The Challenge

- 20-25 million acres
  - 9 M of high conservation value in CV and CC alone
  - Birds, vernal pools, kit fox, k-rat, CTS, etc.
- Threat of conversation
  - Houses, vines, trees
  - 1 M acres may be lost over next 20 years
- Stewardship needs
  - Invasives
  - Erosion
California ranchers responding to a survey reported that, in 2009:

- 38% lost money
- 19% broke even
- 42% made money

- Of those reporting a profit, 70% reported annual profits of less than $10,000
Connecting the dots

• Problem: Disconnect
  – Significant public benefits
  – Limited public funding

• Solution: Connect
  – Public policy
  – Public funding
Interesting times
• **KEY BUDGET FACTS**

• **OVERALL 2011 SPENDING:** $3.834 TRILLION.

• **2011 DISCRETIONARY SPENDING:** $1.415 TRILLION.

• **2011 PROJECTED DEFICIT:** $1.267 TRILLION OR 8.3 PERCENT OF GDP (DOWN FROM $1.556 TRILLION OR 10.6 PERCENT OF GDP IN 2010).
A tale of two budgets

- Administration
- Commitment to “full funding” of LWCF
- America’s Great Outdoors

- Congress
- Deficit reduction
- House CR for FY 2011
Budget History for Land Water Conservation Fund

- Federal
- State
- Cooperative Endangered Species Fund
- Forest Legacy
Budget History for Federal Land Acquisition

- Bureau of Land Management Land Acquisition
- National Park Service Land Acquisition
- U.S. Fish and Wildlife Service Land Acquisition
- USFS Land Acquisition
- NOAA - NERRS Land Acquisition
Budget History for State and Local Land Acquisition

State & Tribal Wildlife Grants

North American Wetlands Conservation Fund
Reality check

• Domestic discretionary is a small part of the budget
• Overall cuts to “domestic non-defense discretionary spending” about 15 percent
• Cuts to some key conservation programs 90-100%
• 100 is greater than 15
• 100-100 equals zero
• Zero is a very low number
Down on the Farm (Bill)
Farm Bill history
Farm Bill history

• 1930’s—Depression
  – 1 in 4 Americans lived on farms
  – Farm income dropped 52% between 1929 and 1933
  – In 1933 rural incomes were 40% of urban incomes

• 1933 “Agricultural Adjustment Act”
  – Farm programs were best way to get cash to rural areas
    • “Direct payments” seen as socialistic
  – Funded by tax on processed commodities
    • Later declared “unconstitutional”
    • Led to first conservation programs

• 1935 “Soil Conservation Act”
  – Created Soil Conservation Service
Farm Bill history

• 10 “Farm Bills” since 1965
• 1970’s “Fence row to fence row”
  – Russian demand for grain
  – American farmers plowed up replanted grasslands
  – Setback for conservation
• But, some progress
  – 1970: Water Bank established to protect migratory waterfowl
  – 1973: Rural Environmental Conservation Program
    • 25-year contracts
  – 1977: Greater focus on water quality
    • beginning of targeting to address problems
1985: First “conservation title”

• Conservation Compliance
  – farm plan required by 1995)
  – Focus on “Highly Erodible Land”

• Sodbuster

• Swampbuster

• Conservation Reserve Program
1990: Wetlands Reserve Program

1994: SCS becomes NRCS

1996: EQIP, WHIP, FPP

• Increased emphasis on targeting to maximize benefits
2002 Farm Bill

• Increased overall funding by 8X over 1996 bill
  
  • Grasslands Reserve Program created

  • WHIP funding increased 10X

  • Two caps—buckles and acres: $256 M or 2 M acres

  • EQIP funding grew from $200M to $1.3B

  • Increased overall funding for environmental programs by 8X over 1996 bill
2002 Farm Bill

- Reduced restrictions on large farm participation
- Focused on maximizing benefits rather than acreage
- Introduced “regional equity”
- Conservation Security Program
  - 18 watersheds with 27,300 farms (only 8% applied)
  - 2005—grew to 202 watersheds with 208,000 eligible farms
2008 Farm Bill: Staying green (sort of)

- Increased total conservation spending by $7.9 B
- WRP expanded to 3M acres
  - Had to reestablish the baseline of $1.3 B
- GRP grew by 1.22 M acres
- EQIP grew by $3.4 B
  - AWEP created within EQP
- FPP doubled to $773 M
Context: Looming changes
2008 Farm Bill over 5 years:

- Total: $284 B
- Nutrition: $189 B (67%)
- Commodities: $42 B (15%)
- Conservation: $24 B (9%)
- Crop Insurance: $22 B (8%)
1995-2009: $246.7 B in USDA subsidies

- Top 1% got 25% ($1.5M each)
- Top 4% got 52% ($773K each)
- Top 10% got 74% ($445K each)
- Top 20% got 89% ($265K each)
Direct payments

- started in 2002
- $37.5 B over 8 years

2009 alone: $4.8 B
To date, 90% of all subsidies for five crops:

- Corn
- Wheat
- Soybeans
- Cotton
- Rice
1995-2009: Half went to 8 states

- Texas $23 B
- Iowa $21 B
- Illinois $17.5 B
- Minnesota $14.4 B
- Nebraska $14 B
- Kansas $13.5 B
- North Dakota $11.6 B
- Arkansas $9.6 B
Context: Forces for change

- **Trade**
  - WTO rules don’t allow programs that affect planting decisions
    - Counter-cyclical payments
    - Acreage retirement
- **Taxpayers**
  - Direct payments hard to justify
- **Sweet spot:** Conservation
Past attempts at change

Storming the castle

• Committee dominated by farm interests

• Off-committee insurgency
  – Close floor vote in House in 2002
  – No house vote in 2008
    • Speaker backed chair, concern about freshman Dems

• Senate: more rural influence
  • small states get two Senators, too
Challenges

• No Money
  – More than 30 programs have NO baseline
  – WRP and GRP need offset just to stay alive
  – High commodity prices mean low commodity subsidies
    • Can’t rob Peter to pay Paul—Peter is broke, too
  – Direct payments may be used to fund disaster program

• Few champions
  – Almost no westerners on ag committees
    • House--1 R (CO) and 4 Ds (3 CA, 1 OR)
    • Senate—2 D’s (MT and CO), no R’s
Death and taxes

- Estate tax
- Roughly a century
- Was zero for a bit
- Now 35% above 5M (for two years)
- Thompson/Feinstein bills, targeted benefits to ag landowners
Enhanced income tax deduction for donated easements—2 year extension

Requires donation to qualified conservation entity, defined in tax code
• Need tools for families whose wealth is tied up in the land

• Potential new tools:

  – Capital gains tax exclusion for sale of easements

  – Estate tax exemption for fee value underlying easements sold by farming and ranching families
• Bipartisan commission

• Recommends tax code simplification as part of deficit reduction
  – Even the deduction for charitable giving is on the table
• A good offense

• Making the case for targeted tax incentives
  – Public Benefits
  – Efficient
Williamson Act

- Property tax reduction for ag lands under contract
- State repays counties for part of lost revenue
- The premier conservation tool in CA
  - Over 9M acres of “sub-prime” ag lands (i.e., rangeland)
- Mother-hood and Apple Pie—but, still toast…
  - Bipartisan support—but, political target
  - $1,000 (no missing zeroes…)
So what?

- 23% of 700 CA ranchers surveyed said they would stop ranching if the Williamson Act ended permanently.
- 42% said they would sell some or all of their land if WA ended permanently.
- 43% of “non-prime” WA lands critical to statewide conservation goals (CRCC).
Is there a pony in that pile?
The M Words

• Mitigation
  – $4B per year nationally—a significant chunk in California
    • Vernal pools—Who knew?
  – Habitat Conservation Plans
    • Role of working lands

• Markets
  – Driven primarily by regulation
No good deed...

• Permitting for restoration too difficult
  – Wait in same line as Wal-Mart

• Alliance between conservation NGOs and landowners (ranchers, timber companies)

• Goal: Make it easier to do good things
Moving the herd...
• No one solution

• Multiple approaches needed
Common ground

• Public funding
  – LWCF-funded easements, including third party easements
  – Farm Bill easements
  – Farm bill stewardship funding (EQIP, WHIP)

• Targeted tax incentives
  • Estate tax
  • Income tax
  • Capital gains tax
  • Property tax (Williamson Act)

• Mitigation and Markets
  – Role of working lands (ESA, CWA)

• Permitting restoration
The sky is falling and/or the limit
California Rangelands
Policy and Research Uncommon Dialogue

May 13, 2011

woods.stanford.edu/ideas/california-rangelands.html