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## Policy Design Case Study: EQIP and the Inflation Reduction Act

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August has arrived; named by the Ancient Romans for Augustus Ceasar, it is the last full month of the summer season and the beginning of the end of the dog days of summer (Boeckmann, [June 28, 2024](#); Andrew, [July 18, 2024](#); Avet, [Terrebonne Parish Library](#); Boeckmann, [June 21, 2024](#)). It is also when Congress takes its annual month-long recess, a practice that traces to 1968 (U.S. Senate, [August 11, 2023](#); Staneck, [August 4, 2014](#)). With no Farm Bill on the horizon, this week’s article returns to the Inflation Reduction Act and analysis of the conservation investments by USDA. In terms of policy design, the IRA offers a potential case study via implementation of the Congressional direction on use of the funds and how practices drive allocations.

### Background

On August 16, 2022, President Joe Biden signed into law the Inflation Reduction Act of 2022 (P.L. [117-169](#)). Among other things, the Inflation Reduction Act (IRA) included an \$18 billion investment of additional funds appropriated to four Farm Bill Conservation programs: Environmental Quality Incentives Program (EQIP); Conservation Stewardship Program (CSP); Agricultural Conservation Easement Program (ACEP); and Regional Conservation Partnership Program (RCPP). Technically, Congress appropriated specific additional funding for each program which is known as Budget Authority (BA). The funds appropriated are available to USDA to spend on conservation practice assistance to farmers. Importantly, Congress limited the use of the funds for only those conservation practices that USDA determined “directly improve soil carbon, reduce nitrogen losses, or reduce, capture, avoid, or sequester carbon dioxide, methane, or nitrous oxide emissions, associated with agricultural production” (P.L. [117-169](#)). Figure 1 summarizes a comparison of the Congressional directives in the Farm Bill and the IRA for EQIP.

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# Figure 1. Comparing Congressional Directives for EQIP

**Farm Bill (16 U.S.C. §3839aa-1)**

**Part IV—Environmental Quality Incentives Program** (sections 3839aa to 3839aa-2)

Part IV—Front Matter

**subpart a—environmental quality incentives**

subpart a—Front Matter

Sec. 3839aa. Purposes

Sec. 3839aa-1. Definitions

Sec. 3839aa-2. Establishment and maintenance of program

Sec. 3839aa-3. Evaluation of applications

Sec. 3839aa-4. Duties of producer

Sec. 3839aa-5. Environmental quality incentives

Sec. 3839aa-6. Duties of the Secretary

Sec. 3839aa-7. Limitation on payment

**(6) Practice**

The term "practice" means 1 or more improvements and conservation activities that are consistent with the purposes of the program under this subpart, as determined by the Secretary, including-

(A) improvements to eligible land of the producer, including-

(i) structural practices;

(ii) land management practices;

(iii) vegetative practices;

(iv) forest management;

(v) soil testing;

(vi) soil remediation to be carried out by the producer; and

(vii) other practices that the Secretary determines would further the purposes of the program; and

(1) to carry out, using the facilities and authorities of the Commodity Credit Corporation, the environmental quality incentives program under subchapter A of chapter 4 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3839aa through 3839aa-8)--

(A)(i) \$250,000,000 for fiscal year 2023;

(ii) \$1,750,000,000 for fiscal year 2024;

(iii) \$3,000,000,000 for fiscal year 2025; and

(iv) \$3,450,000,000 for fiscal year 2026; and

(B) subject to the conditions on the use of the funds that--

(i) section 12400(f)(1) of the Food Security Act of 1985 (16 U.S.C. 3839aa-2(f)(1)) shall not apply;

[Page 136 STAT. 2016]

(ii) <NOTE: Applicability.> section 12400(c)(2) of the Food Security Act of 1985 (16 U.S.C. 3839aa-8(c)(2)) shall be applied--

(I) by substituting "\$50,000,000" for "\$25,000,000"; and

(II) with the Secretary prioritizing proposals that utilize diet and feed management to reduce enteric methane emissions from ruminants; and

(iii) <NOTE: Determination.> the funds shall be available for 1 or more agricultural conservation practices or enhancements that the Secretary determines directly improve soil carbon, reduce nitrogen losses, or reduce, capture, avoid, or sequester carbon dioxide, methane, or nitrous oxide emissions, associated with agricultural production;

**Inflation Reduction Act (P.L. 117-169)**

The conservation funding in the IRA provides a potential policy design case study because Congress both added funding and limited the use of that funding. Depending on how USDA operates the allocation of this additional funding, the IRA can provide useful comparisons with the conservation programs in the Farm Bill, which are the same programs but with different funding levels and for more practices. The discussion below reviews the data reported by USDA’s Natural Resources Conservation Services for Inflation Reduction Act funding through the Environmental Quality Incentives Program (EQIP), which is the primary working-lands conservation program and provides cost-share assistance for adopting conservation practices (NRCS: [RCA Data Viewer](#); see also, *farmdoc daily*, [April 13, 2023](#)).

## Discussion

In the Inflation Reduction Act, Congress appropriated a total of \$8.45 billion of additional funds to EQIP for the limited set of practices quoted above. The appropriations were in fixed amounts through fiscal year (FY) 2026 but are available for NRCS to obligate through FY2031. For FY2023, Congress appropriated \$250 million; by comparison, the Farm Bill provided \$2.025 billion for EQIP in FY2023 for a total of \$2.275 billion in EQIP funding, of which IRA is about 11% ([16 U.S.C. §3841](#)). NRCS has translated the appropriations and Congressional directive for FY2023 and FY2024 (see, USDA-NRCS, “[Climate-Smart Mitigation Activities](#)” and “[Climate-Smart Agriculture and Forestry \(CSAF\) Mitigation Activities List for FY2024](#),” [November 2023](#) and for [FY2023](#)). Close observers will note that NRCS reports funding for some practices that are not listed. NRCS explains that some conservation practices “facilitate the management or the function” of a listed practice, although not meeting the Congressional intent or not having a “quantifiable benefit” and provides examples. While understandable, this does raise questions about whether such practices should be receiving the limited IRA funds or should be funded through existing Farm Bill funds. This may also present a question of timing, in that the appropriated funds increase from FY2023 to FY2026 which may argue for starting with a more limited set of practices before increasing them.

NRCS reports a wealth of data on conservation practices and funding (NRCS: [RCA Data Viewer](#)). Depending on the specific download (Total, State, Congressional District, or County), NRCS reports between \$126.7 million (County) and \$144.6 million (State) in total obligations for FY2023 from the IRA EQIP appropriations. The IRA funds account for nearly 9% of total EQIP conservation spending in FY2023 (both Farm Bill and IRA). Using the Total download, NRCS reports 155 practices received funding from Farm Bill EQIP funds in FY2023 (249 practices have received some funds from 2019 to 2023) and 82 practices received funding from the IRA EQIP appropriation. Overall, 9% of IRA funding for EQIP is allocated to roughly 53% of the total practices funded by Farm Bill. Table 1 provides more detail

on the top 25 practices funded with IRA appropriations, including amount, share of total IRA funding and ranking. Table 1 also compares IRA funding in FY2023 with the FY2023 Farm Bill funding and the total Farm Bill funding from FY2019 to FY2023 for the top 25 IRA funded practices. For example, cover crops received the largest share of IRA and Farm Bill funding with 22% of IRA funds and 7% of FY2023 (4.25% of FY2019-2023) Farm Bill funds allocated to that practice.

Practice	FY2023						Total FY2019-2023		
	IRA			Farm Bill			Farm Bill		
	Amount	Share	Rank	Amount	Share	Rank	Amount	Share	Rank
Cover Crop (340)	\$31,540,624	22.13%	1	\$108,751,645	7.35%	1	\$510,277,839	4.25%	1
Forest Stand Improvement (666)	\$14,279,101	10.02%	2	\$44,555,491	3.01%	9	\$210,540,696	1.75%	8
Nutrient Management (590)	\$9,054,171	6.35%	3	\$26,148,249	1.77%	18	\$108,574,539	0.90%	18
Prescribed Grazing (528)	\$7,847,195	5.51%	4	\$26,548,868	1.79%	17	\$97,072,562	0.81%	19
Fence (382)	\$6,739,687	4.73%	5	\$79,354,667	5.36%	3	\$342,210,663	2.85%	2
Brush Management (314)	\$6,174,630	4.33%	6	\$80,118,153	5.41%	2	\$340,232,414	2.83%	3
Upland Wildlife Habitat Management (645)	\$6,080,438	4.27%	7	\$5,059,022	0.34%	51	\$23,607,029	0.20%	48
Tree/Shrub Establishment (612)	\$5,684,653	3.99%	8	\$32,690,056	2.21%	13	\$141,629,953	1.18%	13
Pasture and Hay Planting (512)	\$5,276,917	3.70%	9	\$42,907,852	2.90%	10	\$154,235,883	1.28%	10
Residue and Tillage Management, No Till (329)	\$3,820,813	2.68%	10	\$13,815,974	0.93%	33	\$54,229,750	0.45%	31
Energy Efficient Agricultural Operation (374)	\$3,420,425	2.40%	11	\$16,808,708	1.14%	26	\$60,649,085	0.50%	29
Energy Efficient Building Envelope (672)	\$3,263,262	2.29%	12	\$14,605,856	0.99%	29	\$48,171,135	0.40%	33
Residue and Tillage Management, Reduced Till (345)	\$3,193,272	2.24%	13	\$7,744,890	0.52%	44	\$33,169,605	0.28%	40
Livestock Pipeline (516)	\$2,827,217	1.98%	14	\$41,876,732	2.83%	11	\$170,579,022	1.42%	9
Combustion System Improvement (372)	\$2,447,332	1.72%	15	\$20,514,846	1.39%	21	\$111,370,562	0.93%	17
Tree/Shrub Site Preparation (490)	\$2,302,771	1.62%	16	\$16,450,479	1.11%	27	\$75,777,608	0.63%	21
Heavy Use Area Protection (561)	\$2,246,952	1.58%	17	\$37,031,479	2.50%	12	\$148,587,968	1.24%	11
Watering Facility (614)	\$2,118,375	1.49%	18	\$30,363,404	2.05%	16	\$123,343,443	1.03%	15
Woody Residue Treatment (384)	\$2,088,230	1.47%	19	\$17,330,179	1.17%	25	\$73,483,596	0.61%	22
Water Well (642)	\$1,840,251	1.29%	20	\$23,575,012	1.59%	19	\$87,732,685	0.73%	20
Sprinkler System (442)	\$1,765,707	1.24%	21	\$70,603,305	4.77%	5	\$280,113,648	2.33%	5
Mulching (484)	\$1,558,254	1.09%	22	\$7,918,910	0.53%	42	\$30,891,779	0.26%	42
Conservation Crop Rotation (328)	\$1,407,890	0.99%	23	\$10,759,421	0.73%	37	\$35,475,721	0.30%	38
Waste Storage Facility (313)	\$1,364,133	0.96%	24	\$62,904,804	4.25%	7	\$249,682,537	2.08%	6
Pumping Plant (533)	\$1,272,680	0.89%	25	\$32,069,611	2.17%	15	\$116,220,296	0.97%	16
<i>Top 25 Practices-Total</i>	\$129,614,980	90.95%		\$870,507,613	58.81%		\$3,627,860,018	60.50%	
<b>farmdocDAILY</b> <i>Total All</i>	\$142,508,519			\$1,480,302,973			\$5,996,247,972		

In the Farm Bill, Congress authorized categories of practices eligible to receive EQIP funding and allocates at least half of the funds for livestock production and grazing management ([16 U.S.C. §3839aa-1](#); [16 U.S.C. §3839aa-2](#)). In the IRA, Congress directed that the additional funds be used for a subset of those practices but left much to the discretion of USDA. Decisions by USDA officials as to which practices meet Congressional determine the allocation of funds among the States and farmers. The Policy Design Lab has been updated to include the IRA funding for EQIP with visualizations for the funds spent in FY2023 (see *farmdoc daily*, [April 13, 2023](#)). It also applies that allocation of funds to the total Budget Authority to project the allocations by State and conservation practices for the entire IRA appropriation. Users can select visualizations by conservation practice for analysis of funding allocations by State, including multiple practices for comparative and performance analysis.



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