



Highlights of [GAO-06-969](#), a report to the Ranking Democratic Member, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

Why GAO Did This Study

The Environmental Quality Incentives Program (EQIP) assists agricultural producers who install conservation practices, such as planting vegetation along streams and installing waste storage facilities, to address impairments to water, air, and soil caused by agriculture or to conserve water. EQIP is a voluntary program managed by the U.S. Department of Agriculture's (USDA) Natural Resources Conservation Service (NRCS). NRCS allocates about \$1 billion in financial and technical assistance funds to states annually. About \$650 million of the funds are allocated through a general financial assistance formula.

As requested, GAO reviewed whether USDA's process for allocating EQIP funds to states is consistent with the program's purposes and whether USDA has developed outcome-based measures to monitor program performance. To address these issues, GAO, in part, examined the factors and weights in the general financial assistance formula.

What GAO Recommends

GAO recommends, among other things, that NRCS document its rationale for the factors and weights in its general financial assistance formula and use current and accurate data. USDA agreed with GAO that the formula needed review. USDA did not agree with GAO's view that NRCS's funding process does not clearly link to EQIP's purpose of optimizing environmental benefits. It believes that the funding process clearly links to EQIP's purpose, but it has not documented the link.

www.gao.gov/cgi-bin/getrpt?GAO-06-969.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Daniel Bertoni at (202) 512-3841 or bertonid@gao.gov.

AGRICULTURAL CONSERVATION

USDA Should Improve Its Process for Allocating Funds to States for the Environmental Quality Incentives Program

What GAO Found

NRCS's process for providing EQIP funds to states is not clearly linked to the program's purpose of optimizing environmental benefits; as such, NRCS may not be directing funds to states with the most significant environmental concerns arising from agricultural production. To allocate most EQIP funds, NRCS uses a general financial assistance formula that consists of 31 factors, including such measures as acres of cropland, miles of impaired rivers and streams, and acres of specialty cropland. However, this formula has several weaknesses. In particular, while the 31 factors in the financial assistance formula and the weights associated with each factor give the formula an appearance of precision, NRCS does not have a specific, documented rationale for (1) why it included each factor in the formula, (2) how it assigns and adjusts the weight for each factor, and (3) how each factor contributes to accomplishing the program's purpose of optimizing environmental benefits. Factors and weights are important because a small adjustment can shift the amount of funding allocated to each state on the basis of that factor and, ultimately, the amount of money each state receives. For example, in 2006, a 1 percent increase in the weight of any factor would have resulted in \$6.5 million more allocated on the basis of that factor and a reduction of 1 percent in money allocated for other factors. In addition to weaknesses in documenting the design of the formula, some data NRCS uses in the formula to make financial decisions are questionable or outdated. For example, the formula does not use the most recent data available for 6 of the 31 factors, including commercial fertilizers applied to cropland. As a result, any recent changes in a state's agricultural or environmental status are not reflected in the funding for these factors. During the course of GAO's review, NRCS announced plans to reassess its EQIP financial assistance formula.

NRCS recently developed a set of long-term, outcome-based performance measures to assess changes to the environment resulting from EQIP practices. The agency is also in the process of developing computer models and other data collection methods that will allow it to assess these measures. Thus, over time, NRCS should ultimately have more complete information on which to gauge program performance and better direct EQIP funds to areas of the country that need the most improvement.