accordance with this chapter shall be eligible to receive cost-share payments; and

“(B) a producer that implements a land management practice, or develops a comprehensive nutrient management plan, in accordance with this chapter shall be eligible to receive incentive payments.

“(b) PRACTICES AND TERM.—

“(1) PRACTICES.—A contract under this chapter may apply to 1 or more structural practices, land management practices, and comprehensive nutrient management practices.

“(2) TERM.—A contract under this chapter shall have a term that—

“(A) at a minimum, is equal to the period beginning on the date on which the contract is entered into and ending on the date that is 1 year after the date on which all practices under the contract have been implemented; but

“(B) not to exceed 10 years.

“(c) BIDDING DOWN.—If the Secretary determines that the environmental values of 2 or more applications for cost-share payments or incentive payments are comparable, the Secretary shall not assign a higher priority to the application only because it would present the least cost to the program established under the program.

“(d) COST-SHARE PAYMENTS.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the cost-share payments provided to a producer proposing to implement 1 or more practices under the program shall be not more than 75 percent of the cost of the practice, as determined by the Secretary.

“(2) EXCEPTIONS.—

“(A) LIMITED RESOURCE AND BEGINNING FARMERS.—

The Secretary may increase the amount provided to a producer under paragraph (1) to not more than 90 percent if the producer is a limited resource or beginning farmer or rancher, as determined by the Secretary.

“(B) COST-SHARE ASSISTANCE FROM OTHER SOURCES.—

Except as provided in paragraph (3), any cost-share payments received by a producer from a State or private organization or person for the implementation of 1 or more practices on eligible land of the producer shall be in addition to the payments provided to the producer under paragraph (1).

“(3) OTHER PAYMENTS.—A producer shall not be eligible for cost-share payments for practices on eligible land under the program if the producer receives cost-share payments or other benefits for the same practice on the same land under chapter 1 and the program.

“(e) INCENTIVE PAYMENTS.—

“(1) IN GENERAL.—The Secretary shall make incentive payments in an amount and at a rate determined by the Secretary to be necessary to encourage a producer to perform 1 or more land management practices.

“(2) SPECIAL RULE.—In determining the amount and rate of incentive payments, the Secretary may accord great significance to a practice that promotes residue, nutrient, pest, invasive species, or air quality management.

“(f) MODIFICATION OR TERMINATION OF CONTRACTS.—

“(1) VOLUNTARY MODIFICATION OR TERMINATION.—The Secretary may modify or terminate a contract entered into with a producer under this chapter if—

“(A) the producer agrees to the modification or termination; and

“(B) the Secretary determines that the modification or termination is in the public interest.

“(2) INVOLUNTARY TERMINATION.—The Secretary may terminate a contract under this chapter if the Secretary determines that the producer violated the contract.

“(g) ALLOCATION OF FUNDING.—For each of fiscal years 2002 through 2007, 60 percent of the funds made available for cost-share payments and incentive payments under this chapter shall be targeted at practices relating to livestock production.

16 USC
3839aa-3.

“SEC. 1240C. EVALUATION OF OFFERS AND PAYMENTS.

“In evaluating applications for cost-share payments and incentive payments, the Secretary shall accord a higher priority to assistance and payments that—

“(1) encourage the use by producers of cost-effective conservation practices; and

“(2) address national conservation priorities.

16 USC
3839aa-4.

“SEC. 1240D. DUTIES OF PRODUCERS.

“To receive technical assistance, cost-share payments, or incentive payments under the program, a producer shall agree—

“(1) to implement an environmental quality incentives program plan (including a comprehensive nutrient management plan, if applicable) that describes conservation and environmental purposes to be achieved through 1 or more practices that are approved by the Secretary;

“(2) not to conduct any practices on the farm or ranch that would tend to defeat the purposes of the program;

“(3) on the violation of a term or condition of the contract at anytime the producer has control of the land—

“(A) if the Secretary determines that the violation warrants termination of the contract—

“(i) to forfeit all rights to receive payments under the contract; and

“(ii) to refund to the Secretary all or a portion of the payments received by the owner or operator under the contract, including any interest on the payments, as determined by the Secretary; or

“(B) if the Secretary determines that the violation does not warrant termination of the contract, to refund to the Secretary, or accept adjustments to, the payments provided to the owner or operator, as the Secretary determines to be appropriate;

“(4) on the transfer of the right and interest of the producer in land subject to the contract, unless the transferee of the right and interest agrees with the Secretary to assume all obligations of the contract, to refund all cost-share payments and incentive payments received under the program, as determined by the Secretary;

“(5) to supply information as required by the Secretary to determine compliance with the program plan and requirements of the program; and

“(6) to comply with such additional provisions as the Secretary determines are necessary to carry out the program plan.

16 USC
3839aa-5.

“SEC. 1240E. ENVIRONMENTAL QUALITY INCENTIVES PROGRAM PLAN.

“(a) IN GENERAL.—To be eligible to receive cost-share payments or incentive payments under the program, a producer shall submit to the Secretary for approval a plan of operations that—

“(1) specifies practices covered under the program;

“(2) includes such terms and conditions as the Secretary considers necessary to carry out the program, including a

description of the purposes to be met by the implementation of the plan; and

“(3) in the case of a confined livestock feeding operation, provides for development and implementation of a comprehensive nutrient management plan, if applicable.

“(b) AVOIDANCE OF DUPLICATION.—The Secretary shall, to the maximum extent practicable, eliminate duplication of planning activities under the program under this chapter and comparable conservation programs.

“SEC. 1240F. DUTIES OF THE SECRETARY.

16 USC
3839aa-6.

“To the extent appropriate, the Secretary shall assist a producer in achieving the conservation and environmental goals of a program plan by—

“(1) providing cost-share payments or incentive payments for developing and implementing 1 or more practices, as appropriate; and

“(2) providing the producer with information and training to aid in implementation of the plan.

“SEC. 1240G. LIMITATION ON PAYMENTS.

16 USC
3839aa-7.

“An individual or entity may not receive, directly or indirectly, cost-share or incentive payments under this chapter that, in the aggregate, exceed \$450,000 for all contracts entered into under this chapter by the individual or entity during the period of fiscal years 2002 through 2007, regardless of the number of contracts entered into under this chapter by the individual or entity.

“SEC. 1240H. CONSERVATION INNOVATION GRANTS.

16 USC
3839aa-8.

“(a) IN GENERAL.—The Secretary may pay the cost of competitive grants that are intended to stimulate innovative approaches to leveraging Federal investment in environmental enhancement and protection, in conjunction with agricultural production, through the program.

“(b) USE.—The Secretary may provide grants under this section to governmental and nongovernmental organizations and persons, on a competitive basis, to carry out projects that—

“(1) involve producers that are eligible for payments or technical assistance under the program;

“(2) implement projects, such as—

“(A) market systems for pollution reduction; and

“(B) innovative conservation practices, including the storing of carbon in the soil; and

“(3) leverage funds made available to carry out the program under this chapter with matching funds provided by State and local governments and private organizations to promote environmental enhancement and protection in conjunction with agricultural production.

“(c) COST SHARE.—The amount of a grant made under this section to carry out a project shall not exceed 50 percent of the cost of the project.

“SEC. 1240I. GROUND AND SURFACE WATER CONSERVATION.

16 USC
3839aa-9.

“(a) ESTABLISHMENT.—In carrying out the program under this chapter, subject to subsection (b), the Secretary shall promote ground and surface water conservation by providing cost-share payments, incentive payments, and loans to producers to carry out

eligible water conservation activities with respect to the agricultural operations of producers, to—

“(1) improve irrigation systems;

“(2) enhance irrigation efficiencies;

“(3) convert to—

“(A) the production of less water-intensive agricultural commodities; or

“(B) dryland farming;

“(4) improve the storage of water through measures such as water banking and groundwater recharge;

“(5) mitigate the effects of drought; or

“(6) institute other measures that improve groundwater and surface water conservation, as determined by the Secretary, in the agricultural operations of producers.

“(b) NET SAVINGS.—The Secretary may provide assistance to a producer under this section only if the Secretary determines that the assistance will facilitate a conservation measure that results in a net savings in groundwater or surface water resources in the agricultural operation of the producer.

“(c) FUNDING.—Of the funds of the Commodity Credit Corporation, in addition to amounts made available under section 1241(a)(6) to carry out this chapter, the Secretary shall use—

“(1) to carry out this section—

“(A) \$25,000,000 for fiscal year 2002;

“(B) \$45,000,000 for fiscal year 2003; and

“(C) \$60,000,000 for each of fiscal years 2004 through 2007; and

“(2) \$50,000,000 to carry out water conservation activities in Klamath Basin, California and Oregon, to be made available as soon as practicable after the date of enactment of this section.”.

Subtitle E—Grassland Reserve

SEC. 2401. GRASSLAND RESERVE PROGRAM.

Chapter 2 of the Food Security Act of 1985 (as amended by section 2001) is amended by adding at the end the following:

“Subchapter C—Grassland Reserve Program

16 USC 3838n.

“SEC. 1238N. GRASSLAND RESERVE PROGRAM.

“(a) ESTABLISHMENT.—The Secretary shall establish a grassland reserve program (referred to in this subchapter as the ‘program’) to assist owners in restoring and conserving eligible land described in subsection (c).

“(b) ENROLLMENT CONDITIONS.—

“(1) MAXIMUM ENROLLMENT.—The total number of acres enrolled in the program shall not exceed 2,000,000 acres of restored or improved grassland, rangeland, and pastureland.

“(2) METHODS OF ENROLLMENT.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary shall enroll in the program from a willing owner not less than 40 contiguous acres of land through the use of—

“(i) a 10-year, 15-year, or 20-year rental agreement;