

110TH CONGRESS  
1ST SESSION

# **S. 1346**

To amend conservation and biofuels programs of the Department of Agriculture to promote the compatible goals of economically viable agricultural production and reducing nutrient loads in the Chesapeake Bay and its tributaries by assisting agricultural producers to make beneficial, cost-effective changes to cropping systems, grazing management, and nutrient management associated with livestock and poultry production, crop production, bioenergy production, and other agricultural practices on agricultural land within the Chesapeake Bay watershed, and for other purposes.

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## **IN THE SENATE OF THE UNITED STATES**

**MAY 9, 2007**

Ms. MIKULSKI (for herself, Mr. CARDIN, Mr. WARNER, Mr. BIDEN, Mr. ROCKEFELLER, Mr. CARPER, and Mr. WEBB) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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## **A BILL**

To amend conservation and biofuels programs of the Department of Agriculture to promote the compatible goals of economically viable agricultural production and reducing nutrient loads in the Chesapeake Bay and its tributaries by assisting agricultural producers to make beneficial, cost-effective changes to cropping systems, grazing management, and nutrient management associated with livestock and poultry production, crop production, bioenergy production, and other agricultural practices on

agricultural land within the Chesapeake Bay watershed, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-  
2 tives of the United States of America in Congress assembled,*

3   **SECTION 1. SHORT TITLE.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5   “Chesapeake’s Healthy and Environmentally Sound Stew-  
6   ardship of Energy and Agriculture Act of 2007” or the  
7   “CHESSEA Act of 2007”.

8       (b) TABLE OF CONTENTS.—The table of contents of  
9   this Act is as follows:

Sec. 1. Short title.

Sec. 2. Findings.

Sec. 3. Environmental quality incentives program.

Sec. 4. Regional water quality enhancement program.

Sec. 5. Conservation innovation grants.

Sec. 6. Conservation reserve program.

Sec. 7. Conservation security program.

Sec. 8. Comprehensive planning technical assistance pilot program.

Sec. 9. Wetlands reserve program.

Sec. 10. Agricultural management assistance.

Sec. 11. Biorefinery and biofuel project grants.

Sec. 12. Renewable energy systems and energy efficiency improvements program.

10   **SEC. 2. FINDINGS.**

11       Congress finds that—

12           (1) the Chesapeake Bay is the largest estuary  
13   in North America, the world’s most productive estu-  
14   ary, and a resource of worldwide significance;

15           (2) the Chesapeake Bay watershed encompasses  
16   portions of 6 States, including New York, Pennsyl-  
17   vania, Delaware, Maryland, Virginia, and West Vir-

1       ginia, and the District of Columbia, and contains  
2       150 major tributaries;

3               (3) agricultural operations and small family  
4       farms in particular are a defining feature of the  
5       economy, heritage, culture, landscape, and environ-  
6       ment of the States of the Chesapeake Bay water-  
7       shed, and those agricultural operations account for  
8       nearly 1/4 of the land in the Chesapeake Bay water-  
9       shed, stretching across 10,000,000 acres and involv-  
10      ing tens of thousands of individual agricultural pro-  
11      ducers;

12              (4) unfortunately, those same agricultural oper-  
13       ations are the source of more than 40 percent of the  
14       nitrogen and phosphorus loads entering the Chesa-  
15       peake Bay;

16              (5) in the landmark regional agreement entered  
17       into by the Chesapeake Executive Council entitled  
18       “Chesapeake 2000” and dated June 28, 2000 (re-  
19       ferred to in this Act as the “Chesapeake 2000  
20       Agreement”), the Federal Government, the 6 States  
21       of the Chesapeake Bay watershed, and the District  
22       of Columbia, agreed to significantly reduce annual  
23       nitrogen, phosphorus, and sediment load by 2010 to  
24       restore the Chesapeake Bay and its tidal tributaries  
25       sufficiently to remove the Chesapeake Bay and the

1 tributaries from the list of impaired waters under  
2 the Federal Water Pollution Control Act (33 U.S.C.  
3 1251 et seq.);

4 (6) current efforts to implement the Chesapeake  
5 2000 Agreement and achieve the nitrogen and  
6 phosphorus reduction goals specified in the Chesapeake  
7 2000 Agreement are significantly underfunded; and

9 (7) the implementation of improved conservation  
10 practices in agricultural operations in the  
11 Chesapeake Bay watershed and increased agricultural  
12 bioenergy production can serve the dual purposes of  
13 enhancing the environmental health of the  
14 Chesapeake Bay and the economic vitality of agricultural  
15 producers in the watershed.

16 **SEC. 3. ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.**

17 (a) EXTENSION.—

18 (1) FUNDING EXTENSION AND INCREASE.—  
19 Section 1241(a) of the Food Security Act of 1985  
20 (16 U.S.C. 3841(a)) is amended by striking para-  
21 graph (6) and inserting the following:

22 “(6) The environmental quality incentives pro-  
23 gram under chapter 4, using, to the maximum ex-  
24 tent practicable, \$2,000,000,000 in each of fiscal  
25 years 2008 through 2013.”.

2 (A) Section 1240B of the Food Security  
3 Act of 1985 (16 U.S.C. 3839aa-2) is amend-  
4 ed—

5 (i) in subsection (a)(1), by striking  
6 “2010” and inserting “2013”; and

7 (ii) in subsection (g), by striking  
8 “2007” and inserting “2013”.

13 (b) PRIORITY GIVEN TO STATE ALLOCATIONS.—Section 1240F of the Food Security Act of 1985 (16 U.S.C. 14 3839aa–6) is amended—  
15

16 (1) by striking "To" and inserting the fol-  
17 lowing:

18        "(a) ASSISTANCE, INFORMATION, AND TRAINING.—  
19 To"; and

20 (2) by adding at the end the following:

21        "(b) INTERSTATE WATERSHEDS.—In making pro-  
22 gram allocations to States, the Secretary shall give pri-  
23 ority to States located within watersheds that—

24                   “(1) encompass more than 1 State;

1               “(2) are recognized under the Federal Water  
2        Pollution Control Act (33 U.S.C. 1251 et seq.) as  
3        having nutrient-related water quality impairments or  
4        sediment-related water quality impairments; and

5               “(3) are subject to State-approved tributary  
6        strategies or watershed management plans designed  
7        to address those impairments.

8        “(c) PROHIBITED ALLOCATION FACTOR.—The Sec-  
9        retary shall not use the total number of acres as an alloca-  
10      tion factor under this section.”.

11      (c) COST SHARE PAYMENT EXCEPTION.—Section  
12     1240B(d)(2) of the Food Security Act of 1985 (16 U.S.C.  
13     3839aa–2(d)(2)) is amended by striking subparagraph (A)  
14      and inserting the following:

15               “(A) LIMITED RESOURCE AND BEGINNING  
16        FARMERS OR RANCHERS.—The Secretary may  
17        increase the amount provided to a producer  
18        under paragraph (1) to not more than 90 per-  
19        cent if the producer is a limited resource or be-  
20        ginning farmer or rancher, as determined by  
21        the Secretary, except that the cost-share pay-  
22        ment under the program not be less than 15  
23        percent more than the payment that the Sec-  
24        retary may determine under paragraph (1).”.

1       (d) FOREST CONSERVATION AND PERFORMANCE IN-  
2 CENTIVES FOR STATES.—Chapter 4 of subtitle D of title  
3 XII of the Food Security Act of 1985 (16 U.S.C. 3839aa  
4 et seq.) is amended by adding at the end the following:  
5       **“SEC. 1240J. PROMOTION OF FOREST STEWARDSHIP PRAC-**  
6       **TICES.**

7       “(a) COST-SHARE PAYMENTS AND INCENTIVE PAY-  
8 MENTS.—In carrying out the program under this chapter,  
9 the Secretary shall promote forest stewardship by pro-  
10 viding cost-share payments and incentive payments to  
11 nonindustrial private forest owners to carry out eligible  
12 conservation activities, to—

13           “(1) improve water quality;  
14           “(2) improve habitat for at-risk species;  
15           “(3) restore ecologically important forest types;  
16       or  
17           “(4) control invasive species.

18       “(b) PRIORITY.—The Secretary shall give priority to  
19 projects that involve multiple landowners implementing el-  
20 igible conservation activities in a coordinated manner to  
21 address the purposes described in subsection (a).

22       “(c) FUNDING.—Of the funds of the Commodity  
23 Credit Corporation, the Secretary shall use to carry out  
24 this section—

25           “(1) \$25,000,000 for fiscal year 2008;

1           “(2) \$45,000,000 for fiscal year 2009;  
2           “(3) \$60,000,000 for fiscal year 2010;  
3           “(4) \$75,000,000 for each of fiscal years 2011  
4           and 2012; and  
5           “(5) \$100,000,000 for fiscal year 2013.

6 **“SEC. 1240K. PERFORMANCE INCENTIVES FOR STATES.**

7           “(a) HIGH LEVEL OF PERFORMANCE BONUS.—For  
8 each of fiscal years 2008 through 2013, the Secretary  
9 shall reserve 10 percent of the funds made available under  
10 this chapter for bonus allocations to States that dem-  
11 onstrate a high level of performance in implementing the  
12 environmental quality incentives program established  
13 under this chapter.

14           “(b) SPECIAL CONSIDERATIONS.—In evaluating  
15 State performance under subsection (a), the Secretary  
16 shall reward States that—

17           “(1) consistently meet the requirements of sec-  
18 tion 1240C in evaluating offers and payments;

19           “(2) dedicate a portion of their annual environ-  
20 mental quality incentives program allocation to  
21 multiproducer cooperative efforts to address specific  
22 resource concerns;

23           “(3) collaborate with other Federal and State  
24 agencies, local governments, educational institutions,  
25 and for-profit and nonprofit organizations to mon-

1       itor and evaluate the environmental outcomes associated  
2       with implementation of the program;

3               “(4) demonstrate effective and efficient program delivery, including the provision of adequate  
4       technical assistance to all program participants through appropriate staffing and through cooperation  
5       with other Federal, State, tribal, and local agencies, for-profit and nonprofit organizations, and  
6       individuals with demonstrated expertise in the planning and implementation of conservation practices,  
7       systems, and approaches;

8               “(5) support and encourage innovative approaches to addressing resource concerns;

9               “(6) effectively leverage Federal funding with local and State matching funds; and

10               “(7) demonstrate effective outreach and innovative approaches to reaching and serving beginning farmers or ranchers, limited resource producers, and operators with lower rates of historical participation in Federal farm and conservation programs.”.

11       **SEC. 4. REGIONAL WATER QUALITY ENHANCEMENT PROGRAM.**

12       (a) PROGRAM REQUIREMENTS.—Chapter 5 of sub-  
13       title D of title XII of the Food Security Act of 1985 is

1 amended by inserting after section 1240P (16 U.S.C.  
2 3839bb-3) the following:

3 **SEC. 1240Q. REGIONAL WATER QUALITY ENHANCEMENT**  
4 **PROGRAM.**

5 “(a) PROGRAM REQUIRED.—In order to increase, fa-  
6 cilitate, and further implement cooperative partnerships  
7 between States, producers, and other interested persons  
8 or parties to improve water quality in the largest bodies  
9 of water in the United States, the Secretary shall offer  
10 to enter into agreements with States and the District of  
11 Columbia containing all or a portion of such a body of  
12 water or containing tributaries of such a body of water  
13 (including the Chesapeake Bay and its tributaries) to as-  
14 sist the States and District to carry out special initiatives  
15 focused on the enhanced stewardship of those bodies of  
16 water.

17 “(b) TERM OF AGREEMENT.—An agreement under  
18 this section shall be for a term of not shorter than 3 nor  
19 longer than 5 years.

20 “(c) COMPETITIVE PROCESS; SET-ASIDE.—

21 “(1) COMPETITIVE PROCESS.—Subject to para-  
22 graph (2), the Secretary shall establish a competitive  
23 process for considering applications for agreements  
24 under this section, consistent with the evaluation cri-  
25 teria described in subsection (d).

1           “(2) SET ASIDE.—Not less than 25 percent of  
2        total amount of funds made available for agreements  
3        under this section shall be awarded to States and  
4        the District of Columbia containing a portion of the  
5        Chesapeake Bay watershed.

6           “(d) EVALUATION OF APPLICATIONS; CRITERIA.—In  
7        evaluating applications for an agreement under this sec-  
8        tion, the Secretary shall consider the extent to which the  
9        program proposed by the State or District of Columbia  
10      would—

11           “(1) most cost-effectively achieve the greatest  
12      improvements to water quality, using—

13            “(A) adoption of management practices  
14        and systems, including soil amendments, soil  
15        and stalk testing, alternative cropping systems,  
16        cover crops, buffers, and other measures;

17            “(B) innovative or advanced conservation  
18        techniques that hold substantial promise for  
19        producing long-term, cost-effective improve-  
20        ments to water quality;

21            “(C) reduction in nutrient inputs to agri-  
22        cultural operations, such as through feed man-  
23        agement; and

24            “(D) manure processing and treatment  
25        technologies to permit more efficient use and

1           transport of manure to produce energy, restore  
2           nutrient-deficient land, or reduce air emissions;

3           “(2) leverage financial and technical resources  
4           from sources other than the programs authorized by  
5           this subtitle, including financial and technical re-  
6           sources provided by other Federal agencies, State  
7           agencies, local governments, nongovernmental orga-  
8           nizations and associations, and other private sector  
9           entities;

10           “(3) provide necessary technical assistance to  
11           producers and other cooperators participating in the  
12           project or initiative, including in the application cost  
13           estimates for technical assistance and whether the  
14           assistance will be provided by technical service pro-  
15           viders;

16           “(4) establish a program of education and out-  
17           reach to attract new participants;

18           “(5) serve as a transferable model for other re-  
19           gional watershed efforts; or

20           “(6) evaluate progress and measure results.

21           “(e) PRIORITIES.—To the maximum extent prac-  
22           ticable, consistent with the requirements of subsection (d),  
23           the Secretary shall ensure that, for each fiscal year, agree-  
24           ments are entered into under this section to support

1 projects and initiatives that collectively address water  
2 quality impairments.

3       “(f) SELECTION PROCESS.—In evaluating applica-  
4 tions under this section, the Secretary shall consider rec-  
5 ommendations from scientists, regional experts, and other  
6 persons with appropriate expertise in the Department of  
7 Agriculture, other Federal and State agencies, and inter-  
8 est groups, including producer associations and conserva-  
9 tion and environmental organizations.

10       “(g) COST SHARE REQUIREMENTS.—

11       “(1) IN GENERAL.—Subject to paragraphs (2)  
12 and (3), the Secretary shall not require more than  
13 25 percent of the cost of a project or initiative sup-  
14 ported under an agreement entered into under this  
15 section to be provided from non-Federal sources.

16       “(2) PRIORITY FOR HIGHER NON-FEDERAL  
17 SHARE.—The Secretary may give priority in enter-  
18 ing into agreements under this section to a project  
19 or initiative offering to cover a higher percentage of  
20 the cost of the project or initiative from non-Federal  
21 sources.

22       “(3) IN-KIND CONTRIBUTIONS.—If the Sec-  
23 retary establishes a cost-share requirement for a  
24 project or initiative, the Secretary shall allow the use  
25 of in-kind contributions to meet the requirement.”.

1       (b) FUNDING.—Section 1241(a) of the Food Security  
2 Act of 1985 (16 U.S.C. 3841(a)) is amended by adding  
3 at the end the following:

4               “(8) The regional water quality enhancement  
5 program under section 1240Q, using, to the max-  
6 imum extent practicable—

7                       “(A) \$175,000,000 in fiscal year 2008;

8                       and

9                       “(B) \$200,000,000 in each of fiscal years  
10                       2009 through 2013.”.

11 **SEC. 5. CONSERVATION INNOVATION GRANTS.**

12       Section 1240H of the Food Security Act of 1985 (16  
13 U.S.C. 3839aa–8) is amended—

14               (1) in subsection (a), by striking “may” and in-  
15               serting “shall”;

16               (2) in subsection (b)—

17                       (A) in the matter preceding paragraph (1),  
18                       by striking “may” and inserting “shall”;

19                       (B) in paragraph (2), by striking “and” at  
20                       the end;

21                       (C) in paragraph (3), by striking the pe-  
22                       riod at the end and inserting “; and”; and

23                       (D) by adding at the end the following:

24                       “(4) include a plan for technology transfer.”;

25                       and

1 (3) by adding at the end the following:

2       “(d) TECHNOLOGY TRANSFER.—In making grants  
3 under this section, the Secretary shall give priority to  
4 projects that ensure transferability of innovative conserva-  
5 tion technologies and approaches to achieve widespread  
6 implementation by producers.

7       “(e) ADDITIONAL FUNDING.—In addition to amounts  
8 made available under section 1241(a)(6) to carry out this  
9 chapter, of funds of the Commodity Credit Corporation,  
10 the Secretary shall use to carry out this section  
11 \$100,000,000 for each of fiscal years 2008 through  
12 2013.”.

## 13 SEC. 6. CONSERVATION RESERVE PROGRAM.

14 (a) EXTENSION.—

9 (b) ENROLLMENT GOALS AND USE OF GENERAL  
10 SIGNUP.—Section 1231(d) of the Food Security Act of  
11 1985 (16 U.S.C. 3831(d)) is amended—

12 (1) by striking “The Secretary” and inserting:  
13 “(1) ACREAGE AUTHORIZED.—The Secretary”;  
14 and

15 (2) by adding at the end the following:

16       “(2) ENROLLMENT GOALS.—For the period be-  
17       ginning on the date of enactment of this paragraph  
18       and ending on December 31, 2013, the Secretary  
19       shall establish a goal to enroll not less than  
20       7,000,000 acres of eligible land through the contin-  
21       uous enrollment program and the conservation re-  
22       serve enhancement program, with priority given to  
23       riparian buffers, restored wetland, and other habi-  
24       tats known to improve water quality and called for  
25       under established, State-approved tributary strate-

1 gies or watershed management plans to reduce nu-  
2 trients and sediments from agricultural sources to  
3 impaired waters.

4 "(3) LIMITATION ON USE OF GENERAL  
5 SIGNUP.—

6 "(A) IN GENERAL.—To the maximum ex-  
7 tent practicable, the Secretary shall ensure that  
8 not more than 80 percent of the acres main-  
9 tained in the conservation reserve at any 1 time  
10 during the 2008 through 2013 calendar years  
11 are acres that were enrolled through a general  
12 signup under section 1234(c)(2)(A).

13 "(B) ACCEPTABILITY OF GENERAL SIGNUP  
14 OFFERS.—For an offer to be accepted to enroll  
15 acres into the conservation reserve through the  
16 general signup, the acres covered by the offer  
17 shall have an environmental benefit index score  
18 that is at or above a threshold that is 15 per-  
19 cent higher than the average of the thresholds  
20 used in general signups during fiscal years  
21 1996 through 2006, adjusted for changes in the  
22 index over those fiscal years.".

23 (c) PAYMENT LIMITATION.—Section 1234(f)(1) of  
24 the Food Security Act of 1985 (16 U.S.C. 3834(f)) is  
25 amended—

1 (1) by striking “The” and inserting the fol-  
2 lowing:

3                             “(A) IN GENERAL.—Except as provided in  
4                             subparagraph (B), the’; and

5 (2) by adding at the end the following:

6                     “(B) WAIVERS.—The Secretary may waive  
7                     the payment limitation established under sub-  
8                     paragraph (A) for a person participating in the  
9                     conservation reserve enhancement program if  
10                    the Secretary determines the waiver is nec-  
11                    essary to achieve the objectives of the pro-  
12                    gram.”.

## 13 SEC. 7. CONSERVATION SECURITY PROGRAM.

14 (a) REPEAL OF FUNDING CAP.—Section 1241(a)(3)  
15 of the Food Security Act of 1985 (16 U.S.C. 3841(a)(3))  
16 is amended by striking “, using not more than” and all  
17 that follows through “2015”.

(b) PROGRAM EXTENSION.—Section 1238A(a) of the Food Security Act of 1985 (16 U.S.C. 3838a(a)) is amended by striking “2011” and inserting “2013”.

21 (c) ASSISTANCE TO CERTAIN STATES.—Section  
22 1238A(b) of the Food Security Act of 1985 (16 U.S.C.  
23 3838a(b)) is amended by adding at the end the following:

24                   “(5) CONTINUOUS ENROLLMENT.—The Sec-  
25                   retary shall provide for a continuous enrollment of

1 eligible land in any State that, through a written  
2 agreement, is partnering with other States and the  
3 Federal Government to achieve specific numeric re-  
4 ductions in nutrient and sediment pollution loads  
5 within a multistate watershed in an effort to remove  
6 the waters in that watershed from the list of im-  
7 paired waters under the Federal Water Pollution  
8 Control Act (33 U.S.C. 1251 et seq.).”.

9 (d) ENHANCED PAYMENTS FOR WATER QUALITY.—

10 Section 1238C(b)(1)(C)(iii) of the Food Security Act of  
11 1985 (16 U.S.C. 3838c(b)(1)(C)(iii)) is amended—

12 (1) in subclause (IV), by striking “or” at the  
13 end;

14 (2) in subclause (V), by striking the period at  
15 the end and inserting “; and”; and

16 (3) by adding at the end the following:

17 “(VI) implements practices that will sig-  
18 nificantly improve water quality in watersheds  
19 associated with waters impaired by agricultural  
20 nutrients, with priority given to the most effec-  
21 tive practices.”.

22 (e) DUTIES OF THE SECRETARY.—Section 1238C of  
23 the Food Security Act of 1985 (16 U.S.C. 3838c) is  
24 amended by striking subsections (f) and (g) and inserting  
25 the following:

1       “(f) ENROLLMENT PRIORITY.—In the case of any fis-  
2 cal year for which funding for the conservation security  
3 program is limited, the Secretary shall prioritize entering  
4 into contracts to address water quality in watersheds of  
5 bodies of water impaired by nutrients, based on the degree  
6 to which a producer proposes to increase the management  
7 intensity with which the producer addresses nutrient im-  
8 pairment of water quality in the affected watershed.

9       “(g) PROHIBITED ALLOCATION FACTOR.—The Sec-  
10 retary shall not use the total number of acres as an alloca-  
11 tion factor under this section.

12       “(h) TECHNICAL ASSISTANCE.—For each of fiscal  
13 years 2008 through 2013, the Secretary shall provide  
14 technical assistance to producers for the development and  
15 implementation of conservation security contracts in an  
16 amount that, for each producer—

17           “(1) is based on actual cost; but  
18           “(2) does not exceed 23 percent of amounts ex-  
19 pended for the fiscal year for the producer.”.

20 **SEC. 8. COMPREHENSIVE PLANNING TECHNICAL ASSIST-  
21 ANCE PILOT PROGRAM.**

22       Section 1242 of the Food Security Act of 1985 (16  
23 U.S.C. 3842) is amended by adding at the end the fol-  
24 lowing:

1       “(c) COMPREHENSIVE PLANNING TECHNICAL AS-  
2 SISTANCE PILOT PROGRAM.—

3           “(1) CHESAPEAKE BAY WATERSHED.—The Sec-  
4 retary shall establish a pilot program in the Chesa-  
5 peake Bay watershed to assist producers with com-  
6 prehensive conservation planning, design, and imple-  
7 mentation—

8           “(A) before applying for assistance under  
9 any of the conservation programs authorized by  
10 subtitle D; and

11           “(B) through the process of design and im-  
12 plementation of conservation projects.

13           “(2) COMPREHENSIVE ASSESSMENT AND TECH-  
14 NICAL ASSISTANCE.—In carrying out the pilot pro-  
15 gram, the Secretary shall assist each producer by—

16           “(A) making a comprehensive assessment  
17 of the resource concerns, needs, and alternative  
18 solutions for the entire operation of the pro-  
19 ducer, as determined by the Secretary, in ac-  
20 cordance the applicable conservation planning  
21 manual of the Natural Resources Conservation  
22 Service; and

23           “(B) providing technical assistance in de-  
24 sign and implementation of the solutions.

25           “(3) PROVISION OF ASSISTANCE.—

1                     “(A) IN GENERAL.—The Secretary shall  
2                     provide assistance to producers under the pilot  
3                     program directly or through third-party pro-  
4                     viders certified by the Secretary.

5                     “(B) RESULTS.—The Secretary shall pro-  
6                     vide the results of the comprehensive planning,  
7                     design, and implementation assistance to the  
8                     producer to enable the producer to make in-  
9                     formed choices on the type of financial assist-  
10                    ance available through conservation programs  
11                    administered by the Secretary under subtitle D  
12                    that would most effectively address the resource  
13                    needs of the operation, consistent with the envi-  
14                    ronmental goals for the area in which the oper-  
15                    ation is located.

16                    “(4) COST.—The Secretary shall provide assist-  
17                    ance under the pilot program without cost to pro-  
18                    ducers.

19                    “(5) FUNDING.—Of the funds of the Com-  
20                    modity Credit Corporation, the Secretary shall use  
21                    to carry out the pilot program \$10,000,000 for each  
22                    of fiscal years 2008 through 2013.”.

23 **SEC. 9. WETLANDS RESERVE PROGRAM.**

24                    (a) EXTENSION.—

10 (b) MAXIMUM AND YEARLY ENROLLMENT.—Section  
11 1237(b)(1) of the Food Security Act of 1985 (16 U.S.C.  
12 3837(b)(1)) is amended by striking “2,275,000 acres,”  
13 and all that follows through the period at the end and  
14 inserting “3,500,000 acres, of which, to the maximum ex-  
15 tent practicable, at least 5,000 acres in calendar year  
16 2008 and 10,000 acres in each of calendar years 2009  
17 and 2010 shall be enrolled to meet State and Federal  
18 2010 goals established pursuant to the Chesapeake 2000  
19 agreement for the Chesapeake Bay watershed.”.

20 (c) PRIORITY.—Section 1237 of the Food Security  
21 Act of 1985 (16 U.S.C. 3837) is amended by adding at  
22 the end the following:

23       “(g) PRIORITY.—The Secretary shall give priority to  
24 enrollments benefitting water quality, and shall consider  
25 whether States are implementing the program consistent

1 with those priorities, when allocating program funding to  
2 States.”

3 (d) ADDITIONAL PURPOSE.—Section 1237A(b)(3) of  
4 the Food Security Act of 1985 (16 U.S.C. 3837a(b)(3))  
5 is amended by inserting after “wetlands” the following:  
6 “, including the reduction of excess nutrients”.

7 (e) INCREASED COST SHARE.—Section 1237C(b)(2)  
8 of the Food Security Act of 1985 (16 U.S.C. 3837c(b)(2))  
9 is amended—

10 (1) by striking “In” and inserting the following:  
11 “(A) IN GENERAL.—In”; and

12 (2) by adding at the end the following:

13 “(B) INCREASED COST-SHARE PERCENT-  
14 AGE.—The Secretary may increase the cost-  
15 share percentage under subparagraph (A) if the  
16 conservation plan described in section 1237A(b)  
17 results in—

18 “(i) a significant reduction of excess  
19 nutrients in a watershed of a body of water  
20 impaired by agricultural nutrients; or

21 “(ii) in land placed under permanent  
22 easement.”.

23 (f) EASEMENT PRIORITY.—Section 1237C(d) of the  
24 Food Security Act of 1985 (16 U.S.C. 3837c(d)) is  
25 amended by inserting before the period at the end the fol-

1 lowing: “or for achieving nutrient reductions in a water-  
2 shed of a body of water impaired by agricultural nutri-  
3 ents”.

4 **SEC. 10. AGRICULTURAL MANAGEMENT ASSISTANCE.**

5 (a) ADDITIONAL STATE.—Section 524(b)(1) of the  
6 Federal Crop Insurance Act (7 U.S.C. 1524(b)(1)) is  
7 amended by inserting “Virginia,” after “Vermont,”.

8 (b) FUNDING AND DURATION.—Section  
9 524(b)(4)(B) of the Federal Crop Insurance Act (7 U.S.C.  
10 1524(b)(4)(B)) is amended—

11 (1) in clause (ii)—

12 (A) by striking “fiscal years 2003 through  
13 2007” and inserting “fiscal years 2008 through  
14 2013”; and

15 (B) by striking “\$20,000,000” and insert-  
16 ing “\$50,000,000”; and

17 (2) in clause (iii)—

18 (A) in the matter preceding subclause (I),  
19 by striking “fiscal years 2004 through 2007”  
20 and inserting “fiscal years 2008 through  
21 2013”;

22 (B) in subclause (I), by striking  
23 “\$14,000,000” and inserting “\$38,000,000”;

24 (C) in subclause (II), by striking  
25 “\$1,000,000” and inserting “\$2,000,000”; and

1 (D) in subclause (III), by striking  
2 “\$5,000,000” and inserting “\$10,000,000”.

### 3 SEC. 11. BIOREFINERY AND BIOFUEL PROJECT GRANTS.

4 (a) DEFINITION OF CHESAPEAKE BAY WATERSHED

5 STATE.—Section 9001 of the Farm Security and Rural

6 Investment Act of 2002 (7 U.S.C. 8101) is amended—

7 (1) by redesignating paragraphs (4) through

8 (7) as paragraphs (5) through (8), respectively; and

9 (2) by inserting after paragraph (3) the fol-

10 lowing:

11                     “(4) CHESAPEAKE BAY WATERSHED STATE.—  
12                     The term ‘Chesapeake Bay Watershed States’ means  
13                     each of the States of Delaware, Maryland, New  
14                     York, Pennsylvania, Virginia, and West Virginia and  
15                     the District of Columbia.”.

16 (b) ASSISTANCE METHODS.—Section 9003 of the  
17 Farm Security and Rural Investment Act of 2002 (7  
18 U.S.C. 8103) is amended by striking subsection (c) and  
19 inserting the following:

20            "(c) ASSISTANCE.—

21                   “(1) GRANTS.—The Secretary shall award  
22 grants and make loans and loan guarantees to eligible  
23 entities to assist in covering the cost of develop-  
24 ment and construction of biorefineries to carry out  
25 projects to demonstrate the commercial viability of 1

1       or more processes for converting biomass to fuels or  
2       chemicals.

3           “(2) PROJECTS FOR CHESAPEAKE BAY WATER-  
4       SHED STATES.—In the case of a project to be oper-  
5       ated in 1 or more of the Chesapeake Bay Watershed  
6       States, the Secretary shall award grants under this  
7       subsection for the purpose of developing and pro-  
8       moting the commercial viability of—

9           “(A) no-till soybean biodiesel production;  
10          “(B) cellulosic ethanol production;  
11          “(C) manure-to-energy processes and tech-  
12       nologies; and

13           “(D) other technologies that promote the  
14       conversion of biomass to fuels and chemicals  
15       and the reduction of nutrient impacts to water  
16       quality.”.

17       (c) ENVIRONMENTAL GOALS; DISTRIBUTION OF  
18 GRANTS.—Section 9003(e) of the Farm Security and  
19 Rural Investment Act of 2002 (7 U.S.C. 8103(e)) is  
20 amended—

21           (1) in paragraph (2)(A)—

22           (A) in clause (i), by striking “and” at the  
23       end;

24           (B) by redesignating clause (ii) as clause  
25       (iii); and

1 (C) by inserting after clause (i) the fol-  
2 lowing:

13 (2) by adding at the end the following:

14           “(3) FUNDS FOR CHESAPEAKE BAY WATER-  
15           SHED STATES.—The Secretary shall ensure that not  
16           less than 15 percent of the total funds available  
17           under this section are provided to projects operated  
18           in Chesapeake Bay Watershed States that benefit  
19           the Chesapeake Bay watershed.”.

20 (d) FUNDING.—Section 9003 of the Farm Security  
21 and Rural Investment Act of 2002 (7 U.S.C. 8103) is  
22 amended by striking subsection (h) and inserting the fol-  
23 lowing:

24        "(h) FUNDING.—Of the funds of the Commodity  
25 Credit Corporation, the Secretary shall use to carry out

1 this section \$100,000,000 for each of fiscal years 2008  
2 through 2013.”.

3 **SEC. 12. RENEWABLE ENERGY SYSTEMS AND ENERGY EFFI-**  
4 **CIENCY IMPROVEMENTS PROGRAM.**

5 Section 9006 of the Farm Security and Rural Invest-  
6 ment Act of 2002 (7 U.S.C. 8106) is amended—

7 (1) in subsection (c)—

8 (A) in paragraph (2), by striking subpara-  
9 graph (C) and inserting the following:

10 “(C) the expected environmental benefits  
11 of the renewable energy system, including bene-  
12 fits to water quality and to watersheds of bodies  
13 of water degraded by agricultural nutrients;”;  
14 and

15 (B) by adding at the end the following:

16 “(3) PREFERENCE FOR COMMUNITY  
17 PROJECTS.—The Secretary shall give preference in  
18 funding and grant and loan selection under this sec-  
19 tion to activities that the Secretary determines—

20 “(A) are undertaken jointly by more than  
21 1 eligible entity in a local community;

22 “(B) involve direct cooperation between 2  
23 or more eligible entities; and

1                   “(C) foster community or cooperative ap-  
2                   proaches to renewable energy and energy effi-  
3                   ciency development.”; and

4                   (2) by striking subsection (f) and inserting the  
5                   following:

6                   “(f) PRODUCTION-BASED INCENTIVES IN LIEU OF  
7                   GRANTS.—

8                   “(1) IN GENERAL.—In addition to the authority  
9                   under subsection (a), the Secretary may, on the re-  
10                   quest of an applicant the Secretary determines is eli-  
11                   gible under subsection (b), make production-based  
12                   payments to the applicant in lieu of a grant.

13                   “(2) CONTINGENCY.—The Secretary shall only  
14                   make a payment under paragraph (1) if the appli-  
15                   cant provides the Secretary with documentation  
16                   showing energy production and sales from a renew-  
17                   able energy system to a third party.

18                   “(3) LIMITATION.—The total net present value  
19                   of a production-based incentive may not exceed the  
20                   lesser of—

21                   “(A) 25 percent of the eligible project  
22                   costs; and

23                   “(B) any other limit that the Secretary es-  
24                   tablishes by regulation or guidance.

1       “(g) DISTRIBUTION OF GRANTS.—The Secretary  
2 shall ensure that not less than 15 percent of the grants,  
3 loans, and loan guarantees provided under this section are  
4 provided to projects in Chesapeake Bay Watershed States  
5 that benefit the Chesapeake Bay watershed.

6       “(h) FUNDING.—Of the funds of the Commodity  
7 Credit Corporation, the Secretary shall use to carry out  
8 this section, to remain available until expended—

- 9           “(1) \$60,000,000 for fiscal year 2008;
- 10          “(2) \$90,000,000 for fiscal year 2009;
- 11          “(3) \$130,000,000 for fiscal year 2010;
- 12          “(4) \$180,000,000 for fiscal year 2011; and
- 13          “(5) \$250,000,000 for fiscal year 2012.”.

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