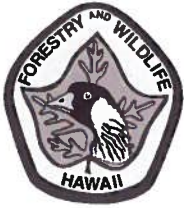


LINDA LINGLE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

DIVISION OF FORESTRY AND WILDLIFE
1151 PUNCHBOWL STREET, ROOM 325
HONOLULU, HAWAII 96813

April 16, 2010

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HISTORIC PRESERVATION
KAIHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Dear Agricultural Producer and Landowners,

It has been officially a year since the first sign-up date for the **Hawaii Conservation Reserve Enhancement Program (CREP)** was announced and we are continuing to accept applications for Maui and Hawaii Island. Molokai and Lanai will be eligible for enrollment starting October 1, 2010.

This Hawaii specific program is designed to help agricultural landowners and producers address specific environmental issues on their property. The program aims to improve wildlife habitat, control invasive species, and improve water quality by reducing soil runoff primarily through restoration of degraded lands along riparian areas. Hawaii CREP can provide for financial and technical assistance for the restoration of these areas including annual rental payments, fencing, species selection, planting costs, weedy species control, and maintenance. **For Hawaii CREP both perennial and intermittent (storm-driven) stream areas are eligible.*

Eligible projects for CREP must be legally capable of agriculture production and in need of some level of restoration. The program focuses on reforestation with native species and requires that the land/acreage enrolled be retired from production for at least 15 years. Other eligibility requirements include an adjusted gross income (AGI) limitation similar to other 2008 Farm Bill programs; however, some projects may be eligible for a waiver of this limitation (please see included flyer for more information).

Please find, along with this letter, an informational flyer on the program with some of the eligibility requirements, practice components, AGI waiver information, and an example payment schedule. If you have any questions about Hawaii CREP or if this program sounds like something that is inline with your objectives, please feel free to contact me at (808) 587-4167 or Melissa.I.Sprecher@hotmail.com.

Hawaii CREP has continued to improve its eligibility, allowed practices, and enrollment process over the last year. With many of the initial program kinks addressed, we are encouraging interested landowners and producers to visit their local USDA Farm Service Agency to explore their options under the program. Enrollment for this program is only available for 3 ½ more years. Thanks for your interest in this new program!



Sincerely,

M. Irene Sprecher

State CREP Coordinator, DOFAW

Hawaii Conservation Reserve Enhancement Program

Overview

The Conservation Reserve Enhancement Program (CREP) is a federal-state partnership to encourage conservation and environmental sounds practices on degraded lands.



Through **CREP**, program participants receive financial incentives from USDA and the State to voluntarily enroll in 15 years contracts. Participants remove land from agricultural production and convert the land to native trees, shrubs, and other vegetation.

Hawaii CREP is designed to help agricultural landowners and producers address specific environmental issues on their property. The program has 15,000 acres across the state to enroll within a 5 year period.

The program will restore riparian forest buffers, wetland buffers, and other reforestation sites by planting primarily native vegetation and controlling invasive species.



Benefits

Hawaii CREP enables restoration of previously forested, degraded agricultural land.

The program:

- Improves wildlife habitat by creating riparian forest buffer corridors and expanding habitat for rare species.
- Improves water quality and quantity by reducing soil runoff, increasing ground absorption, buffering wetlands, and reducing stream sedimentation and nutrient loading.
- Enhances coral reef habitat and diversity of aquatic species by decreasing run-off from upland environments.

Goals

Hawaii CREP aims to:

- **Reduce sedimentation and nutrient runoff**
- **Increase coral reef health and marine diversity in near shore environments**
- **Improve endangered species habitats**
- **Reforestation of native riparian buffers and declining habitats**
- **Reduction and control of invasive species.**

Program participants are asked to retire a portion of their land and dedicate it to **Hawaii CREP**. In exchange, participants receive financial incentives and technical assistance to support the conservation work on that land.



Hawaii Conservation Reserve Enhancement Program

Eligibility

Landowners or lessees with land that is physically and legally capable of agriculture production are eligible for the **Hawaii CREP**. The land must also be in need of some level of restoration. USDA Farm Service Agency can assist with determination on other specific eligibility requirements.



Some landowners or lessees may be subject to an Adjusted Gross Income (AGI) limitation similar to other Farm Bill programs. For

projects that are of environmental significance, a waiver to the AGI limitation is allowed.

Financial Incentives

Hawaii CREP participants will be eligible for the following types of financial incentives:

- Signing Incentive Payment: A one time payment of \$100/acre. Note: subject to annual payment limitation of \$50,000.
- Federal Annual Rental Payment: Ranging from \$43/acre/yr to \$225/acre/yr based on your land type. Note: subject to annual payment limitation of \$50,000.
- State Annual Rental Payment: \$17/acre/yr; no payment limitation.
- Cost-share Payments: A payment for up to 50% of eligible reimbursable costs for established practices; no payment limitation.
- Practice Incentive Payment: A one-time additional payment equal to 40% of the eligible cost share reimbursable cost of established practices. Note: subject to annual payment limitation of \$50,000.



- Mid-contract Management Payment: A payment is available 3 times during your contract up to \$150/acre.

The State may also be available to assist with conservation easements within CREP watersheds.

Sign-up

Sign-up for **Hawaii CREP** is continuous during the 5 year enrollment period, and begins at your local USDA Farm Service



Agency office. Maui and Hawaii Island participants can currently sign-up for **Hawaii CREP**. Molokai and Lanai will be eligible for enrollment starting in October 2010, followed by Kauai and Oahu in subsequent years.

All **Hawaii CREP** partners (USDA Farm Service Agency & NRCS, and State of Hawaii) are available to answer any questions you may have about the program.

For More Information

For more information on **Hawaii CREP**:

DLNR, Division of Forestry and Wildlife
Irene Sprecher (808) 587-4167.

U.S. Department of Agriculture:
Big Island – (808) 933-8340
Maui – (808) 871-5500





Hawaii Conservation Reserve Enhancement Program Adjusted Gross Income (AGI) Limitation Waiver Request Considerations

Under the 2008 Farm Bill, a person or entity that exceeds the AGI limitation (\$1,000,000; unless 2/3 of AGI is from agricultural production) are not eligible to receive payments under certain farm bill programs, including Hawaii CREP. However, the 2008 Farm Bill also allows for an AGI waiver on a case-by-case basis if it is determined that environmentally sensitive land of special significance will be protected. Hawaii CREP has been successful in using the allowed AGI waiver for just such special significance projects.

The below information is a guide for those parties interested in the farm bill programs but are excluded due to the AGI limitation. Approval of AGI waivers is not guaranteed; however, this document is meant to provide current information on submitting an AGI waiver request, helpful information in considering if your project is eligible for a waiver, and what to include in a request.

What are Environmentally Sensitive Land of Special Significance

Farm Service Agency has identified the following critical resources for environmentally sensitive land of special significance for Hawaii CREP. AGI waiver requests must meet one or more of the following critical resources:

- Coastal Resources - coastal zones that have a direct and significant impact on coastal waters. The State of Hawaii is identified as a coastal zone.
- Federal or State listed threatened, endangered, candidate species, species of concern, or at risk species - this criteria is especially significant in Hawaii.
- Groundwater recharge area - Hawaiian aquifers are generally recharged in the upper elevations however it is not limited solely to upper elevations.
- Historical or cultural resources - a letter from the State Historic Preservation Office in support of conservation management is encouraged, but not mandatory.
- Water Quality - most of Hawaii CREP projects will benefit water quality
- Wetlands - or potential wetlands
- Other critical resource issues - such as climate change, energy conservation, etc

For each of the identified critical resources, letters of support from applicable agencies or individuals are strongly encouraged. The State CREP Coordinator can assist with identifying these parties.

Supporting Plans

Environmentally sensitive lands of special significance should be supported by environmental or natural resource plans or reports. Below is a list of some of these plans and reports that can be considered in AGI waiver requests.

- State Wildlife Action Plans/Reports - Hawaii's Comprehensive Wildlife Conservation Strategy



- State Water Quality Plan/Report - Hawaii Department of Health, Hawaii Division of Aquatic Resources, Local Action Strategy, and Hawaii Commission of Water Resources Management.
- U.S. Fish and Wildlife Recovery Plan
- National Fish Habitat Action Plan - Hawaii Fish Habitat Partnership
- Nationally accepted Agricultural Water Enhancement Program
- Other federal, regional, or state report/plan - The State of the Birds 2009 Report, Watershed Partnership plans, County plans, etc

AGI waiver requests should also provide for justification on how the project will address the identified resource issues in the plans. The State CREP Coordinator can provide additional information on plans/reports.

Requirements for Hawaii CREP and Process

Below outlines the basic requirements as well as the general process for an AGI waiver for Hawaii CREP.

- Apply for the farm bill program with the administrative agency, for Hawaii CREP - Farm Service Agency (FSA).
- FSA will notify you if you are ineligible for the program due to AGI limitation.
- A written request to the County Committee is required to apply for the AGI waiver. Supporting documents should be supplied along with the waiver request. You have approximately 30 days to request an AGI waiver once ineligibility documentation has been received.
- The waiver request should include an overview of the proposed project, associated plans/reports, letters of support, and any additional information that supports the request (photographs, threatened or endangered species sightings, historical background, etc).
- AGI waiver will be reviewed and recommended for submission by the County Committee and State Technical Committee. After this review, the waiver request will be forward to the national office for determination.

The majority of the application will be compiled by Farm Service Agency, however providing them with the correct information is essential.

For further questions on Hawaii CREP and associated AGI waiver requests, please contact the State CREP Coordinator for more details.

Irene Sprecher, State CREP Coordinator
Division of Forestry and Wildlife
Hawaii Department of Land and Natural Resources
1151 Punchbowl Street, Rm 325
Honolulu, HI 96813

Melissa.I.Sprecher@hawaii.gov
(808) 587-4167

Hawaii CREP Payment Breakdown Example (actual payments will vary depending on property & practices)

There is a \$50,000 payment limitation by fiscal year, which runs from October 1st to September 30th. Cost share for establishing the practice is not subject to the payment limitation. SIP, PIP, and annual rental payments from the federal government are subject to the Fiscal Year payment limitation. Payments are maximized at approximately 650 acres. Assume contract approved 7-1-2010. Also assume no additional labor will be hired. State payments are not subject to annual payment limitations.

Ranch 650 acres	Payments	Producer Cost	Subject to \$50,000 PL	Not Subject to \$50,000 PL	Total paid to Producer	Cumulative Cost Less Payments
Year 1 - 2010						
through Sept 30th if contract approved prior to Sept 30th	Sign-up Incentive Payment (SIP) \$100 x 650		\$65,000		\$50,000	\$50,000
July FY10	State Annual Payment \$17 x 650			\$11,050	\$11,050	\$61,050
Year 2 - 2011						
August	Cost Share - Fence for 21,325 feet Flat rate \$7.80 x 21,325	21,325 ft x \$14 (total cost to fence) = \$298,550		\$166,335	\$166,335	(\$71,165)
August	Cost Share - tree/shrub sit preparation Low = Flat rate per acre \$2.14 x 650 acres	Use available labor source and turn in labor receipt (EX: 600 hrs @ \$8 per hr = \$4800)		\$1,391	\$1,391	(\$74,574)
August	Cost Share - 5000 purchased native trees to plant Flat Rate per plant \$4.14 x 5000	5000 x \$8.00 = \$40000		\$20,700	\$20,700	(\$93,874)
August	Practice Incentive Payment (PIP) 40% of Prod Cost		\$137,340		\$50,000 - \$12,512 (rental) = \$37,488	(\$56,386)
October	Partial Year 1 Rental (July 1 to Sept 30) [((\$77 x 650)/12) x 3]		\$12,512		\$12,512	(\$43,874)
July FY11	State Annual Payment \$17 x 650			\$11,050	\$11,050	(\$32,824)
Year 3 - 2012						
October	Full Rental \$77 x 650		\$50,050		\$50,000	\$17,176
July FY12	State Annual Payment \$17 x 650			\$11,050	\$11,050	\$28,226
Year 4						
August	Mid-Contract Management Cost Share Flat Rate \$150 per acre	Available labor source used and turn in labor receipt - Materials \$300000		\$155,550	\$155,550	(\$116,224)
October	Full Rental \$77 x 650		\$50,050		\$50,000	(\$66,224)

Ranch 650 acres	Payments	Producer Cost	Subject to \$50,000 PL	Not Subject to \$50,000 PL	Total paid to Producer	Cumulative Cost Less Payments
July FY13 (year 4)	State Annual Payment \$17 x 650			\$11,050	\$11,050	(\$55,174)
Year 5						
October	Full Rental \$77 x 650		\$50,050		\$50,000	(\$5,174)
July FY14	State Annual Payment \$17 x 650			\$11,050	\$11,050	\$5,876
Year 6						
October	Full Rental \$77 x 650		\$50,050		\$50,000	\$55,876
July FY15	Payment			\$11,050	\$11,050	\$66,926
Year 7						
August	Mid-Contract Management Cost Share Flat Rate \$150 per acre	Available labor source used and turn in labor receipt - Materials \$250000		\$155,550	\$155,550	(\$27,524)
October	Full Rental \$77 x 650		\$50,050		\$50,000	\$22,476
July FY16	State Annual Payment \$17 x 650			\$11,050	\$11,050	\$33,526
Year 8						
October	Full Rental \$77 x 650		\$50,050		\$50,000	\$83,526
July FY17	State Annual Payment \$17 x 650			\$11,050	\$11,050	\$94,576
Year 9						
Full Ren						
Full Federal and State Rental Payment			\$50,050	\$11,050	\$61,050	\$155,626
Year 10						
Full Federal and State Rental Payment			\$50,050	\$11,050	\$61,050	\$216,676
Year 11						
August	Mid-Contract Management Cost Share Flat Rate \$150 per acre	Available labor source used and turn in labor receipt - Materials \$250000		\$155,550	\$155,550	\$122,226
October	Full Rental \$77 x 650		\$50,050		\$50,000	\$172,226
July FY20	State Annual Payment \$17 x 650			\$11,050	\$11,050	\$183,276
Year 12						
Full Federal and State Rental Payment			\$50,050	\$11,050	\$61,050	\$244,326
Year 13						
Full Federal and State Rental Payment			\$50,050	\$11,050	\$61,050	\$305,376
Year 14						
Full Federal and State Rental Payment			\$50,050	\$11,050	\$61,050	\$366,426
Year 15						
Full Federal and State Rental Payment			\$50,050	\$11,050	\$61,050	\$427,476
Year 16						
Year 15 federal rental is paid October of year 16						
October	Full Rental \$77 x 650		\$50,050		\$50,000	\$477,476