

Notes for Kentucky Farm Bureau Water Management Working Group

A Brief History

- According to 2012 Census of Agriculture
 - 2.7 million acres of crop land
 - Less than 120,000 acres of irrigated crop land
- Alabama only uses about 2% of the total volume of surface water annually for all uses
- We also have about 25 different aquifers from which to access groundwater, but some are more accessible than others
 - Large diameter wells constructed in these major aquifers are capable of producing from 300 to 3,000 gallons per minute at depths from 100 to 2,500 feet.
 - Other areas of the state have aquifers that may be used as supplemental irrigation sources for surface-water irrigation systems. Small diameter wells in these minor aquifers are capable of producing 10 to 300 gallons per minute for extended periods.
 - Irrigation wells in Alabama generally create no long-term impact on water levels in aquifers due to reductions or cessation of pumping during winter months.
- As of today, we are at about 160,000 acres of irrigated cropland.
 - MS – 1.75 million
 - FL – 1.25 million
 - GA – 1.2 million
- But, most HUC-12 watersheds in the state have less than 3% of the land under irrigation

Issues with EQIP

- NRCS will not use EQIP funding to cover the costs of installing equipment on new acres
- Program only covers improvement in efficiency of existing systems
- In a state like AL this is not particularly helpful
- I was actually told once by NRCS (jokingly I hope) to tell farmers to just run a traveling gun for a year or two, and then they could apply for EQIP

RCPP Program

- We did apply for and receive a grant through the RCPP program that was included in the 2012 farm bill
- \$1.7 million dollars
- ALFA was lead partner, but worked with:
 - The Alabama Soil and Water Conservation Committee has partnered with NRCS since 1937 and will assist in reviewing producer applications and delivering technical assistance.
 - The Alabama Universities Irrigation Initiative is led by Dr. Richard McNider at the University of Alabama-Huntsville which is an institution of higher education.
 - Auburn University and the Alabama Cooperative Extension Service are state institutions of higher education entities.
 - Tuskegee University is an eligible entity as a Historically Black College and Land-Grant College and an institution of higher education that serves areas such as Promise Zones.
 - Alabama A&M University is an eligible entity as a Historically Black College and Land-Grant that has a long history of working with socially and economically-deprived producers.
 - The Alabama Office of Water Resources is responsible for issues related to water quantity in the state and will provide essential information related to ranking criteria as well as monitoring results. The Office of Water Resources is a state agency and will work with NRCS and the partnership.
 - The Alabama Department of Agriculture and Industries is a state agency that will assist NRCS and the partnership in education and outreach efforts to ensure producers learn of this program.
 - Geological Survey of Alabama is an eligible entity that is a state agency.
- Practices covered included:
 - Irrigation reservoirs
 - Irrigation systems, Micro-irrigation
 - Water conveyance
 - Pumps

- Focus was on on-farm reservoirs, but that also brought challenges with wetlands and endangered species
- Paperwork and reporting ending up not being worth it, but it did give us an opportunity to bring some of our partners from the Alabama University Irrigation Initiative back to the table to discuss irrigation in the state.
- We were successful in getting an amendment to the 2012 farm bill to allow NRCS to use RCPP to fund irrigation on new land. It was our intent to amend the EQIP rules, and I still contend that is what the language did, but NRCS did not see it that way.

PL-566

- So fast forward a few years...
- We found a way to put a round peg into a square hole.
- We also happened to have a couple of key members of Congress in key positions that were interested in helping us expand irrigation in the state.
- The Watershed Protection and Flood Prevention Act authorizes the USDA Natural Resources Conservation Service to help local organizations and units of government plan and implement watershed projects. PL-566 watershed projects are locally led to solve natural and human resource problems in watersheds up to 250,000 acres.
- PL-566 works through local government sponsors and helps participants solve natural resource and related economic problems on a watershed basis. Projects can include flood prevention and damage reduction, development of rural water supply sources, erosion and sediment control, fish and wildlife habitat enhancement, wetland creation and restoration, and increased recreational opportunities.
- Technical and financial assistance are available through NRCS which provides allocations of funds for plan development and implementation of projects. A project application must be submitted by local sponsors and prioritized by the Missouri Soil and Water Conservation Districts Commission prior to NRCS planning assistance. Project sponsors can be local or state units of government and usually include soil and water conservation districts and local watershed districts. Currently, no new projects are being accepted.
- Lead agency is the Alabama Soil and Water Conservation Committee
- We have brought in about \$30 million through the appropriations process for this program in Alabama.
- Working in three watersheds across the state

- Practices that may be funded:
 - Center pivots
 - Drip Irrigation
 - Pumps
 - Pivots
 - Pipes
 - Power
 - Wells
 - Ponds

- 50% cost-share (65% for underserved) capped at \$200,000

State Tax Credits

- Qualified Irrigation System/Reservoir System Tax Credit
- Sections 40-18-340 through 40-18-344, Code of Alabama 1975
- Section 40-18-342, Code of Alabama, 1975, provides an income tax credit to any agricultural trade or business for the cost associated with the purchase, installation or conversion related to irrigation systems or the development of irrigation reservoirs and water wells.
- The credit is equal to 20% of the cost of the purchase and installation of any qualified irrigation equipment and any conversion costs related to the conversion of irrigation equipment from fuel to electricity or qualified reservoirs.
- An eligible taxpayer may claim:
 - One credit for qualifying equipment purchased and installed or a reservoir for all tax years beginning on or after January 1, 2012 until tax year ending December 31, 2017;
 - One tax credit for qualifying equipment purchased and installed or one qualified reservoir for all tax years beginning on or after January 1, 2018 until tax year ending December 31, 2022; and
 - One credit for qualifying equipment purchased and installed or one qualified reservoir for all tax years beginning on or after January 1, 2023 and afterwards.
- The maximum amounts of the credit allowable are:
 - \$10,000 for tax years 2012 through 2017
 - \$50,000 for tax years 2018 through 2022; and
 - \$10,000 for the 2023 tax year and subsequent years.

- The credit must be taken in the year in which the qualified irrigation equipment or the qualified reservoir is placed in service provided the filing prerequisites are met as provided by the Alabama Department of Agriculture.
- Pursuant to Section 40-18- 342(f), all agriculture trade or business making qualified costs must file an annual informational report with the Alabama Department of Agriculture and Industries prior to claiming an income tax credit. Only qualified irrigations systems or reservoirs for which the agriculture trade or business has filed an annual information report with the Department of Agriculture and Industries are eligible for the tax credit. The credit may be carried forward for 5 years.

Challenges moving forward

- Rented land – farmers will not invest in irrigation on rented acres, and generally the land-owner will not make this commitment either
- Geology – as mentioned earlier, some aquifers can be accessed more easily, but those are the areas that we will need to be careful about expanding because that is where more irrigation occurs now
- Field size – lots of our fields are relatively small and center pivots are not a viable option
- Economics – even with cost-share and/or tax credits irrigation is still an expensive proposition
- Future funding – how does the potential for the return of earmarks impact the program, Shelby is retiring as well...