

Program Overview

Program Background

The Vermont Pay-For-Phosphorus (VPFP) Program, funded by the USDA NRCS RCPP AFA program, will build a novel Pay-for-Performance program in the State of Vermont that will pay for phosphorus reductions above the Lake Champlain Basin Phosphorus TMDL reduction requirements.

P-reductions will be modeled using the FarmPREP tool, a program developed for the state of Vermont by Stone Environmental. Modeled P-reductions come from practice and nutrient management data. Reductions will be calculated above the Modeled Base Load for each of the farm's fields, aggregated across the farm. The Modeled Base Load is based on the land management assumptions that originally went into creating the Lake Champlain Basin Phosphorus TMDL ("TMDL").

Eligibility

Eligible land is "Annual Cropland" and "Hay Land". Farms statewide that are in good standing with AAFM and have an up-to-date NMP or LTP are eligible.

Application & Data Entry Payment

To encourage farmers to apply to the program and enter their data in FarmPREP, we will offer a one-time Initial Data Entry Payment to all new applicants. In the first year this will be \$15 per acre with a cap of \$4000 per farm. The Data Entry Payment compensates the farmer for their time entering data or working with TA providers and/or for their payment to a TSP to enter this data. We will also provide funding to a partner to offer TA for data entry assistance. Using the TA provided would not reduce the Initial Data Entry Payment to the farmer.

Ranking

Ranking will occur within funding pools to prioritize the allocation of funding to the Lake Champlain Basin and to the Memphremagog watershed. Ranking will prioritize applicants with higher net percentage of P-reductions across the farm and historically underserved farmers. If farms do not rank out, or do not demonstrate reductions above the regulatory reduction threshold, we will refer their application to their FAP program.

Field and Record Verification

Field and record verification will be done by a third-party verifier in the spring and fall. Verification protocol focuses on ensuring that the data entered in FarmPREP accurately represents the actual land management on the farm that year. The Administrator will be responsible for decision-making on "pass" or "fail" of farms, given field check information.

Payment-for-Phosphorus

Payment to farmers for phosphorus reductions will be annual, upon successful field verification. Enrolled farmers will be paid per pound of phosphorus reduced beyond a Regulatory Reduction Threshold. The Threshold and payment rate will be determined by AAFM, with the input of stakeholders. AAFM anticipates that the threshold will correspond to the approximate average required percentage P-reduction in the LCB under the TMDL, and the payment rate will take into consideration the average calculated cost per pound of phosphorus reduced through existing payment programs.

Frequently Asked Questions (FAQs)

Why phosphorus?

Several waterbodies in the state of Vermont are under Total Maximum Daily Loads for phosphorus (P), and P is a resource of high concern for water quality in Vermont. Management that reduces farm P loss can contribute to other conservation improvements but paying exclusively for P at the start of this program will make it more efficient and easier to initiate.

How is a "pay-for-phosphorus" program different from existing programs?

Payment per pound of phosphorus is a pay-for-performance approach that pays based on **outcomes**. Existing programs tend to follow a pay-for-practice approach and pay instead for **implementation** of conservation practices. Payment for performance, as envisioned in the VPFPP Program, is intended to be a more holistic, accurate, and efficient approach to achieving conservation goals than payment for practice.

When will the Vermont Pay-for-Phosphorus program roll out?

This program will roll out for farm applications late in calendar year 2021 and then the first payments for phosphorus reductions will reflect the 2022 growing year.

Is this program annual?

Yes. Farms will be eligible to enroll or re-enroll each year. There is no requirement to sign-up for more than one year.

Will payments through this USDA RCPP program cut into a farm's NRCS payment caps under the 2018 Farm Bill?

No, RCPP AFA payments to farmers under this VPFPP grant will not count against the EQIP payment limitations.

What farms will be eligible to apply?

All farms in the state of Vermont that are regulated by and meeting the requirements under the Required Agricultural Practices, that have an up-to-date Nutrient Management Plan or Land Treatment Plan, and that own or manage annual cropland or hayland will be eligible to apply. Farm applicants will enter data for **ALL** annual cropland and hayland under their management.

What about pasture?

Fields in pasture are currently not eligible for VPFPP. Rotationally grazed land will continue to be eligible for payment per acre through the VAAFM Farm Agronomic Practice (FAP) program.

How will this program interact with existing programs?

This program will supplement existing programs. AAFM programs such as the Capital Equipment Assistance Program, will continue to serve farmers and are necessary to help bring farms up to a level of stewardship necessary to receive payment through the VPFPP Program. Farmers who do not enroll in the VPFPP Program or who do not yet meet thresholds for the regulatory required reductions, will continue to be eligible for support from programs such as the Field Agronomic Practice (FAP) program to implement conservation practices.

How much money will be distributed directly to farmers through this program?

This program will make \$4.9 million in payments to Vermont farmers over five years.

What is the process for involvement in this program?

Winter: Farm applicants will be encouraged to work with their Technical Service Providers or to work with qualified Technical Assistance providers to enter the whole farm's planned nutrient management for the coming year into the FarmPREP program. We anticipate that first time applicants will be given a one-time data entry payment of \$15/acre, capped at \$4000, to compensate them for their financial investment and/or time working with TA providers to complete this data entry. Returning applicants will be able to copy and edit the last year's entries to reduce duplication of effort.

Early Spring: Applicants will be ranked. Funding pools will be set aside to support farms in the Lake Champlain Basin and Lake Memphremagog. Ranking will prioritize the involvement of participants with the highest percentages of phosphorus reductions, from historically under-resourced groups and from a diversity of farm sizes and locations. Successful applicants will be notified and invited to enroll.

Growing Season: Enrolled farms will implement conservation practices. Twice in the year the farms will update FarmPREP to ensure that the tool accurately reflects their implemented stewardship, and qualified third parties will verify this implementation.

Year End: Farms will be paid for the pounds of phosphorus they reduce above minimum program thresholds and encouraged to re-enroll for the following year.

Will farmers and stakeholders be able to give feedback about the program?

Yes. This program is a working model and the Agency wants it to be guided by demonstrated farm needs and to work for farmers. All payment rates, caps, and requirements will be evaluated over the course of the program by AAFM, with input from a variety of stakeholders, to ensure that the program is meeting its goals. Feedback from farm participants will be encouraged and sought-after. AAFM will additionally be convening a Stakeholder Advisory Panel and working closely with those participants to develop and continually improve this program.

How will this program affect the PES Working Group?

This program will not affect the Payment for Ecosystem Services (PES) Working Group. The VFPP Program is specifically focused on the single resource concern of phosphorus runoff while the PES Working Group aims to develop recommendations for a more comprehensive and holistic approach to ecosystem services valuation. AAFM looks forward to continued engagement with the PES Working Group toward its ambitious goal.

How will this program affect VESP?

This program will not affect the Vermont Environmental Stewardship Program (VESP). VESP continues to work with farms to finalize pilot results and develop the full-program framework. This work is ongoing and more holistic than the Vermont Pay-for-Phosphorus Program. Farms that are involved with VESP, however, are well-prepared to additionally enroll in the Vermont Pay-for-Phosphorus Program and will be encouraged to apply.

Program Goals

- **TMDL reductions and stewardship**
 - This program will serve Vermont's need to reduce phosphorus loading under the TMDL while compensating and incentivizing farmers for beneficial land stewardship.
- **Farmer buy-in**
 - Farmers need autonomy over their land management decision-making and degrees of participation.
 - Farmers desire fairness: farmers' stewardship efforts will be appropriately valued, and a variety of farm sizes and land use types will be eligible for payment.
- **Verifiable, measurable, location-specific outcomes**
 - The system will be designed with accurate, quantifiable, location-specific outcomes and payments that are directly tied to a positive value for the state.
- **Equity and Efficiency of program funding**
 - The system will be maximally equitable across geographic location, farm size, and length of time as land stewards while efficiently directing funding in a way that provides the most value to the public and to the farmer.
 - There are inherent trade-offs, but with flat baselines and equal payment rates across the state, yet ranking priority within funding pools, a compromise will be reached between these goals.
- **Additionality of stewardship**
 - Farmers will be paid for voluntary stewardship that goes above and beyond their regulatorily-required levels of stewardship (i.e. TMDL P-reductions).
- **Sufficiency of payment**
 - Payment level will be sufficient to compensate farmers both for their stewardship and for their efforts to gather data and input it into the system.
 - Payment schedule will be fair, reduce risk to both the funder and the farmer, and acknowledge the upfront effort/costs of participation and the length of outcome benefits.