What are the Issues with Current Incentives Programs?
What circumstances suggest that these programs might need improvement?

It is always appropriate that citizens and taxpayers pay scrupulous attention to the fiscal responsibility of any government spending program. And, because government programs that provide for voluntary landowner incentives generally involve a transfer of public funds (or a relief from public charges or requirements) to private individuals, they probably deserve to be viewed with particular care to assure that public benefits are truly being achieved rather than just a financial benefit given to private persons.

But there are also other, more specific circumstances that suggest that programs that provide conservation incentive funding may not always be as cost-effective as they could be:[1]

1. Weakness of existing coordinating infrastructure: Generally speaking, incentives funding is spread very thinly and broadly across the landscape.[2] And there doesn't seem to be any fully utilized and consistent process infrastructure in place that is currently fully coordinating the myriad of agencies and programs that provide these incentives.[3]

   The most significant such process that is in existence is the State Technical Committee and Local Working Groups processes managed by USDA-Natural Resources Conservation Service.[4] Since NRCS is by far the largest single funder of conservation incentives programs, there is a significant motivation for other funders/programs to participate in its process and a distinct possible strategic benefit from their doing so. There is, however, also a very large time and personnel commitment to such participation so, in practice, participation other programs in this process tends to be inconsistent. And it can be difficult to coordinate programs with multiple objectives – even within a single administering agency.[5] Without a well-used, universal, user friendly, and broadly applicable process to focus the collective strategic attention of incentive funders, most of the coordination that does exist tends to be done on the ground by those groups/agencies that broker programs directly to landowners or through direct inter-agency interactions.

   These limits on program coordination might suggest a potential for inconsistencies in how incentives are applied, or towards which priorities. There does not seem to be a good way to be sure that we are all concentrating on the most serious problems, in the most threatened

[1] For a discussion of better targeting, see ERS Economic Brief Number 2: "Better Targeting, Better Outcomes;" L. Hansen and D Hellerstein; USDA Economic Research Service; March 2006; www.ers.usda.gov/publications/eb2. See also /eb1, . . . /eb3, . . . /eb4, . . . and /eb5.
[2] Report of Evergreen Funding Consultants to Washington Biodiversity Council on "Conservation Incentive Programs in Washington State: Trends, Gaps, and Opportunities:" http://www.biodiversitypartners.org/state/wa/biodiversity_report.pdf.
[3] For comparison, consider the advantages of the Oregon Sustainable Agriculture Resource Center now in development in that state. http://inr.oregonstate.edu/download/osarc.pdf.
[4] For example, see the discussion of the role of the State Technical Committee and local working group process in connection with the NRCS EQIP program at: http://www.wa.nrcs.usda.gov/programs/eqip/FY05/eqip.html.
[5] See ERA Report Summary: "Balancing the Multiple Objectives of Conservation Programs;' A. Cattaneo, D. Hellerstein, C. Nickerson, and C. Meyers; May, 2006, available at: www.ers.usda.gov/publications/err19.

areas, or on those projects or situations that promise the greatest conservation benefits for the dollars spent. There is also no collective reporting of results between programs and agencies, and as a result no good way to track progress in a collective way.

2. Examples of highly effective use of incentives:
While our coordination seems lacking overall, at the same time, we have strong evidence that the promise of incentives programs is sometimes wonderfully fulfilled. There are many examples of watersheds or communities that, with the aid and support of properly-funded and well-organized incentives programs, at quite reasonable cost, have successfully coordinated available programs, enlisted enthusiastic local support, accomplished dramatic changes in collective private behavior, and produced substantial and clearly measurable benefit for the environment. Are these just instances of luck or of unique social behavior in rare and special communities? Or are there lessons to be learned that could be applied comprehensively?

3. Opportunities for strategic advantage:
Experience also makes it seem intuitive that there are opportunities for making our collective public spending more strategic. In any competitive funding process, some projects decisively stand out as a bargain, as providing substantial "bang-for-the-buck." Some landowners are more willing than others to contribute their own efforts and financial support. And every technical assistance provider knows of situations where, if a slightly different "package" of program offerings had been available, a particular hesitant landowner could have been convinced and huge conservation benefits could have been achieved at a reasonable cost.

   Likewise, progress made at some "keystone" locations may be essential to progress elsewhere or may greatly increase the benefits of other, related efforts – fixing a blocked culvert on an otherwise highly productive salmon stream, for example. Some problems and some geographic locations seem to deserve higher funding priority because they are more strategic. If multiple agencies were to agree on these priorities and give them more attention, or if they were to agree on funding for certain projects that served all their priorities, perhaps we could get more benefit from our conservation dollars.[6] In cases like these, the potential public-benefit "pay-off" for being more strategic could potentially be substantial.

4. Lack of knowledge of the environmental services marketplace:
There is also reason to suspect that we may not always get that much for what we pay. For example, many of the landowners who participate in existing incentives programs may have been quite willing to act even if there had been no incentives funding available. Some landowners view conservation stewardship as a personal responsibility and may act on their own, without cost share – although many of these will accept cost share assistance if it is available. For others, participation in a conservation improvement may be driven as much by gains in property value or business operations that will result from the improvement as by the incentive itself.

[6] For example, the Pacific Coast Joint Venture coordinates private and public funding to help strategically address waterfowl issues under the North American Wetlands Conservation Act in the Pacific Coastal regions. See: http://www.pcjv.org/about_us.html. For Washington, contact: Joe LaTourrette, (360) 754-2594 , joe_latourrette@pcjv.org

So in calculating the cost-benefit of convincing those landowners who might NOT have acted on their own, one has to also add in the amounts expended on those landowners for whom the incentives may only be a small part of their motivation. Of course, the personal contributions of such landowners can be seen as greatly leveraging our public expenditure. Conversely, their willingness to act without incentives could imply that the public investment in financial assistance was not well spent. How are we to assess these issues?

With limited funding, current programs tend, quite reasonably, to focus on the "low-hanging-fruit" of mostly-willing landowners. With additional funding, these programs would have the opportunity to reach further, to engage landowners who might be less inclined to participate on their own. How much more will this cost? How much further will greater funding reach and how much public benefit will be achieved? With a better understanding of the "marketplace" for landowner environmental services, we'd be in a better position to judge and better able to know when we have paid too little or too much.

5. Concerns about longevity of conservation improvements:
There are concerns about longevity of incentive-based conservation improvements on private land, and sometimes about the enforcement of contracts for those improvements. An agency may provide financial assistance to a landowner to install a conservation practice, only to discover that, following its installation, the land was sold, the improvements removed, or the land developed – with the public receiving little benefit at all from its conservation dollar.

Or a landowner who accepts public money and installs conservation improvements may thereafter fail to maintain or actively use them. With a change in ownership, the agency may be unable to enforce its contract for ongoing landowner maintenance. Or it may be unwilling to risk its favorable reputation among the limited cadre of "willing" landowners by taking rigorous contract enforcement action against an influential member of their community.

To be fair, where funding is limited, the landowner may have actually been paid only a small percentage of the cost of the improvement – and rigorous contract enforcement may, therefore, be seen by the landowner as an imposition and by the agency as counter-productive. If there were more substantial funding, we might see closer oversight and tighter enforcement – potentially a discouragement for some landowners. Conversely, if conservation contracts are more generously funded at a level that better approximates the "market" value of the services provided by the landowner, then contract enforcement might come to be seen as a more necessary and reasonable part of the entire process and as a predictable "cost" to be factored in to the landowner's initial choice to or not to participate.

6. Inadequate measurements for benefits achieved:
These issues fall against the backdrop of our limited ability to decisively measure the benefits achieved (a difficulty that applies, as well, to regulations). The need for measurement is particularly acute for incentives programs because of the seeming "private benefit" they provide and the perceived need to make sure we are not unnecessarily "giving away" the public purse. And unlike regulations, where many of the social costs will not appear in the government's operating budget, the costs for incentives have to be closely accounted for, audited, and periodically justified. Those agencies that administer these programs and the

constituencies that support them need clear performance measures if they are to make the case for their continuation or growth.

The measures used, of course, differ program by program and problem by problem. But dollars per acre treated, per acre protected, per lineal foot of stream bank restored, per tree planted, etc., and the like are often standard measures. There may be no effort to measure the quality of the treatment, the protection, the restoration, or the planting or the actual impact of the expenditure on the environment, let alone on public benefit, for the simple reason that such measures may not exist, are extremely costly, take too long to become measurable,[7] or are so complex as to become meaningless to overworked policy decision-makers.

It is, therefore, very difficult to know when an expenditure is "effective" and, accordingly, to know if it is "cost-effective." And without ways to measure its cost-effectiveness, it is, of course, quite difficult to know when it is more or less "strategic."

7. Competition for scarce public resources – lack of funding:
All these challenges can potentially undermine the confidence of the public and of the policy community in the effectiveness of incentives expenditures. And the absence of a robust incentives alternative may tend to drive policy makers either toward regulations (which may, ultimately if less visibly, cost more), or toward taking no action at all to address important environmental problems.

And, of course, with limited funding, badly needed but costly and complex monitoring and measurement systems seem likely to be the first casualty, thus aggravating the problem. To save money, the incentives-administration community may be forced to work only at the fringes of the real problems. Scarce money may tend to be scattered widely across the landscape and to force those who administer this chronically under-funded system to rely mostly on the good graces of a limited minority of particularly public-spirited landowners, regardless of where they are or of the importance of the problems they can address.

In other words, scarce funding would seem to push us toward exactly the kind of system we seem to have in place at present.

So, why try to improve the incentives system?

- Because there are distinct improvements that seem to be needed in the current system;
- Because there is considerable promise that if solutions can be found great gains could be made both for landowners and for the environment;
- Because a system that could earn true public and policymaker confidence would doubtless be much more generously funded – and perhaps, for that reason alone, could become more strategic; and,
- Because the need for an effective system of conservation incentives for private landowners is very great.

[7] NRCS Water Quality Conservation Resource Brief # 0603, February, 2000, reports that it may take up to 10 years for improved land management to produce measurable improvements in water quality. http://www.nrcs.usda.gov/feature/outlook/Water%20Quality2.pdf.

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