Transforming "Working Lands" Conservation Budgets into Environmental Gains

Since 2002, Federal expenditures have increased for all major conservation programs, though the majority of new money has gone to "working land" programs that support conservation on farmland.

Spending increases alone, however, do not guarantee cost-effective returns. The details of conservation program design—eligibility rules, participation incentives, and rules for accepting (or rejecting) applications—can help ensure that program funding goes to those in the best position to make environmental improvements.

Program designers can maximize returns by targeting producers, land, and practices that deliver a high level of environmental gain per dollar of program payment. Conservation program enrollment can be seen as a "winnowing" process to determine who participates and, ultimately, program outcomes, including changes in environmental quality and farm income.



Conservation Program Enrollment as a Winnowing Process

Government Request for Proposals (Signup Notice)

The government tells producers:

- Who is eligible to participate
- What practices could be funded
- How much could producers be paid
 Some programs allow applicants to
 "bid down" to improve enrollment
 chances; others offer fixed-cost
 share rates and incentive payments.
- What application ranking or targeting criteria will be used
 Some programs rank by potential environmental gain and cost; others take applicants on a first-come, firstserved basis.

Producers' Application Decision

Eligible producers tell the government:

- Which conservation treatments they are willing to apply (if any) and on which fields or livestock enterprises.
- Payment they would be willing to accept (if asked to bid on financial assistance).

Government Contract

The government uses information in the applications to:

Acceptance Decision

- Estimate environmental gain
- Rank offers for acceptance
- Accept contracts until the program budget is exhausted

When budget constraints limit the number of applications that can be accepted, producer offers can be prioritized by outcome potential and contract cost can be prioritized by their environmental outcome potential and contract cost.

Program Outcomes

Environmental gains depend upon:

- Producers' willingness to participate
- The government's ability to maximize environmental gain given limited program budgets

Key features of a cost-effective program may include:

- Competitive bidding to encourage producers to offer land and practices that yield high environmental gain at low cost.
- Environmental benefit/cost ranking to ensure that high-benefit, low-cost applications are accepted.

