



United States Department of Agriculture
Natural Resources Conservation Service

Benefit-Cost Analysis

for the

Technical Service Provider Initiative (TSP)

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Benefit-Cost Analysis

Technical Service Provider Initiative (TSP)

Executive Summary

Pursuant to Executive Order 12866, Regulatory Planning and Review, the Natural Resources Conservation Service (NRCS) has conducted a benefit-cost analysis of the Technical Service Provider Initiative (TSP) as formulated for the Interim Final Rule. This requirement provides decision makers with the opportunity to develop and implement a program that is beneficial, cost effective and that minimizes negative impacts to health, human safety, and the environment. TSP provides another avenue for eligible participants to the assistance they need to achieve the conservation objectives on their land – that is, through technical service providers (TSPs). Eligible participants may choose to receive technical assistance directly from NRCS, by selecting a certified TSP from an approved list, or through an agreement NRCS has entered into with a TSP to provide the necessary assistance. TSPs are certified professionals, qualified to provide NRCS program participants with the technical services necessary to implement their conservation projects. Technical services include conservation planning, technical consultations, assistance with design and implementation of conservation practices, and related services.

The rule changes outlined in this interim rule do not address the validity that the “outsourcing” related to TSP could provide technical services at low cost or extend service in areas experiencing heavy workloads or in instances where NRCS personnel lack special skills or training in certain professional areas. Serious and thorough analysis of the actual cost and benefits of extending NRCS services have been addressed in its 2004 Cost Benefit Assessment (Use of Technical Service Providers to deliver technical assistance to conservation programs in the United States). This analysis found that TSP provides positive net benefits given potential future increased work loads on NRCS with little growth in the NRCS work force. TSPs could enable NRCS program participants to begin their projects sooner than would otherwise be the case. This effect could increase environmental benefits for programs utilizing TSPs. In addition, the use of TSPs could potentially increase the amount of contracts that actually are completed rather than cancelled because of time delays. Neither the 2004 nor the 2008 TSP Cost Benefit Analysis provides a cost comparison of TSPs costs with internal NRCS costs.

The current analysis does not address any of the core principles associated with TSP, but addressed several discretionary policy items which were qualitatively assessed. None of these policy items were expected to produce significant adverse effects to implementation of conservation practices and the overall operation of NRCS.

Benefit-Cost Analysis

Technical Service Provider Initiative

Background

The Natural Resources Conservation Service (NRCS) first implemented the Technical Service Provider Initiative (TSP) in FY 2003 under an interim rule. A Final Rule was published in November, 2004. Since the inception of TSP, NRCS has obligated over \$262 million to implement the initiative. The funding for TSP originates from mandatory Farm Bill Programs, with the Environmental Quality Incentives Program (EQIP) providing most of the funds utilized.

Technical Service Providers (TSPs) are certified professionals, qualified to provide NRCS program participants with the technical services necessary to implement their conservation projects. Technical services include conservation planning, technical consultations, assistance with design and implementation of conservation practices, and related services.

The purpose of this initiative is to provide eligible participants with convenient access to the assistance they need to achieve the conservation objectives on their land. TSPs are individuals, private businesses, nonprofit organizations, or public agencies that help agricultural producers and owners of agricultural lands apply conservation practices on the land.

Eligible participants may choose to receive technical assistance directly from NRCS, by selecting a certified TSP from an approved list, or through an agreement NRCS has entered into with a TSP to provide the necessary assistance. Note that TSP services are not available for all technical services in all States.

Legislation Authority

TSP was originally authorized under Section 1242 of the Food Security Act of 1985 (Food Security Act), as amended by the Farm Security and Rural Investment Act of 2002, P.L. 107–171 (2002 Farm Bill). The Food, Conservation, and Energy Act of 2008, P.L. 110-234 (the 2008 Act) reauthorized TSP and made other changes to its implementation. To ensure that high quality technical services are available to all producers, Section 1242 requires the Secretary of Agriculture to establish, by regulation, a system to “increase the availability and range of technical expertise available to eligible participants to plan and implement conservation measures.” The Secretary of Agriculture has delegated to NRCS the responsibility for administering technical services provided by TSPs.

NRCS is issuing an interim final rule to make adjustments to TSP implementation and set forth the process for providing conservation technical assistance to eligible participants.

Rationale for the Rule

NRCS has described the reason for Government intervention in natural resource and environmental markets in other benefit-cost analyses that it has recently conducted (Please see, the benefit-cost analysis for the Environmental Quality Incentives Program, for example). The particular underlying economic rationale for the TSP focuses attention on the means of technical

assistance delivery: traditionally this delivery mechanism has been NRCS employees, often working *in conjunction* with its partners, such as groups or organizations at State and local levels.

Although NRCS has a history of working with others to deliver conservation practices or put “conservation on the ground,” the TSP actually outsources these services. NRCS has the authority to contract technical expertise without TSP authority, such as acquiring specific expertise in watershed projects, soil survey field mapping, digitization of soil maps, and installation of conservation practices. These efforts have normally supplemented NRCS efforts and fall into two of the five main NRCS business lines: (1) conservation planning and technical consultation and (2) conservation implementation. NRCS’ other three main business lines are natural resource inventory and assessment, natural resource technology transfer, and financial assistance (NRCS, Productive Lands, Healthy Environments, page 7): these business lines do not lend themselves to “out-sourcing” to the private sector.

The out-sourcing enabled by TSP seems to be predicated or bolstered by any or all of the following three economic assumptions:

- 1) *Lower Cost*: It is assumed that the private sector can provide technical assistance to NRCS program participants at lower cost by reducing the number of new federal employees that would provide this service. No analysis of TSP activities since the 2002 Farm Bill has verified this assumption in general, but it is still one of the underlying assumptions of the 2002 and 2008 Farm Bill.
- 2) *Higher Service*: It is assumed that TSPs can supplement NRCS efforts in areas where local NRCS employees are experiencing a heavy workload; and,
- 3) *Niche Technical Expertise*: It is assumed that TSPs have special skills or training in certain professional areas that NRCS employees do not.

The rule changes outlined in this interim rule do not address the validity of any of the assumptions listed above. Serious and thorough analysis of the actual cost and benefits of extending NRCS services have been addressed in its 2004 Cost Benefit Assessment (Use of Technical Service Providers to deliver technical assistance to conservation programs in the United States). This analysis found that TSP provides positive net benefits given potential future increased work loads on NRCS with little growth in the NRCS work force. TSPs could enable NRCS program participants to commence on their projects sooner than would otherwise be the case. This effect could increase environmental benefits for program utilizing TSPs. In addition, the use of TSPs could potentially increase the amount of contracts that actually are completed rather than cancelled because of time delays. Again, the current analysis does not address these issues, but addresses the discretionary items in the certain provisions of the 2008 Act pertaining to the TSP.

TSP Description and Features

Initiative Objective

NRCS utilizes its technical expertise to provide producers and landowners with information to help them make land management decisions. When a producer or landowner applies to

participate in a conservation program, NRCS helps evaluate the resource conditions on the land to determine the most appropriate way to meet the producer’s or landowner’s conservation objectives. Through its conservation planning process, NRCS helps develop a conservation plan and, depending upon the availability of funds, may provide financial assistance (FA) to the producer or landowner to implement identified conservation practices or systems.

The TSP supplements and extends the technical assistance traditionally offered only exclusively by NRCS employees. In 1994, the Department of Agriculture reorganized and transferred increased responsibilities for administration of a wider range of conservation programs to the NRCS. In particular, when created as part of the 1994 Department Reorganization Act, NRCS assumed the responsibilities of the Soil Conservation Service (SCS) and was delegated administrative responsibilities for additional conservation programs, such as the Wetlands Reserve Program and the Forest Legacy Enhancement Program, formerly administered by the Agricultural Stabilization and Conservation Service. The Federal Agricultural Improvement and Reform Act of 1996 (the 1996 Act), Public Law 104-127, expanded the range of environmental concerns for which NRCS employees were to provide technical assistance, while also increasing the contractual and financial management responsibilities of the Agency. Though SCS focused almost entirely upon providing technical assistance in association with programs delivered by other agencies, NRCS has complete technical, administrative, and financial responsibility for most of the conservation programs delegated to it.

Initiative Overview

Under TSP, eligible NRCS program participants may receive technical assistance directly by NRCS, by a certified TSP the producer chooses from an approved list, or through an agreement NRCS has entered into with a TSP to provide the necessary assistance. Certified TSPs can provide technical assistance to eligible NRCS participants in the following eight programs¹: Agricultural Management Assistance Program (AMA); Agriculture Water Enhancement Program (AWEP); Conservation Stewardship Program (CSP); Environmental Quality Incentives Program (EQIP); Farm and Ranch Lands Protection Program (FRPP); Grassland Reserve Program (GRP); Wetlands Reserve Program (WRP); and, the Wildlife Habitat Incentives Program (WHIP). Note that TSP services are not available for all technical services in all states.

Since TSPs provide a range of technical assistance services, this analysis organizes this range along functional lines. The following categories are found on the official TechReg website (along with details about criteria that qualifies an individual or entity as a certified TSP):

Table 1. The range of technical services provided by TSP participants.

1) Agroforestry	2) Certified Conservation Planner (Current)
3) Channel and Streambank Stabilization	4) CNMP Plan Approval
5) CNMP Plan Development - Feed Management	6) CNMP Plan Development - Land Treatment
7) CNMP Plan Development - Manure and Wastewater Handling and Storage	8) CNMP Plan Development - Nutrient Management
9) CNMP Plan Development - Total Plan	10) Contaminate Reduction Control
11) Cultural Resources Compliance Studies	12) Feed Management

¹TSP is also authorized to assist landowners enrolled the Conservation Reserve Program (CRP) administered by the Farm Services Agency (FSA).

13) Fisheries (New)	14) Fisheries Interdisciplinary / Biological/Engineering
15) Forestry	16) Grazing/Forages
17) Irrigation (Water Conveyance)	18) Irrigation System (Application)
19) Irrigation Water Management	20) Land Shaping
21) Land Treatment - Buffer	22) Land Treatment - Surface Water Management
23) Land Treatment - Tillage and Erosion	24) Land Treatment - Vegetative Land Stabilization
25) Manure and Wastewater Handling and Storage	26) NonIrrigation (Water Conveyance)
27) Nutrient Management - Organic and Inorganic (Current)	28) Pest Management
29) Prescribed Burning	30) Reservoir Sealing
31) Soil Stabilization for Access (Roads)	32) Surface Water Detention/Retention
33) Waste Utilization - Energy Generation (Current)	34) Waste Utilization - Feedstock for Livestock (Current)
35) Water Management (Drainage)	36) Water Supply Facilities
37) Water Well	38) Well and Shaft Technology
39) Wetlands (Interdisciplinary) Biological Components	40) Wetlands (Interdisciplinary) Engineering Components
41) Wildlife (New)	42) Wildlife Interdisciplinary Biological/Engineering (New)

Source: NRCS, TechReg website: <http://techreg.usda.gov>

NRCS has the responsibility to certify that TSPs are qualified to provide conservation services. For TSPs hired by a NRCS program participant, NRCS reimburses the conservation program participant for technical services from the certified TSP. These reimbursements are based on TSP Payment Rates established by NRCS (more information is provided in the section, Development of Expected TSP Participant Costs below). In November 2002, the Interim Final TSP Rules introduced the concept of 'Not-To-Exceed' (NTE) rates. The TSP Payment Rates (NTE) rates have been distributed from the TechReg website since 2003. In 2008, there have been three significant changes.

- 1) The initial meaning of Not-To-Exceed was that the producer would be reimbursed up to this rate, but not greater than the actual amount paid to the TSP. In January, 2008, NRCS moved to paying a flat TSP Payment Rate.
- 2) From 2003 to 2008, the TSP Payment Rates were only adjusted nationally on an annual basis. In March, 2008, NRCS changed internal agency procedures in 2008 to allow states to modify TSP Payment Rates on a continuous basis.
- 3) NRCS moved to using NRCS costs as the basis for 'Not-To-Exceed' rates in 2003 through 2008. In the new rule, NRCS will extend more flexibility for states to set TSP Payment Rates above agency costs in line with the 'fair and reasonable' language in statute and the comments in the conferees report.

For TSPs hired directly by NRCS, NRCS enters into one of three types of legal arrangements: procurement contracts, cooperative agreements, or contribution agreements. In these situations, the TSP is paid directly by NRCS for services rendered. TSP payment rates under these agreements are negotiated directly between NRCS and the service provider according to appropriate competition requirements.

NRCS incurs certain costs to implement TSP, such as certification, training, quality assurance, contracting overhead, national and state TSP coordinators, and development of the TechReg application.

TSPs Requirements: TSPs must be approved and certified by NRCS. NRCS has developed a certification process of individuals and entities that are capable of providing technical assistance in accordance with NRCS standards and guidance. The certification process is sensitive to the individual States' requirements and needs (for more information, see <http://techreg.usda.gov/RptCategory.aspx>).

Quality Assurance: Quality assurance on activities or services provided by TSPs is handled in the same manner as for NRCS employees. There are several oversight mechanisms in place to ensure that NRCS work is technically sound, planned and implemented correctly. These mechanisms include: state quality reviews; conservation practice spot checks; and, annual status reviews. In addition, specific programs have quality control criteria such as: all long-term contracts for WRP, EQIP, and WHIP are subject to annual status reviews for the length of the contract. CRP contracts are subject to annual status reviews² until practices have been established as final.

Apportionment Requirements: Under the 2002 Act, the Office of Management and Budget (OMB) apportioned financial and technical assistance funds from the Commodity Credit Corporation (CCC) to NRCS for implementation of the Title XII conservation programs. Within each fiscal year's apportionment, OMB identified a goal for how much of the apportioned funds would be used to provide technical assistance to program participants through technical service providers, which has become known as the TSP goal. To facilitate meeting this goal, the Chief incorporated into each State Conservationist's fund allocation the TSP goal for that particular State. Additionally, each State Conservationist's performance plan included reaching the TSP goal as a performance goal.

Regulatory Changes

The TSP interim final rule incorporates the mandatory changes, and exercises certain discretionary changes resulting from enactment of the 2008 Act. These are discussed below:

Mandatory Items

Section 2706 of the 2008 Act amends Section 1242 of the 1985 Act to:

- Define eligible program participants as producers, landowners, and entities that are eligible to participate in programs authorized by Title XII of the 1985 Act, or under the Agricultural Management Assistance (AMA) program authorized by Section 524 of the Federal Crop Insurance Act (7 U.S.C. 1524), as amended. The inclusion of eligible participants under AMA is an expansion of the TSP applicability.

²State quality reviews are reviews of field office operations conducted by NRCS State and Area program and technical staff. Conservation spot checks are field visits conducted by NRCS field office personnel on a particular percentage of practices implemented under the highly erodible land conservation provisions. Annual status reviews are field visits by NRCS field office personnel of the activities performed under a conservation program contract.

- Require the Secretary to provide national criteria for the certification of third-party providers and to approve any additional certification requirements that are proposed by the Agency at the State level that would be different from the national criteria.
- Establish that an agreement between the Secretary and a third party provider shall be for one year at a minimum and not to exceed three years.
- Require the Secretary to review the certification requirements for third-party providers within one year of enactment of the 2008 Act and make any adjustments considered necessary by the Secretary to improve participation.
- Prohibit activities or services that are customarily provided at no cost by a third-party provider from being eligible for TSP payment.
- Require the Secretary to establish fair and reasonable payment rates for technical services provided by third-party providers, but provide discretion to Secretary about what constitutes “fair and reasonable.”
- Authorize NRCS to enter into cooperative agreements or contracts with, other agencies to assist in providing technical assistance necessary to deliver Title XII conservation programs.
- Authorize the renewal of agreements with TSPs.

Discretionary Items

The interim final rule:

- Allows NRCS to make payments to a third party provider for “related technical assistance services.”
- Authorizes NRCS to enter into technical assistance contracts with eligible participants who do not seek financial assistance from NRCS for establishing practices.
- Authorizes NRCS to enter into contracts that provide technical assistance without financial assistance for practice establishment.
- Provides the Secretary with discretion to develop the methodology to establish fair and reasonable payment rates.
- Authorize as eligible for payment technical services provided directly to eligible participants (such as conservation planning, education and outreach, and assistance with design and implementation of conservation practices or related technical services) that accelerate conservation program delivery.
- Gives the Secretary the ability to acquire technical services through a third party provider.
- Authorizes the Secretary to enter into contracts and agreements with other USDA agencies and non-Federal entities to assist in implementing conservation programs.

Analytical Model

Development of Expected TSP Participant Costs

TSP Costs: TSPs are expected to have a similar set of tools needed by a NRCS employee to conduct their work and provide technical assistance to eligible NRCS program participants. That is, their use of computers; sharing of NRCS software, travel, clerical support; and other expenses

would be expected to produce similar cost structures as compared with those of NRCS employees.

Other Program Costs for the Government and Society

NRCS Costs related to TSP:

Certification costs: Staff time by NRCS needed for over-sight of the certification process is difficult to estimate. Antidotal evidence suggests that NRCS support time averages five to ten hours per project, however there is great variability across projects.

Training costs: In addition to the certification requirements, TSPs must be trained in order to become certified. NRCS has built the majority of these training costs in their TSP commercial billing rates by adding an over-head cost into the rates that NRCS reimburses TSPs³. Currently, NRCS rates are based on the cost to the Agency to perform the technical service itself. Rates consider plan, design, installation, and checkout of conservation practices, and overhead costs. Although these rates are fairly complete, they do not reflect the costs incurred by NRCS in developing material and delivering one-day training sessions for specific areas of certification (i.e. nutrient management, pest management, or conservation planning).

Administrative costs: Regardless of the means of technical assistance delivery, NRCS remains the repository for all official conservation contracts and agreements and must explain the conservation contract requirements to NRCS program applicants. This material includes information on: program requirements, payment terms, a list of approved TSPs, and payment rates for use in program contracts and agreements. It is assumed that these costs would be similar regardless of means of technical assistance delivery. Some additional administrative costs are incurred at NRCS National Headquarters (NHQ) as a result of the TSP. First, there is a TSP team made up of three members who work full-time in implementing TSP. There are also 50 state TSP coordinators who work part-time on TSP. Additional national staff time for TSP is provided by several NHQ divisions and national technology centers.

Contracting costs: Like many federal agencies, NRCS has a shortage of contracting officers. With procurement contracts, cooperative agreements, and contribution agreements, NRCS has the typical amount of contracting overhead, based on a percentage of contract cost. For producer-hired TSPs, NRCS has an additional item added to the existing producer EQIP or other program contract, adding little contract administration costs.

Quality assurance costs: By policy, NRCS field-checks five percent of TSP work, as is the case with NRCS direct technical assistance. Typically, NRCS also field-checks the first five jobs completed by a TSP, as they do with NRCS employees. There is usually some additional training and feedback from experienced NRCS conservationists in the case of both new NRCS staff and TSPs as there are similar learning curves for both in providing conservation technical assistance. Thus, there would be little difference in these costs regardless if they are provided by TSPs or by NRCS personnel.

³Section 2706 of the 2008 Act added Section 1242(f)(5), Payment Amounts, provides “*The Secretary shall establish fair and reasonable amounts of payments for technical services provided by third-party vendors.*”

Description of Baseline Condition

NRCS has certified 3,013 individual and 299 business TSPs since the beginning of the TSP. Currently, there are 1,190 resident certified TSPs and over 98 certified business TSPs. However, through direct acquisition, NRCS works with additional TSPs that are not registered on the TechReg website.

In the table below, the *goals* are the amounts OMB identified as annual goals for TSP activities. The *obligations* are financial obligations incurred through producer contracts, cooperative agreements, and direct contracting. The *payments* are only made after completion of the contracts, which could be several years for later items in EQIP contracts.

Table 2. Selected statistics on the TSP – Goals, Obligations, and Payments

Year	Goals	Obligations	Payments
FY 2003	\$20,000,000	\$30,733,795	\$29,738,994
FY 2004	\$40,000,000	\$49,208,994	\$46,344,622
FY 2005	\$45,000,000	\$51,238,790	\$47,665,651
FY 2006	\$40,000,000	\$56,354,226	\$49,316,605
FY 2007	\$40,000,000	\$44,674,832	\$34,825,293
FY 2008	\$20,000,000	\$38,189,186	\$7,484,685
FY 2009	\$20,000,000		

Source: FMD BOC 2595 and 2544 report dated 09/30/2008

Discussion of Policy Scenario Items

The six discretionary items will constitute the range of policy scenarios items. These are discussed below.

Policy Scenario Item 1

The TSP statute, as amended by the 2008 Act, allows NRCS to make payments to a third party provider for “related technical assistance services.” Related technical services may include, but are not limited to, conservation plan documentation, development of practice payment schedules and documentation for farm bill programs, administrative tasks, and development of market survey information related to establishment of easement compensation rates.

- **Expected beneficial effects of this action:** NRCS may be able to implement conservation programs on a timelier basis.
- **Expected adverse effects of this action:** None foreseen at this time.

Policy Scenario Item 2

NRCS is authorized to enter into technical assistance contracts with eligible participants who have applied solely for planning, design, and installation assistance and do not seek financial assistance from NRCS for establishing practices.

- **Expected beneficial effects of this action:** This option would increase the availability of technical services to eligible participants expressed in the 2008 Managers Report. By increasing the availability of technical services to eligible participants, valuable program benefits would be realized which would not be otherwise. In addition, this change may lead to earlier conservation planning, which may increase the chances that affected farms and ranches will be selected for an EQIP or other program contract.
- **Expected adverse effects of this action:** None foreseen at this time.

Policy Scenario Item 3

NRCS has the authority to enter into contracts that provide technical assistance to eligible participants where the eligible participant is not receiving financial assistance for establishment of conservation practices, due to reasons such as a conservation practice being ranked as a low priority or a participant's inability to match NRCS's cost share. To implement technical assistance-only contracts, NRCS will require identification within an apportionment of funds from OMB that funds made available for practice establishment may be used to support these technical assistance-only contracts. Under a technical assistance-only contract, the only practices identified are technical assistance products, such as plan or survey. NRCS has utilized practice funds for technical assistance-only contracts in the past to enable TSPs to provide technical services in developing Comprehensive Nutrient Management Plans as per 2002 Farm Bill Section 1240B.

- **Expected beneficial effects of this action:** This Alternative would enable NRCS to increase the availability of technical services to eligible participants, as identified in the 2008 Managers Report.
- **Expected adverse effects of this action:** Some additional accounting procedures may be needed by NRCS to distinguish between funds for technical services for regular conservation program contracts and funds for technical services provided through technical assistance-only contracts.

Policy Scenario Item 4

The Secretary is required to establish fair and reasonable TSP payment rates. NRCS will establish the following process to ensure rates are fair and reasonable:

- 1) At the National level, NRCS will develop a process for State Conservationists to develop the TSP payment rates to maintain consistency and quality control.
- 2) At the State level, the State Conservationists will determine fair and reasonable rates for the conservation practices in their respective state. The State Conservationists will establish TSP payment rates based on NRCS cost data, local market data, and procurement data as appropriate for the practice.
- 3) The NRCS National Office will review and approve State TSP payment rates to ensure regional consistency.

NRCS considered National-level TSP payment rates using NRCS cost data, procurement data, and market data as determined by the NRCS National Office. These rates would be adjusted at the State level based on geographical differences.

This option was not adopted because it would have created a very large workload at the national level by requiring “national” reasonable TSP payment rates be developed for all practices and plan types, and would still require the State level to evaluate individually if the costs needed to be adjusted at the State level. Additionally, rates established at the national level may not account for regional variation. NRCS also considered keeping the current methodology that uses agency cost data to calculate TSP payment rates to participants for eligible practices under conservation programs. This option was not recommended because it is not responsive to the changes made by the 2008 Act.

- **Expected beneficial effects of this action:** This provision could provide a reasonable method for State Conservationists to use based on NRCS cost data and local market data for selected practices.
- **Expected adverse effects of this action:** There may be some increase in workload in local and state NRCS offices due to variability and availability of cost information in which to base the TSP rates. Please refer back to the section “*Other Program Costs for the Government and Society, Administrative costs.*”

Policy Scenario Item 5

The Secretary has the ability to acquire technical services through a third party provider.

- **Expected beneficial and adverse effects of this action:** None. No changes to the current TSP rule are needed. The current rule encompasses the ability of the Secretary to provide technical assistance to eligible participants through an agreement with a third party provider. The statutory changes and existing regulation are consistent.

Policy Scenario Item 6

The Secretary has the authority to enter into contracts and agreements with other USDA agencies and non-Federal entities to assist in implementing conservation programs.

- **Expected beneficial and adverse effects of this action:** The existing regulation encompasses the statutory change. The current rule gives the Secretary the authority to enter into agreements and contracts with non-Federal agencies. No change to the rule is required.