

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.

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

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

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

(a) SHORT TITLE.—This Act may be cited as the “Chesapeake’s Healthy and Environmentally Sound Stewardship of Energy and Agriculture Act of 2007” or the “CHESSEA Act of 2007”.

- 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.

11 Congress finds that—

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 $\frac{1}{4}$ 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 under-
 8 funded; and

9 (7) the implementation of improved conserva-
 10 tion practices in agricultural operations in the
 11 Chesapeake Bay watershed and increased agricul-
 12 tural bioenergy production can serve the dual pur-
 13 poses of enhancing the environmental health of the
 14 Chesapeake Bay and the economic vitality of agricul-
 15 tural 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.”.

1 (2) CONFORMING AMENDMENTS.—

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”.

9 (B) Section 1240I(c)(1)(C)) of the Food
10 Security Act of 1985 (16 U.S.C. 3839aa–
11 9(c)(1)(C)) is amended by striking “2007” and
12 inserting “2013”.

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

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-

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

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

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

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

“(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.”.

SEC. 4. REGIONAL WATER QUALITY ENHANCEMENT PROGRAM.

(a) PROGRAM REQUIREMENTS.—Chapter 5 of subtitle 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.—

15 (1) FUNDING EXTENSION.—Section 1241(a) of
16 the Food Security Act of 1985 (16 U.S.C. 3841(a))
17 is amended—

18 (A) in the matter preceding paragraph (1),
19 by striking “2007” and inserting “2013”; and

20 (B) in paragraph (1), by striking “The”
21 and inserting “For each of fiscal years 2002
22 through 2013, the”.

23 (2) CONFORMING AMENDMENTS.—Section 1231
24 of the Food Security Act of 1985 (16 U.S.C. 3831)
25 is amended—

1 (A) in subsection (a), by striking “2007”
 2 and inserting “2013”;

3 (B) in subsection (d), by striking “2007”
 4 and inserting “2013”;

5 (C) in subsection (e)(3), by striking
 6 “2002” and inserting “2008”; and

7 (D) in subsection (h)(1), by striking
 8 “2007” and inserting “2013”.

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-

gies or watershed management plans to reduce nutrients and sediments from agricultural sources to impaired waters.

“(3) LIMITATION ON USE OF GENERAL SIGNUP.—

“(A) IN GENERAL.—To the maximum extent practicable, the Secretary shall ensure that not more than 80 percent of the acres maintained in the conservation reserve at any 1 time during the 2008 through 2013 calendar years are acres that were enrolled through a general signup under section 1234(c)(2)(A).

“(B) ACCEPTABILITY OF GENERAL SIGNUP OFFERS.—For an offer to be accepted to enroll acres into the conservation reserve through the general signup, the acres covered by the offer shall have an environmental benefit index score that is at or above a threshold that is 15 percent higher than the average of the thresholds used in general signups during fiscal years 1996 through 2006, adjusted for changes in the index over those fiscal years.”.

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

18 (b) PROGRAM EXTENSION.—Section 1238A(a) of the
 19 Food Security Act of 1985 (16 U.S.C. 3838a(a)) is
 20 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 Ches-
5 apeake 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.—

1 (1) FUNDING EXTENSION.—Section 1241(a)(2)
 2 of the Food Security Act of 1985 (16 U.S.C.
 3 3841(a)(2)) is amended by striking “The” and in-
 4 serting “For each of fiscal years 2002 through
 5 2013, the”.

6 (2) CONFORMING AMENDMENT.—Section
 7 1237(c) of the Food Security Act of 1985 (16
 8 U.S.C. 3837(c)) is amended by striking “2007” and
 9 inserting “2013”.

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 eligi-
 23 ble 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:

3 “(ii) shall select projects based on the
4 extent to which the projects meet environ-
5 mental goals for feedstocks and refineries
6 developed by the Secretary, in consultation
7 with the Secretary of the Interior, the Sec-
8 retary of Energy, the Administrator of the
9 Environmental Protection Agency, and the
10 National Academy of Sciences, taking into
11 consideration clean water and air goals;
12 and”.

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.”.

○