



IDAHO SOIL & WATER  
CONSERVATION COMMISSION

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Teri A. Murrison  
Administrator

February 7, 2018

The Honorable Jim Rice, Chairman  
Senate Agriculture Affairs Committee  
Idaho State Capitol  
Boise, Idaho 83702

Re: Agency Germane Committee Presentation and Supporting Materials

Dear Chairman Rice,

We appreciate the assistance of the Committee Secretary in scheduling our Annual Report to the Committee on February 13<sup>th</sup> at 8:00 am. Attached is a copy of the requested FY 2017 Commission Financial Accountability Report for the review of the Committee.

Prior to next week's presentation, we will bring Carol the following for distribution to the Committee on the morning of our presentation:

1. A hard copy of the Commission's PowerPoint presentation and presentation narrative;
2. The appropriate District Fact Sheets for each Legislator. Questions may be posed to chairs listed on individual fact sheets; and
3. A copy of our February 2018 newsletter, Conservation the Idaho Way.

While we will have slides for the Financial Accountability Report should the Committee have questions, our presentation will focus on Issues, Challenges, and Solutions, as requested. We look forward to testifying before your Committee.

Sincerely,

A handwritten signature in black ink, appearing to read 'Teri A. Murrison', written over a white background.

TERI A. MURRISON, Administrator

cc: Senator Lori Den Hartog, Vice Chair  
Senator Jim L. Patrick  
Senator Clifford R. Bayer  
Senator Jim Guthrie  
Senator Steven P. Thayn  
Senator Mark Harris

Senator Dan Foreman  
Senator Maryanne Jordan  
Ms. Carol Deis, Comm. Secretary





## IDAHO SOIL & WATER CONSERVATION COMMISSION

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# CONSERVATION THE IDAHO WAY: FY 2017 ANNUAL REPORT

*Idaho Code, Title 22, Chapter 27:18*

*(5)(d) On or before March 1 of each year, the commission shall report to the senate agricultural affairs committee and the house agricultural affairs committee;*

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# CONSERVATION THE IDAHO WAY: FY 2017 ANNUAL REPORT

## Introduction

*The Idaho Soil and Water Conservation Commission's mission is to facilitate coordinated non-regulatory, voluntary, and locally-led conservation by federal, state, and local governments including Idaho's conservation districts and other partners to conserve, sustain, improve, and enhance soil, water, air, plant, and animal resources. (IC 27:22). In short, we sow seeds of good stewardship.*

Private lands – forestland, rangeland, and cropland - are incredibly important to Idaho and to the United States in general. Private landowners care for 71% of the lower 48 states, 82% of our wetlands, and 80% of endangered species. In Idaho, about 30% of all lands are privately owned. Private lands support urban areas, agriculture, provide energy and transportation corridors, provide habitat for fish and wildlife, and contribute to water quality in waterways. Here, they are in large part responsible for the health of Idaho's economy and much of its natural resources.

Conservation the Idaho Way is locally led and voluntary agricultural stewardship on private lands - it balances the economic health of communities and natural resources. It contributes to meeting state and federal environmental goals, objectives, and mandates. The Idaho Soil and Water Conservation Commission (Conservation Commission) helps agriculture, healthy soils and water, fish, and wildlife thrive together.

Properly stewarding Idaho's abundant natural and human resources is not possible without willing private landowners – farmers and ranchers – and a strong and effective local, state, and federal partnership. Access to technical assistance professionals to assist landowners is an essential component of successful modern-day, environmentally sound agriculture and conservation.

Voluntary stewardship projects across the state undertaken by our local, state, and federal partnership - the Conservation Commission, Idaho's 50 soil and water conservation districts, and the Natural Resources Conservation Service (NRCS) - improve water quality, restore streams, rivers, forest, range, and croplands, and contribute to healthy soils. Our Conservation Partnership enables Idaho to save water, reduce erosion, manage fire fuels, improve habitat for livestock, fish and wildlife, and more. From considering on-the-farm pollution control tools to navigating the requirements of governmental funding programs, our efforts help connect the dots between policy, financial assistance, program compliance, practice verification and much more.

The Conservation Commission has three core functions: providing financial and technical support to Idaho's 50 locally led conservation districts; providing incentive-based and other voluntary conservation programs and services; and educating and informing the public, decision makers, partners, and other stakeholders about the value and benefits of good agricultural stewardship.

As required in Idaho Code, this annual report is submitted for review by the Senate and House Agricultural Committees.

February 5, 2018  
Teri A. Murrison, Administrator

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## Financial Accountability in FY 2017

The way the state funds Conservation the Idaho Way works is simple: legislative support funds Conservation Commission operations, programs, and assists local conservation districts. We find partners to build upon that support and enhance what we do. The following appropriations and expenditures were made in FY 2017.

### Appropriations and Expenditures

FUND	APPROPRIATION	ACTUAL EXPENDITURES
GENERAL	2,686,500	2,700,000*
DEDICATED	412,000	348,800**
FEDERAL	0	0
OTHER	60,000***	11,800

\* Includes encumbrances from FY 2016 sale of vehicles and laptops for capital purchase (vehicle)

\*\* Expenditures are purposefully minimized in the operating fund of loan programs (RCRDP and State Revolving Fund) in light of reduced loans in the last few years, and to preserve the amount in the Other fund for future one-time purchases.

\*\*\* Spending authority, not actual receipts

### Encumbrances to FY 2018

1. Flood mitigation grant writing: \$29,000 encumbered to FY 2018 to contract with professional grant writers and an engineer, to assess and put together grant applications to fund repairs in prioritized watersheds. Spent to date: \$ 6,300
2. \$14,689 in professional services operating funds were encumbered to FY 2018 to service a \$40,000 contract with DEQ to conduct a deep soil nitrate sampling and testing project. Of the original \$20,000 paid by DEQ in FY 2017, only \$13,700 was expended in FY 2017 since a number of the fields to be tested that year were planted early and unavailable for testing, and DEQ requested we delay testing to fall. Since that time, testing has proceeded. By the end of the project (all testing has been conducted and analyzed), all but approximately \$500 will have been expended.

### Replacement Items

As budgeted, two vehicles were replaced (and we were able to replace a third truck from the proceeds of multiple sales of capital items).

### Unspent FY 2017 Funds

0001 (GF)	\$ 100 Personnel was reverted
	\$ 800 Operating was reverted
0450 (ProSvc)	\$23,200 Operating funds were unspent and carried over to FY 2018 (multi-year deep soil testing contract, etc.)
0522-01 (RCRDP)	\$ 7,398 Personnel was unspent and carried over to FY 2018 (dedicated fund – spending minimized until volume picks up)
	\$67,593 Operating Expense was unspent and carried over to FY 2018 (dedicated fund – spending minimized until loan volume increases)
0529-16 (SRF)	\$24,977 Operating Expense was unspent and carried over to FY 2018 (to maintain buffer for cash flow payments due from the Conservation Commission to DEQ)

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## Audits

The Legislative Services Office has conducted a comprehensive management audit for FYs 2013-16, but the report will not be issued until late spring 2018.

## Issues

### District Financial and Technical Assistance

**Accomplishments** In FY 2017, over \$1.25 million in General Fund Trustee and Benefit dollars were allocated for districts' financial support. The mean average of district allocations was \$25,000, while the smallest allocation was about \$14,000. Four of 50 districts reached the state matching funds cap of \$50,000. State dollars allow districts to employ a part time administrative assistant and conduct information and education events. Districts either seek grants or find partners with funding to do projects.

Last year district satisfaction with the Conservation Commission's Technical Assistance was 91%. We awarded over 6,000 hours of staff time toward 7,300 Technical Assistance hours requested by districts, and helped 39 of 50 districts with projects. Overall responses to the district satisfaction survey were up, there was general improvement in responses from respondents who previously reported dissatisfaction with Commission services; and a new measure was established to track requests and awards for technical assistance: # of technical assistance hours requested by districts vs. the actual hours awarded. Since FY 2014, there has been a downward trend on the number of hours requested and an upward trend in the hours awarded. This is due to improved district forecasting of needs, a greater understanding of Commission capacity, and agency efficiencies.

**Challenges** Due to the existing workload (approximately 50% of field staff time is dedicated to district support, and the remainder goes to other legislatively defined programs) districts report that they are unable to receive the desired amount of technical assistance hours from the Conservation Commission. Further, districts report limited access to funding sources for the implementation of best management practices to address natural resource issues.

**Solutions** Subsequent to the floods of FY 2017, funds were encumbered to provide related grant writing assistance to districts that wished to find funding for projects. Short of adding several additional FTPs, (and since the Commission has multiple responsibilities in addition to providing district support), efforts to encourage districts to take on additional partners and to refine technical assistance allocation requests are ongoing.

### Conservation Reserve Enhancement Program (CREP)

**Accomplishments** The main objective for CREP is to retire irrigated cropland reducing the ground water consumptive use. The intent is to complement other water saving efforts to stabilize and replenish ground water levels in the Eastern Snake Plain Aquifer (ESPA). Each acre enrolled into CREP equals four decreed diverted Acre Feet (AF) or actual water savings of approximately two AF. With 17,781 acres enrolled from the FY 2017 report, **decreed** water rights are reduced by approximately 71,128 AF: or an estimated actual savings of 35,564 AF. The CREP is currently at 18% of the original goal to save 200,000 AF annually or 36% of the refined target of 100,000 AF. The equivalent water savings is close to the annual consumptive use of approximately 340,000 people.

The program provides an annual rental payment over the contract term for every acre enrolled, helping to remove production risks, to provide protection from complete loss of income, and safeguard water rights, even when a mandatory curtailment is issued. In addition to the agency's contract certification, the Farm Service Agency (FSA) has certified a total of 40 contracts covering 3,183 acres (these data are not included in Appendix A, the Performance Measures Report).

**Challenges** The original contractual goal for this federally-sponsored program - CREP - was to enroll up to 100,000 acres of ground-water-sourced irrigated cropland into the program, saving a projected 200,000 acre-ft. (AF) of water annually. A few years

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later, the program acreage goal was modified to 50,000 to accommodate actual response to the program. Prior to the increase in rental rates, the identified challenges to meeting that goal included:

- Annual payment rates had not kept pace with current cropland rental rates. Many producers were reluctant to enroll additional land, especially given that commodity prices significantly increased in the last ten years.
- Some producers were hesitant to make a 15-year commitment to a fixed annual rent that didn't (and doesn't) provide income adjustments with inflation.
- The high cost of native grass seed and only limited success from several years of drought have discouraged many from continuing to try to get stands established like they would want. In addition, weeds such as mustards, kochia, Russian thistle and cheat grass continue to impede success. Even some previously established stands have failed from the more aggressive nature of the non-native weeds.
- Federal Farm Bill program payment limitations for producers kept some from participating fully in the program.
- No risk of mandatory curtailment of water rights.
- Three of the counties within the program area originally did not qualify FY because of program acreage limitations.
- Non-highly erodible land (NHEL) was not eligible for CREP at the beginning of the program.

**Solutions** In September, 2017, the FSA granted the increased rental rates request (with the exception of Jefferson, Bonneville, Blaine Counties). The increase was effective on new offers after October 1, 2017 (the beginning of federal FY 18). Rental rates in the approved counties were increased by \$30 per acre to a maximum payment rate of \$160 per acre for the five-year term. The Idaho Ground Water Association (IGWA) approved a resolution that ground located within the participating groundwater districts will offer additional annual incentives in the form of either payments or credits against their assessments after the producers "initial" 12.5% water usage reduction has been met.

The increase in rental rates and IGWA's additional annual enhancement is expected to spur additional participation in the program for the remaining 31,700 available acres. This will further advance CREP's role as an important option for producers by providing an equitable, measurable water savings over a longer period. Since October 1<sup>st</sup>, 2017, three new contracts on 550 additional acres have been approved and ten additional offers are currently in process. The Conservation Commission and the Idaho Department of Water Resources will monitor workload demands closely to ensure that program delivery occurs in a timely manner. In the meantime, we continue to apply technology to increase staff efficiency in mapping, field checks, and documentation. Further, new interagency information sharing technologies are being investigated for shared database management and communication.

### Total Maximum Daily Load (TMDL) Implementation Plans

**Accomplishments** The Conservation Commission is keeping pace with the TMDL implementation plan workload assigned by DEQ.

**Challenges** None identified.

### Resource Conservation and Rangeland Development Program (RCRDP)

**Background** The Resource Conservation and Rangeland Development Program (RCRDP) dedicated fund was created by the Legislature in 1985 (§22-2730).

*§22-2730. RESOURCE CONSERVATION AND RANGELAND DEVELOPMENT FUND CREATED. (1) There is hereby created in the state treasury a fund to be known as the Idaho resource conservation and rangeland development fund, which shall consist of all moneys which may be appropriated to it by the legislature or made available to it from federal, private or other sources. The state treasurer is directed to invest all unobligated moneys in the fund. All interest and other income accruing from such investments shall accrue to the fund. The state soil and water conservation commission may expend from the fund such sums as it shall deem necessary for any of the conservation improvements, projects and programs provided for under this chapter under such terms and conditions provided for in the commission's rules and the water quality program for agriculture.*

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22-2731. ALLOCATION OF FUND. *The Idaho resource conservation and rangeland development fund shall be allocated for use by the state soil and water conservation commission:*

- (1) To eligible applicants for conservation improvements which it deems to be "in the public interest" in such amounts as are necessary for the implementation of conservation measures identified in a conservation plan;*
- (2) To eligible applicants for the purpose of conservation improvements on rangelands, agricultural lands and riparian lands, which will provide environmental enhancement to soil, water, wildlife and related resources;*
- (3) For the purpose of implementing conservation improvements, projects and the water quality program for agriculture.*

Sources of funding include state treasury interest and loan interest. Originally funds were deposited into the RCRDP dedicated account from the Estate and Transfer Tax (§14-413). Between 1987 and 2000, \$8.1M was generated to the RCRDP. Accumulated interest on that amount and from loans made to-date after expenses is \$1.6M. Currently the cash and loan balance is \$9.7M. In 2000, the distribution of the Estate Tax to RCRDP was reassigned to the General Fund in anticipation of the federal repeal of the estate tax.

**Accomplishments** To date, 534 projects and \$28 million in loans have been funded. These loans have assisted with the implementation of an estimated \$40,000,000 of conservation projects. The Conservation Commission's RCRDP has zero delinquencies or defaults. Separation of duties and chain of command requirements dictate that there is consistent oversight and monitoring shared by multiple people in the Boise office to maintain strong internal controls and avoid risk. Pursuant to Idaho Code 67-1021, we solicited and the State Controller's Office conducted a 2016 review of our fiscal processes to determine the adequacy of our internal controls over financial transaction, the RCRDP loan program among them. The only observations with regard to the RCRDP was the need to have two persons open mail that might contain checks and/or cash (immediately implemented), and the encouragement to finalize an in-process accounting policy and procedure manual (completed). Loan documentation, disbursements, payments, etc. are all conducted under the review of at least three people in addition to the program manager.

**Challenges** As noted on page 16 in the attached Appendix A, Performance Measures Report, borrowers in the RCRDP fund dropped off in FY 2017. This followed several years when loan numbers increased after the recession. In recent years, the volume had been rising gradually from year to year for reasons that we suspect include lower commodity prices and consumer confidence in the economy and producers' perception about their ability to repay loans. Last year, inquiries were down as were new applications and total loan funds actually disbursed (despite an aggressive multi-year marketing and outreach program).

The program was initially established with a deposit of \$8.1M from the estate tax. Over time there was no further dedicated funding, but the loan portfolio grew to over \$10M. . To remain competitive, RCRDP loan interest rates over the past several years dropped to 2.5%, fully one-half the typical 5% interest rate received in 2009. Additionally, since 2009 the state treasury interest rates dropped to three tenths of 1% as compared to 5% received before the Great Recession. By FY 2018 however, expenses outgrew generated interest income despite the Conservation Commission's intentional practice of minimizing expenditures (and reverting appropriations). Over the last several years, the program has brought in an average of \$71,000 per year less than the program's spending authority. Although it would take 21 years to consume the fund's \$1.5M in accumulated interest (at that rate) and reduce the portfolio total to the \$8.1M initially appropriated, the Commission is working proactively with districts and the Idaho Association of Soil Conservation districts to develop, streamline, and enhance the program to fully cover program costs.

In the meantime, during first six months of FY 2018 loan volume and interest in the program has rebounded. More loans were made over the first two quarters of FY 2018 than in the entire FY 2017. Regardless, the Commission remains committed to achieving our goals: increasing interest and participation in the program, and streamlining requirements, processes, and policies to allow that interest to accelerate.

**Solution** In August 2017, the Commission initiated a comprehensive review of statute and rule to determine potential legislative, rule, and program-based changes that could be made in FY 2020 to promote increased utilization of the fund for agricultural stewardship/voluntary conservation. In October, staff made a series of presentations to partners around the state requesting input on ways to make the program more attractive to borrowers. Some of the proposed changes would be simple policy changes enacted by the Board. Others may require rule or statute changes, but we anticipate working with our partners, the Governor's office, and the Legislature on that in the next session. A copy of the program manager's memo to the Board outlining options is attached as Appendix B. The RCRDP has been, and we expect will continue to be, a valuable, cost-effective means of encouraging farmers and ranchers to invest in conservation.

### Expanding Conservation Opportunities and Partnerships

**Accomplishments** The Conservation Commission strongly supports agriculture and we work hard to wring every drop of good that we can from the dollars appropriated. We're experiencing strong interest in coming alongside the partnership for the good work we do. Sister state agencies have been compensating us for some engineering and deep soil testing,

- NRCS contracted with us to hire and supervise three FTPs to help manage Farm Bill program workload in the face of the federal government's hiring cap.
- The Conservation Commission was awarded a 2.5-year grant from the National Fish and Wildlife Foundation to hire a sagebrush landscapes restoration coordinator (1 FTP) in partnership with NRCS, the Governor's Office of Species Conservation, Idaho Department of Fish and Game, US Fish and Wildlife Service, and others.
- The Conservation Commission collaborated with IGWA on a \$5M grant application to provide matching loans to qualified applicants to install flow meters on private wells in order to reduce ground water withdrawals in the Eastern Snake Plain Aquifer.

**Challenges** Partners have requested additional collaborative agreements, however Conservation Commission capacity is a constraint.

**Solution** Requesting partners are encouraged to seek additional assistance from other agencies (local, state, and federal).

APPENDICES

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## APPENDIX A: FY 2017 Performance Measurements Report

### Part I – Agency Profile

#### Agency Overview

The Idaho Soil and Water Conservation Commission (ISWCC) was created in 1939 under Idaho Code § 22-2716, et. seq.) to form local conservation districts to work on reducing soil erosion generated by agricultural land management practices. ISWCC is now also the lead agency for a number of voluntary conservation programs that address water quality and other natural resource issues. ISWCC has no regulatory authority. The ISWCC was led in FY 2017 by five Commissioners appointed by the Governor: Chairman H. Norman Wright, Vice Chairman Gerald Trebesch, Secretary Leon Slichter, and members Dave Radford and Glen Gier. The administrator was Teri Murrison. In FY 2017, the agency had 17.75 administrative and technical staff located in Boise and in offices around the state.

#### Core Functions/Idaho Code

1. **District Support and Services:** provides technical, financial, and other assistance to Idaho's 50 conservation districts.
2. **Comprehensive Conservation Services:** provides/promotes non-regulatory incentive and science-based programs to support voluntary conservation activities enhancing environmental quality and economic productivity.
3. **Administration:** ensures fiscally responsible operations to support Commissioners, programs, and staff.
4. **Outreach:** engages local, state, and federal partners, non-governmental organizations, and resource and agricultural production groups to promote agricultural stewardship (voluntary conservation).

#### Revenue and Expenditures

Revenue	FY 2014	FY 2015	FY 2016	FY 2017
General Fund	\$2,364,100*	\$2,531,000	\$2,590,700	\$2,730,900
Receipts	5,600	6,800	29,600	300
RCRDP Loan Program	1,447,600	1,033,700	960,800	910,800
SRF Loan Program	31,900	84,300	99,300	86,300
Federal Grant Funds	0	0	0	0
<b>Total</b>	<b>\$3,849,200*</b>	<b>\$3,655,800</b>	<b>\$3,680,400</b>	<b>\$3,728,300</b>
Expenditures	FY 2014	FY 2015	FY 2016	
Personnel Costs	\$1,151,400	\$1,149,700	\$1,239,400	\$1,331,000
Operating Expenditures	286,200	346,400	272,100*	290,500
Capital Outlay	0	71,400	80,100	74,100
Trustee/Benefit Payments	1,169,200	1,203,200	1,253,200	1,353,200
RCRDP Loan Disbursements	794,100	352,400	415,200	604,200
DEQ Loan	<u>44,300</u>	<u>71,700</u>	<u>86,700</u>	<u>\$73,700</u>

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Total	\$3,445,200	\$3,194,800	\$3,346,700*	\$3,726,700
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\* indicates where numbers have been updated to correct prior year errors.

## Profile of Cases Managed and/or Key Services Provided

Cases Managed and/or Key Services Provided	FY 2014	FY 2015	FY 2016	FY 2017
Conservation systems implemented on all cropland (acres)	186,076	97,432	133,586	97,776
Conservation implemented on other land uses (acres)	78,925	83,255	6,348	6,549
Grazing/pasture management systems implemented (acres)	531,613	486,449	506,625	339,356
Riparian acres implemented with protection, restoration, enhancement or creation (acres)	289	1,201	3,399	3,981
Conservation Reserve Program (CRP) – Private agricultural land removed from tillage-induced erosion through financial incentive for a contractual time period.	589,484	583,135	568,839	568,729

Numbers above include conservation statistics from federal and local partners: NRCS and districts. The reason “other land uses” declined so significantly is unknown, although it is suspected that it may have dropped beginning in FY 2016 due to policy, funding, or programmatic changes by a partner federal agency.

## FY 2017 Performance Highlights

- **District Support:** Overall responses to the satisfaction survey were up, there was general improvement in responses from respondents who previously reported dissatisfaction with Commission services; and a new measure was established to track requests and awards for technical assistance: # of technical assistance hours requested by districts vs. the actual hours awarded. Since FY 2014, there has been a downward trend on the number of hours requested and an upward trend in the hours awarded. This is due to improved forecasting of needs, understanding Commission capacity, and agency efficiencies.
- **Conservation Reserve Enhancement Program:** A new measure was established to track the amount of water conserved. In addition to the agency’s contract certification, the Farm Service Agency has certified an additional 24 contracts covering 2,335 acres (these data are not included below). The CREP Steering Committee officially requested an increase in rental rates from Washington DC to increase producer participation. A decision is pending.
- **Resource Conservation and Rangeland Development Program:** Interest in the program continues to falter. Inquiries are down, as are new applications and loan funds actually disbursed (this despite an aggressive multi-year marketing and outreach program). In FY 2018, the Commission Board will review statute and rule to determine potential legislative, rule, and program-based changes in FY 2020 that encourage continued utilization of the fund for agricultural stewardship/voluntary conservation in a sustainable way (one that increases interest income generation for program support). The Commission is working with partners to conduct planning and stakeholder outreach (to determine support and strategies), reporting back at the end of FY 2018. In FY 2017, a new measure was added to track borrower satisfaction with the program.
- **Total Maximum Daily Load (TMDL) Implementation Plans:** The agency is keeping pace with the TMDL plan workload released by DEQ. A new measure was added to track the number released by DEQ.

## Part II – Performance Measures

*Note: There is a disconnect between some of the actual FY 2017 numbers and FY 2018 targets caused by establishing performance*

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measure targets in the updated Strategic Plan (June 30<sup>th</sup> deadline) prior to collecting the previous year's performance data (July 30<sup>th</sup> deadline).

Performance Measure		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>District Support &amp; Services</b>						
1. # of District Surveys on Commission Satisfaction  - Strongly agree - Somewhat agree - Neutral - Somewhat Disagree  - Disagree  N/A	actual	36 of 50	35 of 50	34 of 50	42 of 50	
		17%	28.6%	29%	43%	
		25%	45.7%	62%	48%	
		33%	8.6%	3%	2%	
		17%	14.3%	3%	7%	
		3%	2.9%	3%	0%	
		0%	0%	0%	0%	
	target	50 of 50	50 of 50	50 of 50	50 of 50	50 of 50
		25%	25%	34%	36%	34%
		47%	47%	47%	46%	47%
		23%	23%	7%	8%	7%
		5%	5%	10%	8%	10%
		0%	0%	2%	2%	2%
		0%	0%	0%	0%	0%
2. District five-year plans updated	actual	50	50	50	50	-----
	target	50	50	50	50	50
3. Technical Assistance Provided to districts						
# of technical assistance hours requested/awarded (new)	actual	13,280/7,204	10,855/5,351	10,751/5,733	7,360/6,071	-----
	target	-----	-----	-----	-----	7,400/6,100
# of districts w/projects	actual	38	40	38	39	-----

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Performance Measure		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	<i>target</i>	39	39	39	40	40
# of new projects	<b>actual</b>	<b>57</b>	<b>81</b>	<b>34</b>	<b>19</b>	-----
	<i>target</i>	58	58	50	50	50
# of ongoing projects	<b>actual</b>	<b>103</b>	<b>106</b>	<b>101</b>	<b>70</b>	-----
	<i>target</i>	65	115	100	75	100
# of landowners served	<b>actual</b>	<b>386</b>	<b>229</b>	<b>241</b>	<b>316</b>	-----
	<i>target</i>	300	400	300	245	300
<b>Comprehensive Conservation Programs</b>						
<b>4. CREP Program Deliverables</b>						
Total Contracts	<b>actual</b>	<b>156</b>	<b>155</b>	<b>155</b>	<b>168</b>	-----
	<i>target</i>	160	160	175	160	160
Total Acres	<b>actual</b>	<b>16,792</b>	<b>16,729</b>	<b>16,526</b>	<b>17,257</b>	-----
	<i>target</i>	17,500	17,500	21,000	22,000	17,500
Certified Contracts	<b>actual</b>	<b>28</b>	<b>7 (82 total contracts)</b>	<b>6 (88 total contracts)</b>	<b>2 (90 total contracts)</b>	-----
	<i>target</i>	7	15	15	10	10 (10,460 total contracts)
Certified Acres	<b>actual</b>	<b>2,537</b>	<b>300 (8,880 total acres)</b>	<b>647 (9,527 total acres)</b>	<b>131 (9,658 total acres)</b>	-----
	<i>target</i>	1,500	1,500	1,500	1,500	800
Water Conserved ( <i>new</i> )	<b>actual</b>	-----	-----	-----	<b>34,514 acre ft.</b>	-----
	<i>target</i>	-----	-----	-----	-----	36,000 acre ft.
<b>5. Ground Water Quality/Nitrate Priority Areas</b>						
Acres Treated	<b>actual</b>	<b>27,918</b>	<b>39,863</b>	<b>42,594</b>	<b>42,194</b>	-----
	<i>target</i>	37,700	37,700	37,700	42,000	37,700

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Performance Measure		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Nitrates Reduced (lbs.)	actual	141,779	138,247	145,370	142,000	-----
	target	132,100	132,100	132,100	140,000	132,100
Phosphorus Reduced (lbs.)	actual	32,084	27,745	29,575	28,500	-----
	target	26,500	26,500	26,500	28,000	26,500
Sediment Reduced (tons)	actual	54,618	143,670	150,170	148,500	-----
	target	142,600	142,600	142,600	150,000	142,600
<b>6. RCRDP Loan Program</b>						
# of new loans	actual	12	7	12	5	-----
	target	12	15	12	15	12
Total \$ conservation projects	actual	\$841,624	\$392,517	\$875,049	\$335,784	-----
	target	\$350,000	\$950,000	\$850,000	\$900,000	\$850,000
Inquiries received	actual	-----	48	63	36	-----
	target	-----	-----	50	65	50
Applications submitted	actual	-----	20	15	5	-----
	target	-----	-----	25	28	25
Pending @ end of FY	actual	-----	5	0	0	-----
	target	-----	-----	2	2	2
Applications denied or withdrawn	actual	-----	6	3	1	-----
	target	-----	-----	5	5	5
Satisfied customers (new)	actual	-----	-----	-----	5	-----
	target	-----	-----	-----	-----	5
<b>7. TMDL Ag Implementation Plans (subject to DEQ priorities)</b>						
# of new plans assigned by DEQ (new)	actual	-----	-----	-----	7	-----

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Performance Measure		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	target	-----	-----	-----	-----	7
Completed	actual	6	8	7	10	-----
	target	7	6	6	7	6
In Progress	actual	15	16	17	22	-----
	target	12	12	12	15	12
Pending	actual	19	18	18	10	-----
	target	24	19	19	18	19
<b>Outreach</b>						
8. Communications Note: <i>new social media analytic tools were deployed in FY 2017, accounting for the significant change in numbers</i>						
Website (Total Visitors)	actual	-----	71,822	-----	19,607	-----
	target	-----	-----	-----	-----	74,000
(Ave. Page Views) per visitor	actual	-----	-----	26	204.73	-----
	target	-----	-----	-----	26	26
(Ave. Hits/Day)	actual	-----	-----	31,936	22,000	-----
	target	-----	-----	-----	33,000	33,000
(Total Hits)	actual	-----	-----	1,018,241	669,967	-----
	target	-----	-----	-----	1,100,000	1,020,000
Facebook (impressions/# of posts)*	actual	220	153	230	163	-----
	target	-----	275	275	275	-----*
(Post Reach)	actual	-----	-----	48,046	38,851	-----
	target	-----	-----	-----	50,000	50,000
(New Page Likes)	actual	-----	-----	170	72	-----
	target	-----	-----	-----	200	200

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Performance Measure		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Twitter (# of tweets)	actual	89	36	40	115	-----
	target	-----	150	150	75	55
(Twitter Impressions)	actual	-----	-----	11,144	19,059	-----
	target	-----	-----	-----	12,000	11,200
(Profile Views)	actual	-----	-----	762	434	-----
	target	-----	-----	-----	800	700
(New Followers)	actual	-----	-----	111	70	-----
	target	-----	-----	-----	200	200
Newsletter subscriptions**	actual	505	725	591	620	-----
	target	-----	750	750	675	700

*Performance Measure Explanatory Notes*

\* In FY 2017, some performance measures were determined not to be meaningful and will no longer be included in annual reporting.

\*\*FY 2016 reduction in newsletter distribution list due to the cleanup and consolidation of subscription lists.

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## APPENDIX B: Options Presented to Commissioners on Possible Changes to RCRDP Loan Program, Aug. 28, 2017

RCRDP loan applications and awards dropped significantly in FY 2017 (see below). In order to maintain long-term viability of the program (dependent on accumulated interest for personnel and operating costs), staff recommends possible changes to the program. Over the past several months, staff has worked with partners and legal counsel to identify potential internal policy changes or changes to existing Rule and Statute as methods to encourage additional volume and improve on last year's loan program performance.

The following are identified options (along with necessary actions to implement some of them). They are presented for discussion, and in a few cases, for immediate consideration. It is recommended that some of the more complicated options be fleshed out further prior to Board action.

### Loan Program Statistics

	<u>Loan Inquiries</u>	<u>Applications Received</u>	<u>Loans Approved</u>	<u>Loan Amounts</u>
FY 2017	36	5	5	\$335,784
FY 2018 (1 <sup>st</sup> 5 months)	25	10	5	\$468,326

While the FY2018 increases in activity are encouraging, staff recommends continuing to move forward with program adjustments that satisfy the intent of the enabling legislation and increase conservation loan activity.

Examined for feasibility have been the following options:

1. Increase existing conservation loans and streamline processes
2. Expand the program to allow projects not currently eligible for financing.

To accomplish the above, one or more of the following would be necessary:

- Change policy
- Change Administrative rules
- Change Statutes

In addition to research conducted with our deputy attorney general, partners' feedback was solicited at six 2017 Fall Division Meetings. Suggested district changes included:

- Finance forest management plans with implementation of at least one part of plan (thinning, brush/weed control, planting), Finance equipment to accomplish thinning, brush control, defendable space from wildfire, etc.
- Finance conservation equipment, (no-till drills) which can be leased to other land owners, Districts finance conservation equipment from RCRDP to be leased out. (Not feasible – districts don't have statutory authority to borrow).
- Hay storage equipment (Utah example)
- Conservation easements (Sagebrush Steppe Land Trust)
- Can Resource Conservation & Development Area, Inc., (RC & D) borrow RCRDP funds), Loans for potato storage.

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## OPTION 1: Streamline Loan Process

Employ strategies to increase existing conservation projects/streamline processes.

1. Develop template for conservation plans (i.e., RCPP grant for flow meters, furrow to sprinkler irrigation). The template for conservation plans could reference the specific practice in the NRCS field office technical guide.
2. Ask districts to preapprove/rank repetitive conservation measures. This could be completed on a district-by-district basis to speed up the loan process. Examples include flow meters, or flood/furrow irrigation to sprinkler.
3. Fund conservation easements that include a long-term conservation plan or forest management plan including implementing at least one of the plans components. The intent is not to fund the value of the development rights. The intent is to fund the cost of creating the conservation easement. Current RCRDP policy anticipates the use of conservation easements.

### **Other Considerations**

*In certain instances where the environmental benefits are compelling, the Commission may approve Projects in subdivisions or urban settings. All such approval will be based upon permanent conservation easements, effectively ending further urban encroachment on open space, riparian areas, or sensitive water quality areas. (Commission policy)*

Actions required: Direct staff to develop and/or implement any of the below listed options.

4. Solicit estimates of land value from Conservation Districts to be used in calculating loan to value ratios for mortgages. The value estimates may be opinions with or without supporting sales information. The valuations could be obtained from districts at the same time the conservation plan is evaluated and ranked. An inventory of land and the estimated values could be maintained by Commission staff for current and future use in valuing land as collateral. This method is supported in Administrative Rule 05 b ii.

*05b. Real estate appraisal, if necessary, should consist of one (1) of the following: (9-9-86)*

*ii. Evaluation made by Commission or the local District Board according to their knowledge of the estimated average value of the property in the area in which the project is to be implemented. (3-29-10)*

5. Change the loan program to fund 95% of project costs to applicants with high credit scores. Currently private lenders loan 100% of center pivot projects for 7-year terms at 5.1%. RCRDP loans that are limited to 80% of retrievable collateral (pivot and pump) usually results in 50% of the project (pivot, pump, mainline, power, etc.) being financed. This is a common hindrance to the RCRDP financing irrigation projects. The borrower is unable or unwilling to provide the remaining 50% in cash or additional collateral.

Currently the RCRDP loan portfolio has few or no delinquencies. It is possible that RCRDP credit standards are overly restrictive. Higher credit scores (i.e. 720 and higher) correlate to a borrowers increased ability and willingness to pay resulting in a much lower risk of default.

Of the loans that have been approved over the past 7 years, 87% of borrowers have credit scores that exceed 720 (with 817 being the highest average score). It is unknown how many potential applicants did not pursue an RCRDP loan because of the estimated 50% loan level. The RCRDP program is likely turning away potential borrowers with good credit scores and a low risk of default because of the collateral policy.

Actions required: Change RCRDP policy to allow loans up to 95% of the cost of new projects, increase the

related interest rate by 0.25% to applicants with a credit score average of 720. All other credit criteria remain unchanged.

6. Offer 'construction loans' with 6% interest to applicants that want to borrow their portion of cost share funds. The loan would be repaid with the cost share funds (EQIP, BPA, WQPA, 319). RCRDP cannot charge loan fees. Given the significant staff time and expense taken to underwrite and service a loan, a short term, construction loan will general little interest income with the current low 2.5% rate. This type of loan would interest borrowers that expect a very large portion of the project (up to 90%) to be paid with cost share funds and where the construction period is lengthy and the contractor requires payment before the cost share funds are paid.

Actions required: Change RCRDP policy to increase the interest rate to 6% for 'construction loans' whereby loan funds will be repaid with cost share money from other sources.

### OPTION 2: Expand Program

Allow projects, applicants not currently eligible for financing

1. Change or eliminate an Administrative Rule to allow new applicants or projects to be eligible for RCRDP funding. I.e., eliminate the 3-credit report requirement, change the definition of applicant, change the objectives, photo identification.) Some of these rules may affect the ability of RCRDP to loan to ground water districts, irrigation districts, irrigation companies, etc.
2. Change RCRDP statute to allow other projects and applicants to be eligible for RCRDP funding. It would be advisable to determine if there is sufficient demand for RCRDP loans from the prospective applicants for the prospective projects.

Consider proposing a change in statute to allow other projects that shelter/protect the production of the land (hay storage, silage storage, lambing sheds, calf sheds).

3. Propose a zero interest loan program (with annual funding) from the state. Loans would be written with the standard interest rates (currently 2.5% to 3.25%). If the borrower pays the full annual payment on time then the state pays the interest. Zero interest loans would increase the desirability of conservation loans for producers. It would also provide an added incentive to pay on time.

If the borrower doesn't pay on time, the interest expense is borne by the borrower. The state doesn't pay in this situation. The interest portion of the annual payment would be paid by the state with general funds and deposited in the RCRDP account to pay operating expenses.

From the state's perspective, the interest expense would accrue only after the project was installed and the timely payment is received. For example, a \$1,000,000 loan portfolio loaned at 3% would cost the state \$30,000/year. All loans would adhere to the Commission's credit standards.

The above options are for information and discussion. Should your Board wish staff to pursue any of the above or others, staff proposes bringing back further information at a future meeting for action.

**RECOMMENDED ACTION:** For information and possible action