

INFLATION REDUCTION ACT



Environmental Quality Incentives Program

10601-0008-31(IN1)—March 2023

When signed on August 16, 2022, the Inflation Reduction Act (IRA) provided more than \$19 billion to help farmers and ranchers implement expanded conservation practices. IRA supports conservation programs that had more applications than available funding within the Natural Resources Conservation Service (NRCS), such as the Environmental Quality Incentives Program (EQIP). As part of the Office of Inspector General's (OIG) oversight responsibility, we are issuing this informational report about EQIP, which is undergoing an audit of its payment schedule process.¹ While providing general information, we are also highlighting funding and program changes within EQIP. This report is in addition to OIG's memorandum on prior audits related to NRCS' IRA funding.²

About EQIP

EQIP is NRCS' flagship conservation program that helps farmers, ranchers, and forest landowners integrate conservation practices into working lands. EQIP provides technical and financial assistance to agricultural producers and forest landowners to address natural resource concerns related to:

- Water and air quality;
- Ground and surface water conservation;
- Soil erosion and health;
- Wildlife habitat; and
- Drought and weather volatility.

According to NRCS, in fiscal year (FY) 2022, the top five funded practices were cover crops (to reduce soil erosion), fences, brush management, roofs and covers, and waste storage facilities (see figure 1). These top five practices made up more than \$400 million of the more than \$1.2 billion total EQIP funds obligated in FY 2022.

Figure 1: FY 2022 Top Five EQIP Practices (by Dollars)



Cover Crops



Fences



Brush Management



Roofs and Covers



Waste Storage Facilities

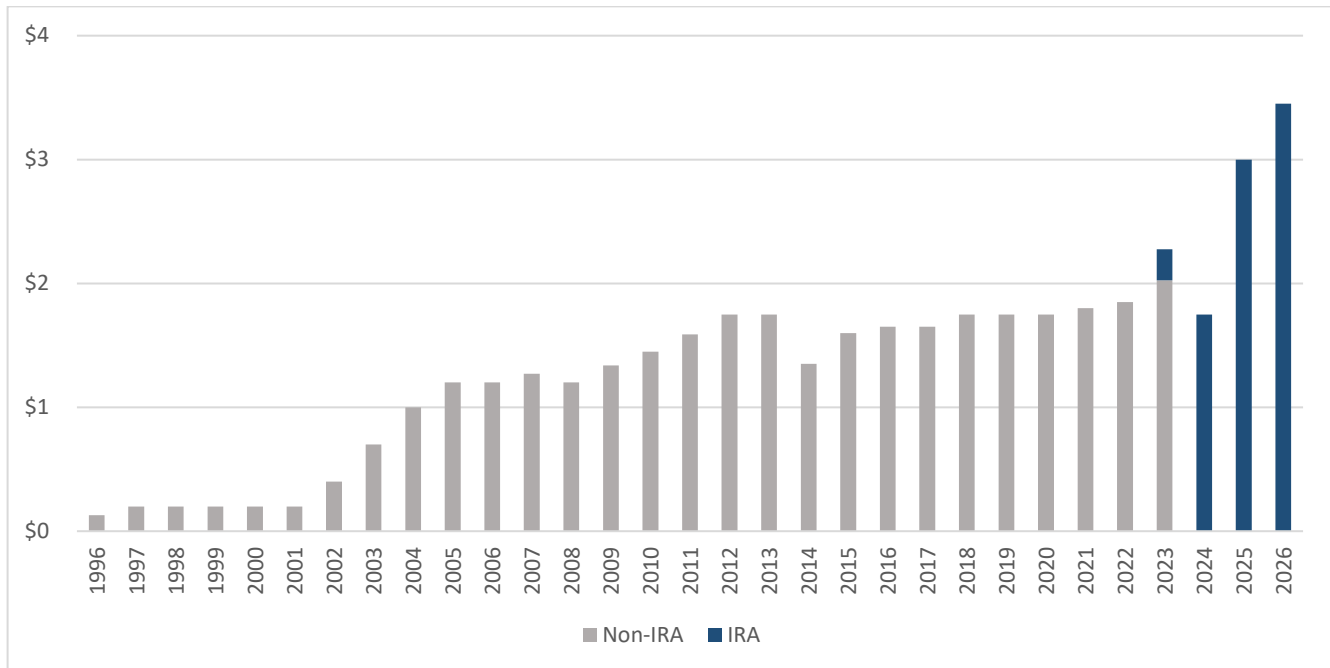
¹ *Environmental Quality Incentives Program Payment Schedule—Cost Estimation Process* (Audit 10601-0008-31, in progress).

² *Prior OIG Audits Relevant to Natural Resources Conservation Service's Inflation Reduction Act Funding* (Memorandum, Jan. 2023), last visited March 20, 2023.

EQIP Funding

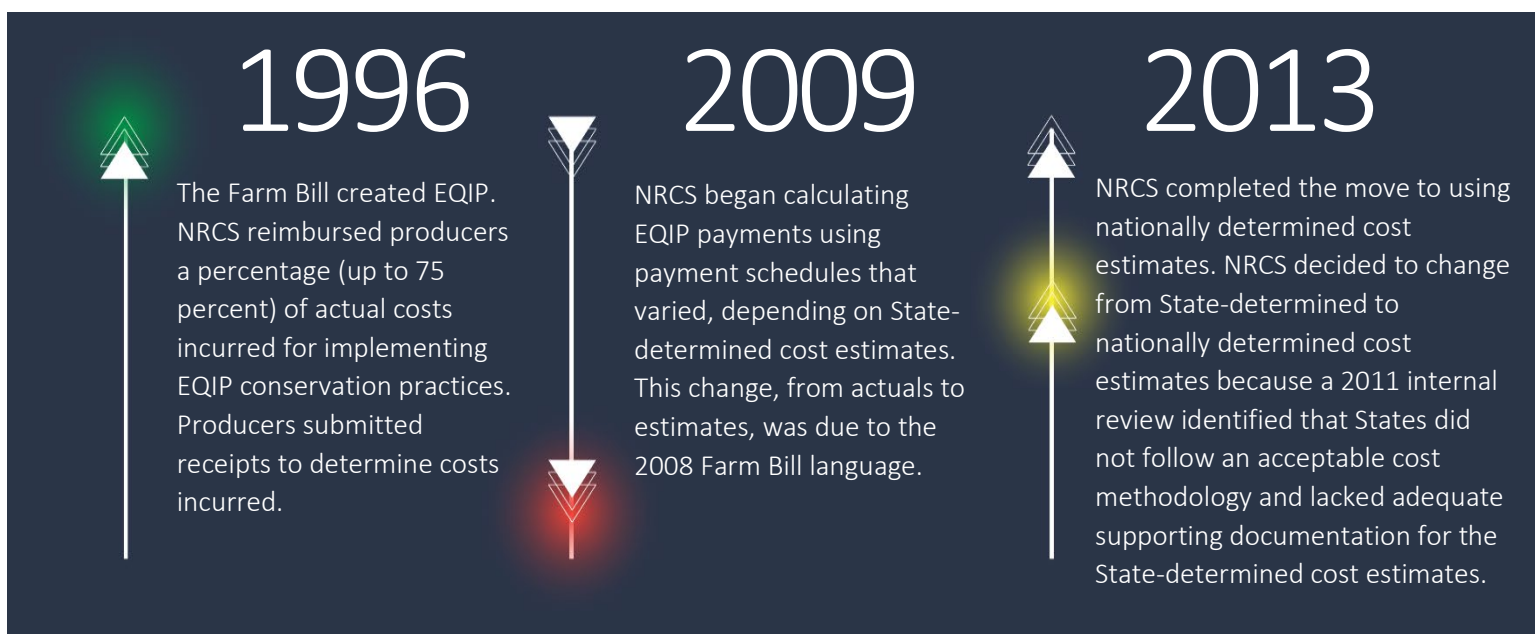
Since EQIP's inception in 1996, Congress has generally used the Farm Bills to provide EQIP funding.³ The current Farm Bill provides EQIP funding through FY 2023. IRA authorized additional funds for some existing Farm Bill programs, including \$8.45 billion for EQIP from FY 2023 through FY 2026. While both the Farm Bill and IRA authorized EQIP funding in FY 2023, it is unclear what approach Congress will take with EQIP funding in the next Farm Bill.

Figure 2: EQIP Funding from Program Inception to FY 2026 (in Billions)



Evolution of EQIP

Figure 3: Evolution of EQIP's Payment Methodology from 1996 to 2013



³ The Farm Bill is an omnibus, multiyear law that governs an array of agricultural and food programs and is typically renewed about every 5 years.

Recent OIG Audit Work

In September 2019, we reported concerns with nationally determined cost estimates.⁴ For example, we found that 188 out of 1,596 prices were current for FY 2017. As a result, OIG recommended that NRCS assess the EQIP payment schedule process to identify opportunities to make it more manageable and effective, making changes as appropriate. To address this recommendation, NRCS stated that it streamlined the number of scenarios, components, and payment schedules that are required to be updated annually, thereby resulting in less maintenance and oversight of the payment schedule process. According to information maintained by the Office of the Chief Financial Officer, in August 2022, NRCS completed implementation on all corrective actions to address the audit’s recommendations. We have not assessed NRCS’ corrective actions, but we plan to do so as part of the ongoing audit.⁵

Recent Changes to Program Controls

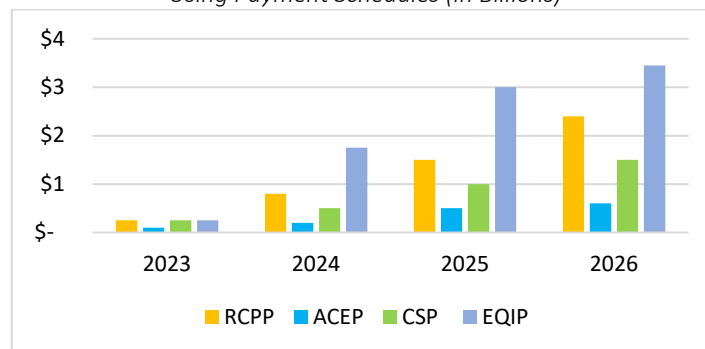
In October 2022, 2 months after reporting implementation of OIG’s audit recommendations, including those to streamline the payment schedule process, NRCS issued guidance allowing States to develop new cost estimates.⁶ This revised approach is a combination of the two prior approaches—State and nationally determined cost estimates.⁷ NRCS made this change to address concerns raised by States, including the lack of timely responses to changing economic situations. We have not evaluated these program changes, which are currently outside the scope of our ongoing audit.

Did You Know?

Changes to EQIP’s controls affect other NRCS Farm Bill-funded conservation programs that also use payment schedules:

- Regional Conservation Partnership Program (RCPP)
- Conservation Stewardship Program (CSP)
- Agricultural Conservation Easement Program (ACEP)

Figure 4: Total IRA Funding for the Four NRCS Programs Using Payment Schedules (in Billions)



IRA provided \$18.05 billion in total to EQIP and these three programs. On November 21, 2022, NRCS requested public input on how to implement funds received under IRA. NRCS sought this input to

⁴ [Environmental Quality Incentives Program Payment Schedules](#) (Audit 10601-0005-31, Sept. 2019).

⁵ *Environmental Quality Incentives Program Payment Schedule—Cost Estimation Process* (Audit 10601-0008-31, in progress).

⁶ NRCS, National Bulletin NB 450-23-1, *TCH Authorization of Geographically Specific Payment Scenarios Created in Conservation Desktop* (Oct. 6, 2022).

⁷ As shown in Figure 3, NRCS started using State-determined cost estimates in 2009. In 2013, NRCS completed the move from using State-determined to nationally determined cost estimates. The revised approach allowing the States to develop new cost estimates, in addition to the nationally determined cost estimates, is a combination of the two prior approaches.

identify and prioritize process improvements for IRA funding delivery and overall NRCS conservation program administration, including changes for FY 2023 and future years' funding.

Scope and Methodology

This informational report provides general information on EQIP, including funding and program changes, from the program's inception in 1996 through November 2022. Our current audit of the EQIP payment schedule process is being conducted in accordance with Generally Accepted Government Auditing Standards. This informational report does not contain any conclusions, findings, or recommendations, and it was prepared using information obtained during prior or ongoing audit work or from public sources. We believe the evidence obtained is sufficient and appropriate to support the information in this report. Any conclusions, findings, or recommendations related to the ongoing audit's objectives and scope will be provided in a separate audit report.

Objectives and Looking Ahead

The objective of our ongoing audit is to evaluate NRCS' EQIP payment schedule process, including its methodology for cost estimation, and ensure applicable corrective actions taken in response to prior audit recommendations remain effective. During FY 2023, OIG will monitor implementation of IRA and assess key risks as we plan oversight work of USDA's entire portfolio of programs and activities.

All photographs are from USDA's Flickr site and are in the public domain. They do not depict any particular audit, inspection, or investigation.

Photos of brush management and roofs and covers by Brandon O'Connor; photos of pivot sprinkler irrigation (banner photo) and waste storage facility by Lance Cheung; photos of cover crops and fences by NRCS.

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