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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2001

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

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OF DOCUMENTS
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ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

JUN 15 2000

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2001

THURSDAY, FEBRUARY 17, 2000.

OFFICE OF THE INSPECTOR GENERAL

WITNESSES

ROGER C. VIADERO, INSPECTOR GENERAL, OFFICE OF THE INSPECTOR GENERAL
JAMES R. EBBITT, ASSISTANT INSPECTOR GENERAL FOR AUDIT, OFFICE OF THE INSPECTOR GENERAL
GREGORY S. SEYBOLD, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATION, OFFICE OF THE INSPECTOR GENERAL
DELMAS R. THORNSBURY, DIRECTOR, RESOURCES MANAGEMENT DIVISION, OFFICE OF THE INSPECTOR GENERAL
DENNIS KAPLAN, BUDGET OFFICE, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. SKEEN. I want to say good morning to you today. We have with us USDA's Inspector General. I want to welcome you, Roger, and your staff. It is good to see you.

Mr. VIADERO. Likewise, Mr. Chairman. Thank you.

Mr. SKEEN. In this business it is difficult to fund all the priorities that are out there. It is one thing to propose a budget, it is an entirely different thing to act on it. We appreciate the work you do and we are fully aware of your presence out there to make sure USDA programs are running the way they were intended to run. We will do our best to make sure you have adequate resources to do your job.

We had a marathon session yesterday with your boss, and even though our boss gave us the day off today, we made a commitment to you to be here. Again, we welcome you and if you will hold off a minute, we will let Ms. Kaptur have a few words, and then we will speed this one down the road.

Ms. KAPTUR. Thank you, Mr. Chairman, very much. We welcome Mr. Viadero and your superb staff. I look forward to your testimony. Don't be deceived if there are only two members up here. We will make a difference. We will proceed forward and we really are very impressed with the work that you do, and if I have a general concern, it is how to get you, for your own operating budget, more of the funds that you actually recover through your work. I will be asking questions about that during the time allotted for that. So please proceed and thank you, Mr. Chairman.

Mr. SKEEN. Thank you.

Roger, I want to begin with you giving your opening remarks.

Mr. VIADERO. Well, Mr. Chairman, this is my sixth presentation before you since I was put in this position.

Mr. SKEEN. Some of us are getting older as we go along with this, but we are steady.

Mr. VIADERO. Like a good wine, we age better, but you will be happy to hear I have a five-minute statement this year.

Mr. SKEEN. We are very happy to hear that.

Mr. VIADERO. I am sure you would be. To that end, Mr. Chairman, I would like to say good morning to you and Ms. Kaptur and other members of the committee as they arrive. I am pleased to have the opportunity to visit with you today to discuss the activities of the Office of Inspector General. I know the committee's time is limited, so with your permission, I will briefly provide you some short comments on OIG's activities and then respond to your questions.

INTRODUCTION OF WITNESSES

I would like to introduce members of the staff that are with me here today. I would like to introduce to my left, Jim Ebbitt, the Assistant Inspector General for Audit; to my right, Greg Seybold, the Assistant Inspector General for Investigations; and of course the real anchor of the team, Mr. Del Thornsbury, the Director of Resources Management Division. I am sure you will join me in also welcoming Mr. Dennis Kaplan from the Office of Budget and Program Analysis.

Mr. SKEEN. We are very familiar with the gentleman. He does good work.

OPENING STATEMENT

Mr. VIADERO. I want to thank the committee for its support during the nearly five and a half years since my appointment as Inspector General. We have tried to work closely with you and I hope that we have been able to address some of your concerns.

In fiscal year 2000, our primary concerns continue to be in the areas of food safety, public health and consumer protection. In the food safety arena, we continue to identify contaminated food, misbranded products, uninspected meat or other products or items smuggled into the United States containing unwanted and unsafe pests and diseases.

We also are focusing our efforts on the department's financial information systems which process literally billions of dollars in payments and extraordinary amounts of sensitive data.

Before I continue, I would like to take a minute to address an issue that has me deeply troubled. I want to speak to you of the special agents and auditors, the men and women who carry out the mission work of this agency. These dedicated individuals have literally saved the lives of large numbers of our citizens, especially children and the elderly.

They have saved our precious tax dollars, worked with USDA agencies to restore integrity to our programs and protected Amer-

ican agriculture. I am immensely proud of them and sincerely hope that you are as well.

While I have reported to you some of their accomplishments, I have not told you how they have been stretched beyond the breaking point. Our responsibilities have increased significantly since my arrival, but our staff and resources have continually diminished. For instance, in January 1993, we had 875 employees on board. Now we have only 665 or 210 less, which represents a 24 percent loss. Yet 665 people means little until we consider that the Department's budget, including loan authority, currently is $177 billion with a personnel staff of approximately 110,000 people for fiscal year 2000. In addition, the operations and actions of millions of companies, plants and individuals, are regulated by USDA. When we compare OIG staffing to the Department's programs and personnel, we find that each auditor must ensure the integrity of approximately $635 million in program activity. Each special agent is responsible for investigating all crimes involving nearly $840 million of USDA funds and any crimes committed by the Department's employees such as embezzlement, theft, bribery or extortion. While I recognize that funding is limited, I believe OIG cannot continue to provide sufficient service and assistance to you and to other USDA agencies without adequate resources, and I request that our proposed funding level be approved.

Mr. Chairman, at this time, I would like to briefly touch on just three of our high profile audit and investigative areas. First, last year the Inspector General's Office began an antismuggling campaign to interdict foreign agriculture products that are being illegally brought into this country. Such products can contain pests and diseases that could be catastrophic to U.S. plant and animal populations. These ongoing investigations have uncovered sophisticated smuggling conspiracies that are bringing in large quantities of agricultural products, all of which could harbor pests and diseases that could devastate the U.S. agriculture sector. For example, there is heightened concern as we speak in California because of the fruit fly quarantine imposed as a result of these pests being introduced. OIG must do proactive work to ensure these destructive pests are not being smuggled into the country to infest our plants and crops, thereby destroying local economies. Second, at last year's budget hearings, I reiterated our continuing commitment to placing a high priority on food safety and consumer protection issues. During the last few months, criminal investigations have necessitated the immediate deployment of special agents to several cities in the United States to protect the health and safety of consumers. These cases, some of which are still ongoing, have involved real or threatened adulteration of meat with the E-coli and Listeria Monocytogenes bacteria from unsanitary production methods intentionally neglected by the processor, such as sewing needles placed in commercial meat product packages at the supermarket to injure and possibly kill unsuspecting consumers, and substances such as soy or water added by the processor for pure economic gain. To address these serious threats and illegal acts against the public's well-being, we are pursuing joint activities with other Federal, State, and local agencies to share intelligence and conduct undercover operations. Doing so will help us better target criminal enter-

prise in general and the threat to the food supply in packing plants and other facilities in particular.

Third, Mr. Chairman, our current investigation in New York City epitomizes the agency's work involving public corruption. Thus far, this ongoing investigation has yielded nine AMS, Agriculture Marketing Service graders which have pled guilty to charges of accepting bribes for downgrading the quality of fruit and vegetables at the Hunts Point Terminal Market in the Bronx. In addition, 15 produce wholesalers have been indicted on charges of paying bribes to these graders. In this scheme, the wholesalers used the lower grades to negotiate the price they paid the grower for the produce downward, which resulted in the growers being cheated out of the true value of their produce.

The picture we brought with us, Mr. Chairman, is an aerial view of the Hunts Point Terminal Market in the Bronx where we arrested eight of the nine AMS graders. I believe this picture gives you a good perspective of the size of the market. We are told that it is the largest fruit and produce market in the world. It is absolutely an astonishing place.

This concludes my oral presentation, Mr. Chairman, and I would be pleased to respond to any questions you may have.

[The statement of Mr. Viadero follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

STATEMENT OF ROGER C. VIADERO

INSPECTOR GENERAL

Before the

HOUSE APPROPRIATIONS SUBCOMMITTEE
ON
AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION
AND
RELATED AGENCIES

February 17, 2000

For release only by the House
Committee on Appropriations

STATEMENT
Of
ROGER C. VIADERO
INSPECTOR GENERAL
OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF AGRICULTURE
before the
HOUSE APPROPRIATIONS SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

February 17, 2000

INTRODUCTION AND OVERVIEW

Good morning, Mr. Chairman and members of the Committee. I am pleased to have this opportunity to visit with you today to discuss the activities of the Office of Inspector General (OIG) and to provide you with information on our audits and investigations of some of the major programs and operations of the U.S. Department of Agriculture (USDA).

Before I begin, I would like to introduce the members of my staff who are here with me today: Jim Ebbitt, Assistant Inspector General for Audit; Greg Seybold, Assistant Inspector General for Investigations; and Del Thornsbury, Director of our Resources Management Division.

I want to thank the Committee for its support during the 5½ years since my appointment as Inspector General. We have tried to work closely with you, and I hope we have been able to address some of your concerns. We have a diverse staff of auditors, criminal investigators, and other personnel in our offices throughout the Nation to carry out the agency's audit and investigative mission.

I am proud to say that in fiscal year (FY) 1999, we continued to more than pay our own way. In the audit arena, we issued 146 audit reports and obtained management's agreement on 348 recommendations. Our audits resulted in questioned costs of over $262 million. Also, as a result of our audit work, management agreed to recover more than $55 million and put another $114 million to better use. Equally as important, implementation of our recommendations by USDA managers will result in more effective operations of USDA programs. In addition, our investigative staff completed 515 investigations and obtained 502 indictments, 559 convictions, and 2,780 arrests. OIG investigations also resulted in $68 million in fines, restitutions, other recoveries, and penalties during the year.

We continued to work closely with USDA agency officials during FY 1999 to address key issues and expand our cooperation with other Federal, State, and local law enforcement and audit agencies to broaden the impact of our work. Working together, our staffs identified program weaknesses and program violators. Capitalizing on the staffs' respective expertise, we created solutions for positive action.

In FY 2000, our primary concerns continue to be in the areas of food safety, public health, and consumer protection. In the food safety arena, we continue to identify contaminated food, misbranded products, uninspected meat or other products, or items smuggled into the United States containing unwanted and unsafe pests. With the Nation's food supply being highly susceptible to tampering, diseases, or infestation with unwanted plant pests, OIG's resources, especially our investigative resources, continue to be drastically overextended in these highly critical areas.

We are also focusing our audit efforts on the Department's financial information systems, which process billions of dollars in payments and an extraordinary amount of sensitive data. And, of course as conditions change, we adapt quickly to address critical, time-sensitive situations. For example, when Congress passed supplemental appropriations to help farmers suffering from natural disasters and low commodity prices last year, our audit staff immediately teamed up with Department officials to make sure controls were in place to quickly get the right payments to farmers. Another area we are addressing is employee integrity. We are concerned by the occurrences of corruption within the Department's ranks. For instance, during FY 1999, we issued 40 investigative reports and obtained 22 convictions of current or former USDA employees.

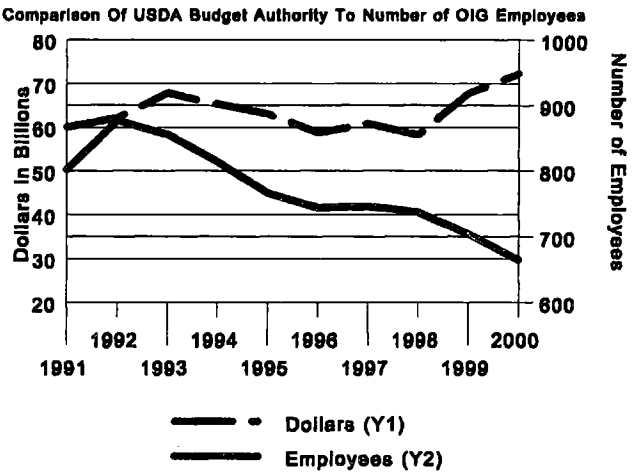
Before I continue with our accomplishments during the past year, I want to take a few minutes to address an issue that has me deeply troubled. I have been candid with the committee on whatever issues came before me and reported the facts as I have known them. This is as it should be. But now, I want to speak of the special agents and auditors of my own agency. These

dedicated individuals have accomplished so very much, only a small portion of which I have ever had the time to share with you. Their work literally saved the lives of large numbers of our citizens, particularly children, and elderly. They have saved our precious tax dollars, worked with USDA agencies to restore integrity to our programs, and protected American agriculture. I am immensely proud of them and hope you are too.

While I have reported to you some of their accomplishments, I have not told how they have been stretched beyond the breaking point. The numbers of special agents and auditors, and the resources available to them, were severely limited when I arrived 5½ years ago, and while our responsibilities have increased since then, our staff and resources have continually diminished. In January 1993, we had 875 employees on board. Now we have only 665 – 210 less, a 24 percent loss. Yet, the decrease to 665 people means little until one considers that the Department's budget, including loan authority, currently is $177 billion; with a personnel staff of approximately 110,000 for FY 2000. Not included in this dollar amount are the operations and actions of millions of companies, plants, and individuals regulated by USDA. As you know, investigating criminal activity by any of them is the responsibility of OIG agents. Ensuring the integrity of all of these programs is the responsibility of OIG auditors.

To put it in perspective, when we compare OIG staffing to the Department's programs and personnel, we find that each auditor must ensure the integrity of approximately $635 million in program activity. Each special agent is responsible for investigating all crimes involving nearly $840 million of USDA funds, and any crimes committed by the Department's approximately 110,000 employees, such as embezzlements, thefts, bribes, or extortions. This lone agent is also

responsible for investigating criminal activity committed by immense numbers of companies, plants, and individuals whose actions are regulated by the Department through its animal and plant, meat, poultry, grain, fruit, and vegetable inspection and grading programs. Then, there are USDA's forests. It's like having one police officer and one auditor to handle all crime and corruption in New York City.



As our funding shortages have grown more severe, we have been forced to change our standards for determining which criminal activities we investigate. For years we have declined to investigate large numbers of prosecutable cases, focusing instead on those with higher dollar amounts or those that would have a significant impact on a USDA program. In recent years, as our resources have diminished, we have had to elevate the standard further, leaving thousands of prosecutable criminal cases in the files. The types of criminal activity which we do not have

resources to investigate continue to vary widely, and range from corruption in USDA's grading programs, to smuggling of agricultural products, to large frauds in the Department's benefit programs. Proactive investigations have been, by necessity, severely curtailed.

Of course, our people continue to do their best, continue to lock up some of those who steal from the taxpayers, poison our citizens, and endanger American agriculture, but you must know that there are now huge gaps in that "thin blue line" that is OIG.

Our auditors and investigators can continue to recover and save money for the taxpayers only if they have the tools needed to perform their duties. The changing world of automation has added to the tools needed, and these tools come at a heavy price. For example, audits of computer security require specialized and costly training, hardware, and software. Without these tools, we stand little chance of staying abreast with the "hacker community," and the Department's exposure to system penetrations remains high, with potentially devastating effects. The highly publicized breakins over the past 2 weeks via the Internet of such major cyberspace vendors as Yahoo, Amazon.com, and eBay only highlight the urgency of protecting the Department's data bases and vulnerable computer systems.

Compounding our dilemma, for several years we have been required to absorb increases in personnel costs. This has forced us to limit our replacement hiring and has extensively curtailed the funding we have available for other necessary items, such as travel and specialized law enforcement equipment. At the same time, programs and activities administered by USDA to protect consumers have undergone substantial increases due to liberalized world trade and travel,

and purchases of commodities for use in the National School Lunch and related programs. In addition to fewer staff, we received no additional resources for such mandated activities as auditing the Department's financial statements, yet this activity consumes about 20 percent of our audit resources. Under these conditions something has to give, and it is reduced coverage of the Department's increasing activities and expenditures. To illustrate this, in fiscal years 1997 through 2000, we determined that on average a little over 100,000 workdays were needed in each of those fiscal years to provide audit coverage. Yet with available audit resources, we could staff only an average of 67,000 workdays, a shortage of 33,000 workdays. In fact, in fiscal year 2000 only 61,400 workdays are available. By way of example, because of these shortages, we have not been able to provide in-depth audit coverage to issues such as the Department's efforts to increase collection of debts owed to it, and the Department's new computer system for tracking the Rural Housing Loan Program. We need to perform more security audits on USDA information systems which involve health and safety, economic matters, and research since these vital systems are increasingly at risk of unauthorized access and possible irreparable damage.

At our current staffing level, we are simply not able to deal with crisis issues needing immediate audit and investigative attention without neglecting important work elsewhere. OIG is often required to pull its special agents from assigned investigations of large frauds in USDA's benefits and loan programs to investigate criminal activity that threatens the health and safety of the public. We currently have 34 open investigations on those who intentionally sold meat products that could have sickened or killed consumers, including school children and military personnel. While most cases involved those who processed the meat products, we also investigated those who endangered the public in other ways. For example, just this month we

immediately responded to an incident where individuals had stolen tractor-trailer loads of meat and poultry from several locations in Georgia. Our immediate concern was that the thieves were repackaging and relabeling the stolen product and not properly maintaining it, making it hazardous to consumers. A portion of one tractor-trailer load transported to Texas had spoiled because the refrigeration unit on the trailer was not properly working. Other stolen meat product was found in Mississippi and in Tennessee, where it had been sold to prisons.

Adequate funding and staffing for our office makes good sense because we help create a Government that works better and produces positive results. While I recognize that funding is limited, I believe OIG cannot continue to provide sufficient service and assistance to you, the Congress, and to USDA agencies without being provided adequate resources, and I request that our proposed funding level be approved. I believe that resources allocated to OIG are very cost-effective in view of the money we save the taxpayers.

Also, to keep the Committee informed, I have attached a summary to my testimony of the forfeiture funds we have received to date as a fully participating member of the Department of Justice's Asset Forfeiture Fund and how these have been used. These monies have been very helpful to the agency and have also enabled us to provide support to the State and local law enforcement agencies we work with in such joint efforts as Operation Talon. For example, we have been able to provide these law enforcement agencies nearly $100,000 during the last year and a half to assist in this particular operation as a result of our forfeiture authority.

Mr. Chairman, at this time, I would like to highlight some of our audit and investigative activities.

AUDIT AND INVESTIGATIONS ACTIVITIES

FOOD SAFETY

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Last year, OIG began an antismuggling campaign to interdict foreign agricultural products that are being illegally brought into the country. Such products can contain pests and diseases that could be catastrophic to U.S. plant and animal populations. Ongoing criminal investigations are targeting smuggled fruits, vegetables, plants, animals, and other commodities that bring high dollars in underground "black market" commerce. This initiative requires significant agent resources dedicated to intelligence collection, undercover operations, and foreign law enforcement liaison, as well as a need for high-tech surveillance equipment.

OIG is currently conducting 26 investigations into the smuggling of agricultural products that are entering the United States through Canada, Mexico, and U.S. ports in Florida and California. We are working closely with foreign customs and agricultural inspection officials, the U.S. Customs Service, the Animal and Plant Health Inspection Service, and State and local agricultural inspection personnel to locate the illegal products and identify the manner in which they are being brought into and moved around the country. These ongoing investigations have

uncovered sophisticated smuggling conspiracies that are bringing in large quantities of agricultural products. These individuals fly products into areas of the country with little agricultural inspection, but then move them into other States where they pose a danger. They devise paper trails that hide the source of the products, and conceal the products when moving them. All of the products could harbor pests and diseases that could devastate the agricultural sector. Many of our investigations are being conducted on individuals who are bringing products into California, where outbreaks of plant pests have been common and costly. There is heightened concern in California because of the fruit fly quarantine imposed as a result of these pests being introduced. OIG must do proactive work to ensure these destructive pests are not being brought into the country on smuggled plants and commodities to infest our plants and crops. We must shift staff from current work to address these immediate issues to prevent loss of crops and dire economic consequences to the local economies.

Antismuggling operations also include our long-term joint Special Field Enforcement Program with APHIS, the U.S. Customs Service, and State and local law enforcement agencies in Florida. This Special Field Enforcement Program will target organized transportation and distribution networks responsible for the smuggling of foreign fruit contaminated with fruit flies and other pests into the United States via Florida. This program will eventually expand to other States with pest smuggling problems.

In another OIG criminal investigation that demonstrates our work in this area, we worked with APHIS to convict two owners and their company operating a horse export/import business in Virginia and Germany. The owners pled guilty to smuggling and providing falsified information

concerning the age of horses being exported from Germany. The German veterinarians unknowingly issued inaccurate health certificates that allowed the horses to be exported to the United States. The certificates were presented to APHIS officials so that the horses could avoid the 50 days of quarantine in the United States – paid for by the owner – which is a requirement for all horses over the age of 731 days in order to prevent the spread of Contagious Equine Metritis, a sexually transmitted disease. Consequently, at least 10 mature horses were imported into the United States without being placed in quarantine. One owner was sentenced to 4 months in prison while the second owner and corporation were given probation. Collectively, the three were fined $45,000. Because of OIG criminal enforcement actions, the Government seized the owners' horse farm in Virginia, valued at $1.2 million, which the owners forfeited to pay damages in this case.

In another case, a husband and wife, both Canadian citizens, were indicted in Washington State for smuggling prohibited Asian fruit into the United States. The Asian fruit is prohibited entry into the United States because it is known to carry pests and diseases not found here that could devastate local crop economies. Four hundred pounds of fruit were discovered hidden in the cargo area of the subjects' station wagon as well as inside the walls of the cargo area. This was the third time these individuals had been caught smuggling fruit into the United States. The husband subsequently pled guilty while the charges against the wife were dropped. Both the Federal prosecutor and the defense counsel had initially recommended probation with no jail time. The judge, noting the potential harmful impact of the fruit, which tested positive for insect infestation, could have had on domestic crops and local economies, declared her intent to "send a message" to the subject. She sentenced him to 2 days in jail and 3 years' supervised release.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

At last year's budget hearings, I reiterated our continuing commitment to placing a high priority on food safety and consumer protection issues. Threats to the health and safety of the public are the most important matters investigated by OIG. Recent criminal investigations addressed the processing and sale of adulterated meat and poultry and tampering with food products consumed by the public.

During the last few months, criminal investigations have necessitated the immediate deployment of special agents to several cities in the United States to protect the health and safety of consumers. These cases, some of which are still ongoing, have involved real or threatened adulteration of meat with E.coli 0157:H7 and Listeria Monocytogenes bacteria from unsanitary production methods intentionally neglected by the processor, sewing needles placed in commercial meat product packages at a supermarket to injure and possibly kill unsuspecting consumers, and substances such as soy or water added by the processor for economic gain.

To address these serious threats and illegal acts against the public's well being, we are pursuing joint activities with other Federal, State, and local agencies to share intelligence and conduct undercover operations. Doing so will help us better target criminal enterprise in general and the threat to the food supply in packing plants and other facilities in particular.

The increasing threat to the wholesomeness and safety of domestic and imported food requires not only vigilance but also advanced preparedness and preemptive undercover operations.

Profit-motivated criminal activity that threatens the food industry can cause economic disruption while victimizing innocent members of the industry. Likewise, threats from outside the food industry of criminal adulteration and biological contamination of food products for extortion or ideological motives victimize and disrupt the food production or distribution systems until these threats are resolved through a law enforcement and health and safety response.

Immediate response to emergency situations impacting USDA programs and operations and regulated industries requires the specific, unique law enforcement expertise of USDA OIG. OIG's rapid response and deployment of considerable staff resources has helped to protect the health and safety of consumers this past year, and we will continue to do so in the future. However, the cost to respond rapidly is great and growing. To do so, we require specialized equipment and protective clothing and supplies to ensure the health and safety of our personnel responding to these crises. To date, we have very limited funding for these critical necessities.

A prime example of our work in this area was one of our high-profile cases, which was conducted with the technical assistance of the FSIS Compliance staff. Together, OIG and FSIS identified approximately 30 million pounds of hot dogs and sandwich meat deemed unfit for human consumption and ordered destroyed by FSIS. During December 1998, FSIS suspended the operations of the Arkansas meat processing plant responsible for the unsanitary production process that resulted in Listeria Monocytogenes bacteria infecting the hot dogs and sandwich meat. This processing plant produced approximately 600,000 pounds of hot dogs and cold cuts per week and sold these items to large food stores and the U.S. military. Our criminal investigation continues.

An incident at an Iowa grocery store is another significant example of the multitude of food safety issues we deal with on a regular basis. In this case, 18 OIG criminal investigators, in cooperation with the local police department, worked round-the-clock for 4 weeks to identify the individual responsible for placing sewing needles in ground beef packages, fruit, and bakery items to be sold to the public. Due to the immediate response of OIG special agents and their subsequent investigative actions, one individual was indicted on a Federal criminal charge of tampering with food products. Fortunately, no injuries are known to have resulted from these criminal acts. An April 2000 trial date has been set.



Photograph of tampered meat with needle

As a result of another joint criminal investigation by OIG and the Internal Revenue Service, two

owners, the vice president, plant manager, and four salesmen for a large meat company in Philadelphia, Pennsylvania, were indicted for skimming $2.7 million from the company cash register and concealing this income on their tax returns. The owners and plant manager were also indicted for misbranding cheaper cuts of beef and pork and selling this meat as expensive cuts. The two owners pled guilty to all 52 counts brought against them. The plant manager pled guilty to selling misbranded meat and filing false income tax returns. At sentencing, the two owners were ordered to pay a total of $1.5 million in restitution and fined $724,000. In addition, one owner was sentenced to serve 60 days' imprisonment, the other was sentenced to 1 year of home confinement, and each received 5 years' probation.

Ongoing Food Safety Review

Another area that is critical to increasing food safety and ensuring that consumers receive safe and wholesome meat and poultry products is successful implementation of the Hazard Analysis and Critical Control Point (HACCP) and pathogen reduction programs. We developed a "Food Safety Initiative" to review FSIS' food safety mission across a broad spectrum of meat and poultry inspection operations. This initiative, which is now underway, includes a review of meat and poultry establishments' sanitation and HACCP implementation, including efforts to test for pathogens and reduce their presence. Because a key to pathogen reduction is FSIS' laboratory operations, our review is assessing FSIS' quality control system over those laboratory operations, product sample integrity, and laboratory testing operations.

Our review also focuses on the import of meat and poultry products into the United States from foreign countries. In order for a country to ship meat or poultry products into the United States, the country must demonstrate that its inspection system is equivalent to the U.S. system. When the review of the FSIS equivalency determination is completed, our efforts will focus on FSIS' responsibility to inspect the imported product on entry to the United States, and if need be, conduct visits to selected foreign countries to assess their inspection systems. Lastly, our initiative is focusing on FSIS' Compliance Program to determine its effectiveness in preventing and detecting violations of the meat and poultry inspection laws. This includes activities related to businesses engaged in transporting, storing, and distributing products after they leave federally inspected establishments. We are in the process of finalizing our work in this area.

FSIS Oversight of State-Operated Meat and Poultry Inspection Programs Need Further Improvements

Under the State-Federal Cooperative Inspection Program, individual States are authorized to inspect meat and poultry products sold solely within their boundaries, provided that their food safety requirements are at least equal to those of the Federal Government. FSIS retains an oversight role in this effort. Twenty-six States have FSIS-approved inspection programs, covering about 2,700 slaughtering and processing plants. About 7 percent of all meat and poultry production in the United States is inspected at these plants.

FSIS took significant steps to correct problems identified in a previous OIG audit, but additional improvements are still needed. Our most recent audit, released in May 1999, included reviews in

two States that represented about 24 percent of the State-inspected establishments nationwide. This audit found that FSIS needs to ensure that acceptable ratings are not given to State programs with identified sanitary deficiencies or to States that do not take adequate corrective actions to address serious sanitation problems. FSIS agreed to implement our recommendations.

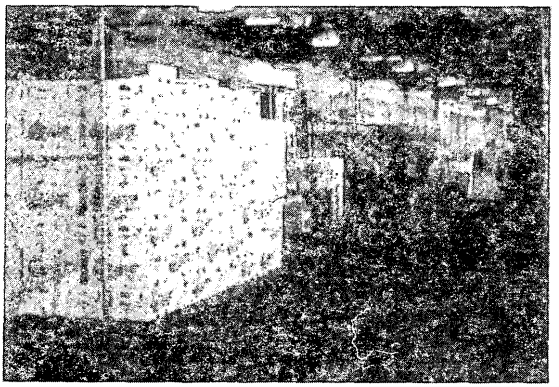
EMPLOYEE INTEGRITY

The investigation of criminal acts associated with employee integrity violations by USDA employees is another high priority for OIG. During FY 1999, we issued 40 reports of investigation concerning allegations of criminal conduct by USDA employees. Our investigations resulted in 22 convictions of current and former employees and resulted in 68 personnel actions, including removals, suspensions, resignations, reprimands, and alternative discipline.

Our current investigation in New York City epitomizes the agency's work in the employee integrity area. Thus far, in this ongoing investigation, 9 Agricultural Marketing Service (AMS) graders have pled guilty to charges of accepting bribes for downgrading the quality of fruit and vegetables at the Hunts Point Terminal Market in the Bronx. In addition, 3 owners or employees of produce wholesalers have pled guilty to charges of paying bribes to these graders. All 12 owners and employees of other produce wholesalers have also been indicted and are waiting trial. All had been arrested by OIG special agents. During the 2½ year investigation, we uncovered a scheme by which the AMS graders accepted bribes from produce wholesalers to downgrade lots of produce. The wholesalers then used the lower grades to negotiate the price

they paid the grower for the produce downward, which resulted in the growers being cheated out of the true value of their produce.





Aerial photographs of Hunt's Point Terminal Market and market vendor's warehouse area

In another investigation, in West Virginia, nine individuals, including two employees of the Farm Service Agency's (FSA) Agricultural Credit Team, were convicted for defrauding the Government of approximately $2 million in FSA direct and guaranteed farm operating loan funds. The loans were obligated by FSA based on false information submitted by the applicants. The two employees of the Agricultural Credit Team assisted the loan applicants by forging signatures or manipulating figures on official FSA documents for the purpose of making the applicants qualify for loans. Eight of the nine individuals have been sentenced. All seven loan recipients were ordered to make full restitution. The two FSA employees resigned from Government service following their convictions.

In an investigation in Louisiana, five individuals pled guilty and were sentenced in Federal court for their involvement in a kickback scheme in which an FSA credit manager in Louisiana falsified loan documents, resulting in $1.8 million in false FSA farm-operating loans. The credit manager, who resigned, and two other FSA borrowers were indicted and are fugitives. In addition, a local bank vice president was placed on pretrial diversion for conspiring with the former credit manager to provide false information to the Government, which resulted in the issuance of an FSA guaranteed loan that should not have been made. The bank vice president obtained the loan for the construction of an airplane hangar. To date, the sentences have ranged from probation to 2 years 3 months of incarceration. In addition, the court has, thus far, ordered a total of over $670,000 in restitution be paid to USDA.

WORKPLACE VIOLENCE

Another extremely important area for OIG is the investigation of threats of violence against USDA employees. We have responded to numerous situations involving the use or threatened use of force against the Department's employees. For example, in Oklahoma, we investigated a shooting incident involving a farmer, a USDA Natural Resources Conservation Service employee, and a second farmer who was assisting the USDA employee. The USDA employee was present in an official capacity when the shooting occurred. The farmers involved in the situation began arguing about the destruction of several fences, and one farmer shot and killed the other. The USDA employee was held at gunpoint for 30 minutes until he was allowed to leave the scene to obtain help for the farmer who had been shot. The farmer who killed the individual was indicted by a Federal grand jury for murder. He recently appeared in District Court for a detention hearing. He was denied bond and ordered to remain in jail until his trial date which is scheduled for March 6, 2000.

In another investigation, in North Dakota, a dog kennel owner pled guilty to a felony count of threatening to assault an APHIS Animal Care inspector in an attempt to prevent the inspector from performing the required inspections at the kennel. During the OIG criminal investigation of this matter, the subject admitted that he had threatened to kill the inspector, and then proceeded to make a similar threat if the APHIS inspector attempted to perform his inspection duties in the future. The kennel owner was sentenced to 12 months' probation.

INFORMATION RESOURCES MANAGEMENT

Computer Security

We have also conducted numerous reviews of the vulnerability of agencies' computer systems to unauthorized access. We use many of the same software programs that are also used by the hacker community to perform our audits. Using these advanced techniques, our audits disclosed over 600 security vulnerabilities in the systems audited. For example, sensitive data such as passwords could be identified which would enable hackers to penetrate the Department's systems. With the continued expansion of Internet use and public access to departmental systems, security risks will continue to increase. The potential harm of improper entry to the Department's computer systems is extraordinary given the degree of sensitive data processed and the extent of program payments made through these systems. Alteration of data on quantity and price compiled by the National Agricultural Statistics Service could drastically impact world commodity markets. Penetration of Rural Development's $56 billion loan portfolio could significantly reduce the safeguarding of those assets. Finally, data that FSIS depends upon to ensure a safe and healthy meat and poultry supply could be compromised. Although we have been successful in our audit efforts in this area, much work remains, and our ability to address it has been limited due to staffing and resource constraints.

The Department Achieves "Year 2000" Compliance

Year 2000 testing was essential to provide reasonable assurance that new or modified systems processed dates correctly and would not jeopardize an agency's ability to perform core business

operations after the millennium change. Throughout FY 1999, we continued to review and report on the Department's Year 2000 compliance or necessary remedies. Our reviews were essential to provide the public with assurance that the Department would continue to operate and provide needed benefits to program participants.

The Department overcame the Y2K threat without significant interruption. OIG played a major role in this achievement.

FARM AND FOREIGN AGRICULTURAL SERVICES

FARM SERVICE AGENCY (FSA)

Monitoring the Implementation of the Crop Loss Disaster Assistance Program (CLDAP)

In 1998, Congress appropriated $2.4 billion for distribution to eligible farmers under the 1999 CLDAP. This program provided emergency assistance to over 270,000 farmers, many of whom suffered multiyear losses from drought or floods. The value of lost production totaled around $2 billion. When the bill passed, we began working with FSA and the Risk Management Agency (RMA) as they began to implement this massive farm program, to ensure that all eligible farmers received this Federal farm assistance timely. We provided input on program controls to FSA and RMA as they drafted program regulations, and, in doing so, were able to proactively review and provide comments on the agencies' implementing regulations. This cooperative effort helped to preclude many of the problems we had noted in prior ad hoc disaster programs. We had staff at the

FSA field offices shortly after CLDAP was implemented, checking on the effectiveness of FSA's and RMA's outreach program to ensure all eligible farmers were notified of this program and to determine if there were any backlogs or other problems in the timely processing of applications from all eligible farmers. We worked with the agencies to alert them to potential problems in getting this massive assistance to all farmers. We were also alert to potential abuses in the program through ineligible program overpayments submitted by individuals. As a result of our work with FSA and RMA, they were able to revise the program procedures and on a timely basis, which helped to preclude improper CLDAP payments.

On the investigative side, historically, one of our primary responsibilities has been the investigation of criminal violations of the various farm support programs administered by USDA. For example, as a result of a criminal investigation in Georgia, three Mitchell County farmers have each pled guilty to one count of conspiracy to launder money. These 3 individuals were believed to be the masterminds in a disaster fraud scheme that netted them and 12 of their relatives and friends approximately $1.6 million in unentitled disaster payments. The defendants filed fraudulent claims to receive FSA disaster payments for themselves and the others and submitted fictitious seed invoices to support the fraudulent claims. Each farmer was sentenced to serve 1 year in Federal prison for involvement in this scheme.

In another investigative case in this area, two Idaho warehouse operators, a husband and wife, were ordered to pay restitution of $166,000 to the Commodity Credit Corporation and local farmers after they pled guilty to Federal charges related to the theft of grain that was being stored at their State-licensed grain warehouse. Producers in Idaho and Oregon lost more than

$1.5 million as a result of the theft. The wife was sentenced to serve 6 months in Federal prison to be followed by 4 months of home detention and 3 years of supervised release. Her husband was placed on probation for 4 years. As part of their plea agreement, they also agreed not to contest debarment action by USDA. This investigation was a cooperative effort with the warehouse examiners from the FSA Kansas City Commodity Office; the Oregon State Police; the Canyon County, Idaho, Sheriff's Department; the FBI; and the IRS's Criminal Investigation Division.

RISK MANAGEMENT AGENCY (RMA)

Reinsured Companies Were Not Properly Servicing Catastrophic (CAT) Risk Protection Policies

The CAT Program is part of the safety net for farmers. It provides basic coverage to all producers at a minimal cost and to limited-resource farmers at no cost. In 1996-1997, a decision was made to transfer the delivery of CAT policies from FSA to the reinsured companies. We evaluated the transfer and found a number of servicing problems, such as farmers not receiving adequate local agent servicing. Frequently, these producers were not contacted by insurance agents, and the needs of the limited-resource farmers were not being addressed.

In our recent followup review, we evaluated how effectively the delivery of this safety net program had been implemented by the reinsured companies. We found that the number of limited-resource farmers with CAT policies declined by about 78 percent between 1997 and 1998, during the time

the reinsured companies assumed sole delivery of the program. RMA acknowledged there is a problem in the CAT Program as currently authorized. However, RMA believes that the significant decline in participation by limited-resource farmers stems from the elimination of the legal requirement that farmers purchase crop insurance in order to receive other Federal farm assistance and from the farmers' perception – as documented in RMA's reviews - that the CAT Program, as currently devised, does not provide an adequate safety net. Without improvements in the CAT Program, we believe that producer participation will likely continue to decline and that the effectiveness of the program as part of the safety net against catastrophic losses for farmers, especially small and socially disadvantaged farmers, will diminish further.

FOREIGN AGRICULTURAL SERVICE (FAS)

Monitoring of FAS' Food Aid Assistance Agreements With the Russian Government

For the past several years, OIG has evaluated various aspects of the Department's food aid assistance to the Independent States of the Former Soviet Union. In response to our recommendations, the Department took actions to strengthen future programs' controls over accountability for the commodities and monetary proceeds and oversight of cooperating sponsors. We believe these actions have improved the Department's current food aid assistance.

In December 1998, the Governments of the United States and Russia signed two food aid agreements that would provide over 3 million metric tons of wheat and various other commodities to the Russian Government. Shortly thereafter, we began to monitor FAS' efforts to implement procedures to minimize potential misuse and illegal diversion of commodities. The

estimated total costs for all the agreements, including transportation costs, are about $1 billion. The commodities alone are estimated to have cost $746 million, and their monetary proceeds in Russia are estimated at over $403 million.

In February 1999, we recommended specific actions to strengthen FAS' monitoring plan, including the need to increase the size and effectiveness of its monitoring staff detailed to Russia, and to verify the financial integrity of any Russian financial institutions involved with monetary proceeds. In May 1999, we participated on a U.S. Government Interagency Team to Russia to observe the implementation of the agreements. We documented our observations in a memorandum to FAS in August 1999, suggesting that it needed to quickly finalize the financial guarantees for payment of the commodities and to increase coordination and communication among all parties. In that memorandum and in our testimony before the U.S. House of Representatives, Committee on Agriculture, in October 1999, we stated that even though we could not provide complete assurance that the controls are fully in place and working, we believed that FAS had made significant efforts to establish controls and strengthen monitoring efforts.

FOOD, NUTRITION, AND CONSUMER SERVICES

FOOD AND NUTRITION SERVICE (FNS)

Operation Talon

Previously, I informed you we had initiated a new law enforcement initiative, code named "Operation Talon." This initiative provides for the exchange of information between law

enforcement and State social services agencies. Specifically, law enforcement fugitive records are matched with social service agencies' food stamp recipient records, and the information is used by OIG and State and local law enforcement officers to locate and apprehend dangerous and violent fugitive felons who may also be illegally receiving food stamp benefits.

Overall, Operation Talon has been the most successful investigative initiative we have yet undertaken. To date, this initiative has resulted in the arrest of approximately 5,600 fugitive felons. This has included 33 wanted for murder or attempted murder; 24 for child molestation; 14 for rape or attempted rape; 9 for kidnapping; and 1,695 for assault, robbery, and drug offenses. Also, a number of States are removing arrested fugitives from their food stamp rolls, which will result in savings to the Food Stamp Program and allow food stamp benefits to continue to go to the needy who are the intended recipients and entitled to this benefit.



Operation Talon Suspect Arrested by OIG Special Agent and Local Officer

Operation Talon is an ongoing initiative, and we are planning future arrest operations in many parts of the country. During the next phase of Operation Talon, we will initiate data matches between State social service agencies' records and Federal fugitive information provided by the U.S. Marshals Service. Following these matches, our agents and the U.S. Marshals Service will conduct fugitive apprehension operations. These Federal arrest operations will take place concurrent with OIG, State, and local law enforcement agency operations targeting non-Federal fugitive felons.

Food Stamp Program (FSP) – Electronic Benefits Transfer (EBT)

In FY 1999, just over $19 billion in FSP benefits was issued with about 70 percent issued via EBT. This now involves 34 statewide systems and the District of Columbia. It is critical that we provide audit coverage to ensure not only that the systems operate as designed, but also that only eligible persons receive benefits in the proper amounts. We will need to provide periodic assurances that EBT is working and that interState operability is functioning as it is expanded.

In FY 1999, we completed EBT system work in seven States. The EBT systems were successfully implemented in all seven States; however, controls need to be strengthened in some areas. Six States need to improve controls over access to their EBT systems. Two States need to establish procedures to reconcile program authorizations to those received by the EBT processor and the system operated by the Federal Reserve. In another State, controls were not in place to correct an erroneous benefit file that had been transmitted to the contractor. This resulted in a system error, causing an estimated $730,000 in erroneous FSP benefits to be issued to about 10,000 individuals.

Even with these problems, however, we believe EBT has been successful – it gets stamps off the street, thereby reducing the opportunities for food stamp trafficking. Our reviews of EBT systems will continue as States endeavor to implement EBT to meet the deadline of October 2002 mandated by the Welfare Reform Act.

We also continue to devote significant investigative resources to combating fraud in FSP. Ever since this important program began distributing food stamps to needy Americans, unscrupulous people have been willing to devise methods to unlawfully benefit from it. As the result of three OIG criminal investigations in Cleveland, Ohio, that initially seemed unrelated, a local grocer pled guilty to laundering $8.6 million in connection with food stamp trafficking. The investigation showed that, from June 1993 through March 1998, the grocer organized the illegal redemption of food stamps for himself and other Cleveland area grocers. The grocer was sentenced in Federal court to 12 years' imprisonment. This individual also had two prior convictions for food stamp trafficking as a result of OIG investigations conducted in 1989 and 1994. The other two store owners involved in the conspiracy, who cooperated with the prosecution, were sentenced to 2½ years and 18 months, respectively. All involved grocers were permanently disqualified from FSP. This investigation was conducted by the Cleveland Food Stamp Task Force, which is composed of OIG, the Secret Service, the FBI, the IRS Criminal Investigation Division, the U.S. Customs Service, the Cleveland Police Department, and the Ohio Department of Public Safety.

In another 2-year criminal investigation by OIG, the Texas Department of Human Services' OIG, the IRS, and the Secret Service, six family members in Houston, Texas, were convicted for

food stamp fraud, money laundering, and conspiracy, and criminal forfeiture actions were imposed. The subjects illegally accepted and redeemed in excess of $2 million in food stamp benefits via the EBT system. The six subjects received sentences that ranged from 27 to 97 months' imprisonment and ordered to pay $2 million in restitution.

Child and Adult Care Food Program (CACFP)

Last year I testified that we would continue with Operation "Kiddie Care" – our Presidential Initiative reviewing CACFP – as long as we find evidence of abuses in the program. In FY 2000, estimated outlays for this program are $1.8 billion; a program we judge to be at risk because its current control structure is flawed and places the primary controls in the hands of sponsors. Unless the program delivery system is overhauled, the kinds of abuses we have identified will continue, with the result being food literally being taken out of the mouths of hungry children to the benefit of greedy sponsoring organizations. We have continued our "sweeps" to identify, remove, and prosecute unscrupulous program sponsors and recover ineligible payments.

Since last year, the cases of serious deficiencies and criminal activities have continued to mount. Currently, we have 38 open CACFP investigations, which are part of our ongoing efforts to detect fraud committed by CACFP sponsors nationwide.

Our efforts have been very successful. For example, in Michigan, a former City of Detroit School Board member who owned and operated 16 day care centers and her assistant were indicted by a Federal grand jury for defrauding USDA of an estimated $16 million. Our

*NOTE: See Below —

investigation showed that these individuals inflated the number of meals fed to children and falsified supporting documentation. A food vendor admitted supplying false invoices to inflate the food costs of the day care centers to substantiate the false meals reported to USDA. A Federal District Court jury found the owner of the day care centers guilty of conspiracy to commit mail fraud and Government program fraud, obtaining funds of the Department of Agriculture by fraud, mail fraud, embezzlement of public funds, conspiracy to launder money, and money laundering. This individual was sentenced to 108 months in prison, followed by 3 years' supervised release, and was ordered to pay over $13 million in restitution and a $10 million fine. Her assistant recently pled guilty to conspiracy to commit mail fraud and Government program fraud. Sentencing is pending.



Day Care Owner



Interior of Day Care Owner's house

Our audit reviews of CACFP, as of December 1999, have identified 40 sponsors whose program deficiencies are so serious that they should be terminated from program participation unless the

shortcomings are promptly addressed. These sponsors have been receiving about $78.6 million in CACFP funds annually. Twenty-two sponsors terminated from the program were receiving $45.4 million annually. Fifty-seven individuals have been charged with crimes, and 38 have pled guilty or been convicted thus far.

The focus of our Operation is now on improving program delivery and oversight. After an interim report on Operation "Kiddie Care" in April 1998, we issued our audit report in August 1999, urging needed regulatory and legislative changes to CACFP.

We believe our findings demonstrate a need for dramatic changes in CACFP. We made 23 recommendations to eliminate the structural program flaws, strengthen internal controls, and clarify CACFP requirements. We also recommended that FNS study alternative methods of delivering a meal program to children and adults in day care, specifically one that addresses the problems with private, nonprofit sponsoring organizations. FNS is in the process of preparing new regulations and requesting comments from stakeholders on basic structural changes in how payments are made to sponsors. Until changes are implemented, program abuses assuredly will continue. Returning integrity to this important feeding program and protecting the resources of the American taxpayer are high priorities for OIG, as well as FNS.

Special Supplemental Food Program for Women, Infants, and Children (WIC)

One of the primary purposes of WIC is to provide funds to families with small children to allow them to purchase certain nutritious food items. In an effort to curb fraud in WIC, we are

continuing our investigative activities. For example, in a joint criminal investigation by OIG and the Georgia Department of Human Resources', Office of Fraud and Abuse, a Georgia Department of Health clerk responsible for administering WIC pled guilty to creating $47,945 in fraudulent WIC vouchers and converting them for her own use. The investigation disclosed that the clerk created 77 fictitious infants, including 21 sets of twins, in a scheme to defraud WIC from October 1994 to August 1996. The clerk issued 1,073 fraudulent WIC vouchers and redeemed them for infant formula, which she resold to small retail grocery stores in the Atlanta area. While the investigation was in progress, the clerk resigned from her position. She pled guilty and was sentenced to 1 year of incarceration, followed by 3 years of supervised release, and ordered to pay $47,945 in restitution.

RURAL DEVELOPMENT

RURAL HOUSING SERVICE (RHS)

Multifamily Housing Enforcement Program

RHS programs are intended to help finance new or improved housing for more than 70,000 moderate or low-income families. When program funds are diverted, tenants (including many elderly and disabled people) do not receive decent, safe, and sanitary housing as intended by the program. OIG and RHS recently combined forces to develop a team approach for review of borrowers and management agents at high risk of defrauding or abusing the multifamily rural housing program. Our report, issued in March 1999, described a high-risk profile which we used to

identify over $4.2 million in misused funds, as well as health and safety hazards posing an immediate danger to the tenants.

Historically, OIG has responded vigorously when indications of fraud and abuse are identified. However, as our resources are stretched, almost to the breaking point, we are frequently unable to respond to requests for audit assistance. As a result, some who abuse the RRH program can continue to do so with impunity – at least until additional staffing and resources become available.

We have worked closely with RHS to develop proposed legislation to improve the integrity of the multifamily housing program. The draft bill would authorize a broad range of criminal and civil authorities which could be brought to bear against persons or entities who misuse RHS housing programs. Specifically, the proposed legislation would (1) establish civil sanctions for equity skimming, (2) establish civil monetary penalties for persons or entities who violate agreements and contracts, (3) authorize the Secretary to withhold the renewal or extension of loan or assistance agreements and request judicial intervention to enforce compliance with an administrative decision, (4) provide sanctions for money laundering and provide civil fines for obstruction of Federal audits and, (5) authorize the Secretary to impose civil penalties when project accounting records are found to be in unsuitable condition for audit. These provisions will strengthen our ability to audit and prosecute cases of program fraud and abuse, significantly improve program controls, and facilitate the effective administration of rural housing programs.

RURAL UTILITIES SERVICE (RUS)

Telephone Loan Program Policies and Procedures

RUS continues to make and service loans to financially strong borrowers who likely could obtain financing from other sources. Of $4.8 billion in loans to 815 direct and guaranteed RUS telephone borrowers, we determined that 434, or 53 percent of the borrowers, with loans totaling $1.87 billion had sufficient financial strength to repay their loans or could obtain or be graduated to nongovernmental lending sources. This totaled 39 percent of the loans for the 17-year period, 1981 through 1997, which we reviewed.

By law, RUS is required to assist borrowers to achieve financial strength to enable them to satisfy their credit needs without its assistance. However, RUS' loan eligibility criteria are based on meeting minimum financial standards, with no consideration given to whether the borrower has a financial need. RUS' annual budget is based on anticipated loan requests from all applicants regardless of financial condition. As a result, RUS makes loans to financially healthy telephone companies. We also reported that RUS has not established procedures and requirements for financially strong borrowers to seek credit from other sources, nor has it established a loan graduation program for borrowers who no longer need Government assistance.

We recommended that RUS work with the Congress to clarify its policy for the telephone loan program regarding loan graduation and require financially strong borrowers to obtain credit from nongovernmental sources. If Congress determines that RUS should require financially strong

borrowers to use other sources of credit, we recommend that RUS establish a graduation program for assisting the 53 percent of its telephone borrowers who are financially strong. We must point out, though, that RUS officials disagree that a graduation program is needed. Instead, RUS believes that it is carrying out its mission. We raise the question as to whether or not it makes sense to loan Government funds, limited in the first place, to borrowers who have the wherewithal to obtain credit in the private sector.

NATURAL RESOURCES AND ENVIRONMENT

FOREST SERVICE (FS)

While FS' operations are not funded through this Subcommittee, they are a major program operation within USDA. As a result, OIG invests a significant amount of audit and investigative resources in the agency's activities.

We recently evaluated FS' administrative controls over the preparation of environmental documents and the implementation of environmental safeguards for timber sale activities. Our review disclosed that improvements were needed in all aspects of this program. We found that the lack of adequate administrative controls hurt not only the environment, but also the Timber Sale Program and timber purchasers. During our evaluation, FS took immediate action on several key recommendations that will improve the overall effectiveness of the Timber Sale Program. These actions included halting several timber sales in the Southern Region after we advised the region that surveys for threatened, endangered, and sensitive species had not been performed. Also,

another region's FS personnel revised the boundaries of a timber harvest after we identified a heritage resource site that was not adequately protected.

We have also looked at a number of FS land exchanges. For example, in the Thunderbird Lodge land exchange, in Lake Tahoe, Nevada, FS obtained a $50 million, 140-acre lakefront estate. During our review, we identified a number of issues that could have resulted in significant liabilities to FS if not resolved before completion of the transaction. For instance, we found that provisions for maintaining the historically significant structures were not adequate. As a result, FS could have been liable for up to $3 million in maintenance costs for the estate over the duration of the agreement. Prompted by our discussion with FS officials, the terms and conditions of the transaction were changed to ensure FS would not be liable for future maintenance of the structure. While we were able to obtain prompt action in this instance, we are aware of other land exchanges where similar questions could be raised that go unaudited due to the lack of resources.

ACCOUNTING AND FINANCIAL MANAGEMENT

Financial Statement Audits

As required by law, we performed audits of the Department's FY 1998 financial statements. These audits provide Congress and the public with information and insight regarding management's stewardship over Federal assets and its overall fiscal performance. We issued unqualified, or "clean," opinions on the financial statements of the Federal Crop Insurance Corporation and FNS. The Rural Development mission area, including the Rural Telephone Bank, received a qualified

opinion because we were unable to assess the reasonableness of its credit program receivables or its estimated losses on loan guarantees.

We issued a disclaimer of opinion on FS and the USDA consolidated statements. A disclaimer of opinion means that the books and records of the entity were so poorly maintained we could not complete the required audit analyses. FS received a disclaimer due to significant financial system weaknesses, which include the lack of an integrated general ledger and supporting subsidiary records. Furthermore, FS could not account for its vast property, plant, and equipment holdings. The USDA consolidated statements received a disclaimer of opinion because the Department could not provide assurance that its financial systems provide information that is relevant, timely, consistently reported, and in conformance with accounting principles. In addition to financial system problems, numerous internal control weaknesses materially degrade the Department's ability to report accurate and reliable financial information.

Implementation of the Foundation Financial Information System (FFIS) Needs Improvement

Many of the Department's financial accounting problems stem from extraordinary weaknesses associated with the Central Accounting System (CAS) used by the National Finance Center (NFC). These weaknesses have significantly affected the ability of Department officials to prepare accurate financial statements and cost data necessary to manage departmental programs. To correct these problems, the Department is implementing FFIS to replace CAS at NFC. Our monitoring and review of these implementation efforts continue to find substantial weaknesses,

however, and unless corrective actions are taken, the full and effective implementation of FFIS will not be achieved.

USDA Investments at Risk Due to Corporation's Mismanagement

The Alternative Agricultural Research and Commercialization Corporation (AARCC) was established to find innovative uses for agricultural products. We performed an audit to assess the agency's management of its mission program. The audit concluded that AARCC had only minimal assurance that taxpayers' monies had been properly expended and that its $27 million investment portfolio had been adequately protected from loss.

The audit found that the process used by AARCC to select firms for investment was not adequate because the applicants had not displayed any reasonable basis for prospective success. AARCC's monitoring of the investees' operations to ensure compliance with its agreements was virtually nonexistent. Of particular concern were various transgressions by companies that AARCC took no action to preclude or rectify. In one case, AARCC invested $450,000 in a firm for the development, manufacture, and marketing of headbands made from starch absorbents. In return, AARCC was to receive royalties on the sales of the product and an equity interest in the firm. After receiving the funding and procuring the specialized equipment to manufacture the headbands, the firm realized that no market existed for the product. However, the firm discovered there was substantial demand – about $80,000 a month – for incontinence pads which could be made with the same equipment. The firm asserted AARCC had no claim to the revenues from the manufacture of the pads because the product had changed. The agreement, however, prohibited

the use of the equipment for alternative production. AARCC subsequently became aware of the impropriety and unsuccessfully attempted to renegotiate the terms.

Congress did not provide any funding for AARCC for FY 2000. However, AARCC's Board of Directors needs to decide how it will manage and protect its existing $27 million portfolio to ensure that the Government's interests are protected.

CONCLUSION

This concludes my statement, Mr. Chairman. As you can see, the work of OIG is far-reaching and expansive. I appreciate the opportunity to appear before you today and share with you some of the work we do. I hope my comments have been helpful to you and the Committee. I will be pleased to respond to any questions you may have at this time.

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UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL

Department of Justice Participating Agency
FORFEITURE FUNDING

Total Received:

FY	Allocation
1998	$282,365
1999	$730,344
Total	$1,012,709

Total Expenditures:

Categories	Description	FY 1998	FY 1999	Total
Third Party Interests	*Payment of valid liens and secured mortgages*	$5,877	$0	$5,877
ADP Equipment	*Automated data processing equipment*	$4,734	$13,278	$18,012
Case Related Expenses	*Travel and subsistence expenses, translation services, storage*	$40,635	$92,078	$132,714
Special Contract Services	*Contract personnel (Data Analyst, Law Clerk)*	$646	$131,555	$132,200
Training and Printing	*Training, travel, and printing expenses*	$37,726	$224,111	$261,838
Contracts to Identify Assets	*Information services for tracing forfeitable assets*	$0	$5,393	$5,393
Joint Law Enforcement Task Forces	*Overtime and other operational costs for state and local agencies (including $75,000 for Operation Talon)*	$7,367	$239,692	$247,059
Awards for Information	*Payment for specific information on criminal activity*	$0	$19,802	$19,802
Purchase of Evidence	*Purchase of evidence for money laundering and other forfeiture related violations*	$0	$848	$848
Equipping of Conveyances	*Equipping agency owned or leased vehicles*	$185,380	$3,586	$188,966
Totals		$282,365	$730,344	$1,012,709

<u>FY 2000</u>

OIG has received an allocation of $940,000 from DOJ for FY 2000 current year use.

USDA Biographical Sketch

Roger C. Viadero
Office of the Deputy Secretary: Inspector General

Roger C. Viadero was sworn in as inspector general of the U.S. Department of Agriculture on October 18, 1994.

As inspector general, Viadero provides leadership in promoting economy, efficiency, and effectiveness in USDA programs, and in preventing and detecting fraud and abuse in those programs. He is responsible for all audits and investigations relating to the programs and operations of USDA.

Prior to becoming USDA's inspector general, Viadero has been with the Federal Bureau of Investigation since 1979 in a variety of assignments. These included, chief internal auditor for the New York Division, management consultant on internal audit and audit control procedures for police departments across the country, professor at the FBI National Academy, and chief of the audit unit for the FBI at its headquarters in Washington, D.C. Before joining the FBI, he spent ten years in the New York City Police Department as a police officer, homicide investigator and fiscal officer.

Viadero is the author of numerous articles on law enforcement and management. He received a bachelor's degree in public accounting and a master's of business administration in management accounting from Pace University in Pleasantville, N.Y.

Biographical Sketch

JAMES R. EBBITT
ASSISTANT INSPECTOR GENERAL FOR AUDIT

James R. Ebbitt was appointed Assistant Inspector General for Audit in March 1987. In that capacity, Mr. Ebbitt is responsible for managing the audit program of the Department and its worldwide operations. Mr. Ebbitt directs a staff of 475 auditors, specialists, and support staff in carrying out this work.

Mr. Ebbitt began his career with OIG in Chicago in March 1970. He performed audits of a variety of major USDA programs and in September 1976 was promoted to Supervisory Auditor in San Francisco. In April 1980, he accepted a promotion to serve on the Headquarters staff of OIG where he gave special emphasis to audits of the Food Stamp Program. In 1982, Mr. Ebbitt was appointed the Regional Inspector General in San Francisco and was responsible for all the audit work in the Western United States.

Mr. Ebbitt is a graduate of Cleary College in Ypsilanti, Michigan, and holds a degree in Business Administration. He is a Certified Fraud Examiner, a member of the Association of Government Accountants, the Institute of Internal Auditors, and the Association of Certified Fraud Examiners. He presently serves as the Chair of the Advisory Board to the USDA Grad School, Government Auditors Training Institute. He is the immediate past Chair of the Federal Audit Executive Council.

Mr. Ebbitt is from Hudson, Michigan. He presently resides in Alexandria, Virgina.

BIOGRAPHY

GREGORY S. SEYBOLD
Assistant Inspector General
for Investigations
U.S. Department of Agriculture

Gregory S. Seybold was selected as the Assistant Inspector General for Investigations, Office of Inspector General, U.S. Department of Agriculture, and reported for duty on October 5, 1998.

Before joining USDA, Mr. Seybold held senior executive positions at the Office of Inspector General, General Service Administration, where he was Deputy Assistant Inspector General for Investigations from 1995 through 1998; and at the Office of Inspector General, U.S. Department of the Interior (DOI/OIG), where he was Deputy Assistant Inspector General for Investigations from 1987 through 1995. From 1981 through 1987, Mr. Seybold held positions as Chief, Special Investigations Branch; Special Agent-in-Charge, Eastern Region Investigations; and Senior Special Agent with DOI/OIG.

Mr. Seybold began his 20-year career within the Inspector General community as a Special Agent with the Office of Inspector General, U.S. Department of Transportation (DOT/OIG), and was a member of the cadre of criminal investigators transferred to DOT/OIG from the Federal Aviation Administration (FAA) in 1978 pursuant to the Inspector General Act. Prior to that time, Mr. Seybold spent 6 years with the FAA Air Transportation Security Service as a Special Agent in the anti-skyjacking program.

In 1972, Mr. Seybold began his Federal law enforcement career as a Deputy United States Marshal after concluding 3 years of active military service, including the Vietnam conflict, as a U.S. Army Military Intelligence officer.

A native of New Orleans, Mr. Seybold holds a B.A. degree in political science from The Citadel in Charleston, South Carolina.

Mr. Seybold and his wife reside in Fairfax Station, Virginia.

Biographical Sketch

Delmas R. Thornsbury

Delmas R. Thornsbury was appointed Director, Resources Management Division, in February 1990. In that capacity, Mr. Thornsbury is responsible for the agency's budget and fiscal activities, procurement functions, and administrative management support operations.

Mr. Thornsbury began his career in OIG in February 1979 as the agency's Budget Officer. In January 1981, he was promoted to Director of the Management and Budget Staff responsible for array of agencywide administrative management support functions as well as budget and fiscal activities.

Prior to his employment with OIG, from 1973 to 1979, Mr. Thornsbury was Executive Assistant to the Administrator of USDA's former Farmer Cooperative Service. Earlier, he held several progressively higher level administrative positions in USDA since beginning his career with the Department in July 1963.

Mr. Thornsbury is from Jolo, West Virginia. He is married with one daughter and presently lives in Stafford, Virginia.

URBAN RESOURCES PARTNERSHIP PROGRAM

Mr. SKEEN. Thank you, and I want to begin by focusing on an evaluation report that your office has conducted on the Urban Resources Partnership Program. The report states that 131 awards, in four cities, valued at $3.4 million did not meet the purposes of the statutes, from which the award was funded. More striking is the fact that prescribed process for implementing over $20 million in Federal financial assistance was not followed for the Urban Resources Partnership Program. Again, the program from your perspective, how does a program like this continue for 6 years without regulations being promulgated in the Federal registry?

Mr. VIADERO. We came up with the same question, Mr. Chairman.

Mr. SKEEN. No answer?

Mr. VIADERO. Not definitive at this time. We found the response that we received somewhat lacking, and we are still working with the mission area to get a more responsive answer.

Mr. SKEEN. Your report states that the Department did not select cities to participate in the Urban Resource Partnership Program on a consensus basis. From an Inspector General's viewpoint, is this the best way to run a program of this type?

Mr. VIADERO. No, sir. I think across the country, competition is the fairest and safest way to present these public funds.

Mr. SKEEN. You state in your report that Urban Resources Partnership Projects, components of projects were funded that did not fall within the authorities of the Forest Service or NRCS. Could you discuss in some detail what these projects or components of projects were.

Mr. VIADERO. Yes, sir. First of all, during our audit, we looked at approximately $18,700,000, which was given to the Urban Resource Planning Group, or URP, if you will, from '94 to '97. We went in and sampled $4.4 million and questioned $3.4 million or 75 percent of that. Now, the URP money had to be spent on erosion-related projects. What we found, were projects that did not meet this criteria. For instance, in one city we found a wall mural had been painted, with absolutely no message attached to it about erosion or conservation. In another city, we found monies being given to a local law office to raze or demolish derelict properties, again, with no impact on erosion. And we have several other examples.

Mr. SKEEN. Your report indicates that the Forest Service—according to your letter that was dated November 22, 1999, to the Under Secretary, you stated that you needed additional information as set forth in the recommendation section of the evaluation report by December 31, 1999. Have you received that information and are you satisfied that management decisions will address the problems in this program?

Mr. VIADERO. Yes. We got a response on February 3 from the Under Secretary. We reviewed it and we are still working with the Under Secretary on that because we cannot reconcile a management decision on his response.

Mr. SKEEN. Ms. Kaptur.

MONETARY RESULTS

Ms. KAPTUR. Thank you, Mr. Chairman. I want to thank Mr. Viadero for his excellent testimony. I am very interested in the budget issues that you raise, and the diminishing level of staff that have characterized your particular division for several years now. I am interested in knowing, if you could walk us through, or if you could submit for the record how many dollars you actually recovered through the various investigations that your staff and you have done over the last 3 or 4 years. Could you give us an idea whether those recoverables have been increasing, flat, decreasing, and then could you tell me whether there is any other department in the government of the United States where the IG's recoverables have been returned to that department? Or are you essentially in the same position as every other cabinet level department in the United States in not being able to use the assets that you recover?

Mr. VIADERO. In response to the last portion of your question, we are prohibited from using the amount that we recover. We are like everybody else there. It all goes back to the General Fund in the Treasury Department. All parts of recovery get recovered by the court system, and they go back through the court system and into the General Fund. Relating to any monies that we gather through assets forfeiture, which you folks were more than kind to us and allowed us to recover, right now we participate with the Department of Justice fund. Of the monies that we collect, we get approximately 3 percent, or 3 cents on a dollar back on that.

Ms. KAPTUR. I read in one of your notes here you got back $940,000 last year?

Mr. VIADERO. That is right. We seized more than $27 million in assets.

FINES AND RECOVERIES

Ms. KAPTUR. This is really troubling to me. This has been nagging at us for several years now. I have been wondering whether we could do one of two things. In the supplemental that is coming up, or in other legislation, could we permit the department or any department to recover back some of the assets and the dollars that you actually recover through fines and so forth, perhaps setting a baseline at some level. Some of it would go back to DOJ and some of it would filter back to you. I wonder how you would think through that issue.

As you know, if you take money from DOJ, it goes into the General Fund or wherever it seems like it would get spent, so you would spend the money as well, but you recover more dollar for dollar. I want to know what the arguments are we could use in either case, if we were to try to present this legislatively this year as part of the supplemental or the regular appropriation.

Mr. VIADERO. That is an interesting point you brought up, Ms. Kaptur, so far as supplementals. One thing that would be very helpful to us and very beneficial is that, on any supplemental appropriation that this committee comes out with for the Department, we be given, let's say a half a percent of that appropriation earmarked specifically for oversight of the monies appropriated. That would be a big, big benefit to us. One point of clarification on the

forfeiture money, please understand that we don't get to use much of the forfeiture money for routine funding needs. What we do with some of the forfeiture money is when we have joint operations with other state and local organizations, we can reimburse them for their overtime and special equipment that they need. So we don't receive all of that forfeiture money for ourselves.

Ms. KAPTUR. It would seem to me that is a disincentive to the IG to do a good job, because you are stuck in a regular budget process, whether you recover $27 million or $2 million. So explain to me what is the rationale for not permitting your department to be reimbursed for monies that you actually recover?

Mr. VIADERO. I believe, ma'am, it goes back many years ago, and nobody wants to be accused of going out and, pardon the expression, "head hunting" for fines and recoveries, and that is what has been raised. If an agency goes out and just does fines and recoveries, it is only for what? It is only so they can bolster their own budget. We don't get any benefit out of it. That is the easier response. The vast majority of the money that we bring in goes back to the Treasury. But, Ms. Kaptur, we do concur with you that we see a need and perhaps we can work with you and the staff and see if we can present or develop a plan that would be amenable to all parties.

Ms. KAPTUR. What I was thinking about is that you state in your prepared testimony that thousands of prosecutable cases are in the file.

Mr. VIADERO. Yes, ma'am.

Ms. KAPTUR. But due to diminishing resources, you can't move them forward. If you were given an increase in funding over your request, or if you were permitted to retain more of what you actually recover, I am wondering if you would be inclined to use these funds on expanding efforts which then might recover more funds. So maybe we could figure out a way to put some language in a bill that wouldn't take away all the Department of Justice funds, but would give you some share of the increased cases that you would be able to prosecute.

Mr. VIADERO. Ms. Kaptur, you just echoed my sentiments. You are my hero for today.

Ms. KAPTUR. I need that today.

Mr. VIADERO. Given more, we can do more. That is simple. I think we have increased our productivity so far as the cases that we are targeting and the audits that we do. We are doing larger audits, more intensive audits on some very significant areas. We are doing larger proactive investigations in areas where they are needed. But we have literally thousands of cases that remain unaddressed because we just can't get to them. It is sort of a pick-and-choose operation. You try and maximize your resources to have the maximum effect. Before I forget, one of your questions was, do any other inspector generals have a reimbursement agreement such as you are mentioning, and it was brought to my attention that the HHS IG has that type of reimbursement. But again, we would be happy to work with you and the staff, all the staff, to see if we can develop a plan and maybe take some remedial action with this.

Ms. KAPTUR. I think we should really probe this. I know I am over time here, and I will have some followup questions. This makes eminent sense for us to get into as a committee. It is good for the public. It is good for your operations. From a budgeting standpoint, it doesn't make any difference in terms of the combined accounts of the government of the United States. So in ending, could you—you said—you recovered $27 million this past year?

Mr. VIADERO. That was just in estimated forfeiture assets seized. That is just forfeiture. In fines and recoveries——

Ms. KAPTUR. Could you give us the recoveries for the last 3 years?

Mr. VIADERO. I will supply a list for the record for you for the last 3 years.

Ms. KAPTUR. All right. And if you could break it down.

Mr. VIADERO. We will break it down by category.

Ms. KAPTUR. Thank you so much.

Mr. VIADERO. Thank you, ma'am.

[The information follows:]

OFFICE OF INSPECTOR GENERAL
MONETARY RESULTS
(IN MILLIONS)

INVESTIGATIONS*

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Claims established	$4.6	$3.3	$4.4	$1.2	$2.8	$5.1
Recoveries and collections	14.7	11.9	21.4	38.8	11.7	10.8
Cost Avoidance (payments not made based on investigation)	5.3	1.0	1.6	2.4	6.6	8.8
Fines	5.5	7.5	6.6	18.5	15.9	5.9
Administrative penalties	0.8	1.2	1.1	0.7	0.5	0.2
Restitutions	8.9	16.3	36.4	21.1	43.6	37.4
Total *	$39.8	$41.2	$71.5	$82.7	$81.1	$68.2

AUDIT

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Recommended for recovery	$42.5	$22.6	$11.4	$19.2	$39.5	$55.1
Not recommended for recovery	69.3	49.6	1,555.5	899.7	73.0	207.4
Questioned and unsupported costs	$111.8	$72.2	$1,566.9	$918.9	$112.5	$262.5
Funds to be put to better use	101.3	414.5	264.7	267.4	5,427.9	114.1
Total	$213.1	$486.7	$1,831.6	$1,186.3	$5,540.4	$376.6

COMPARISON OF TOTAL APPROPRIATION vs MONETARY RESULTS

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
APPROPRIATION	$65.5	$63.2	$63.6	$63.0	$63.1	$65.1
MONETARY RESULTS						
INVESTIGATION'S TOTAL*	$39.8	$41.2	$71.5	$82.7	$81.1	$68.2
AUDIT'S TOTAL	42.5	22.6	11.4	19.2	39.5	55.1
TOTAL	$82.3	$63.8	$82.9	$101.9	$120.6	$123.3
DIFFERENCE	$16.8	$0.6	$19.3	$38.9	$57.5	$58.2

***NOTE: All of these funds are the results of court actions or plea agreements and are deposited in the General Fund of the Treasury. OIG does not receive any of these funds.**

Mr. SKEEN. Mr. Boyd.

Mr. BOYD. Thank you very much, Mr. Chairman.

And Mr. Viadero, thank you for being here today.

Mr. VIADERO. Yes, sir.

Mr. BOYD. I have several questions. Mr. Chairman, I assume we will have a couple of rounds.

Mr. SKEEN. Your assumption is well taken. If you are quick.

HUNTS POINT MARKET INVESTIGATION

Mr. BOYD. Mr. Viadero, I know that you and your agency do a lot of very important work, and in the process, find a lot of folks that are doing illegal things. I guess one of the most troubling to all of us, and I am sure to you, is to find corruption within the Federal government. It certainly undermines the confidence that the public, in this case, our produce producers, have in the agency which we pay our tax dollars to protect us. You briefed many of the members of this committee individually on the situation at Hunts Point. I understand that last week there were some plea bargain agreements entered into with USDA employees on the Hunts Point inspection facility. Up until now, the USDA has been unable to discuss with producers any details of the situation and particularly what it intends to do to right the wrong that was done by Federal employees to these producers. Can you update us now on what the agency will be doing to proceed in that direction?

Mr. VIADERO. Yes, sir, but by way of background, in your folders which we supplied to all the members, on the left side we have a copy of a printout of our Web page, and this is relating to the bribery charges at the Hunts Point Market in the Bronx, and therein name the inspectors and the wholesalers which were indicted. All of the graders/inspectors have pled guilty to bribery charges. They did that last week. They were indicted on probably the single most serious charge of the Criminal Code in the United States short of treason and sabotage, they were indicted on racketeering. It was a racketeering-influenced, corrupt organization and enterprise that they had formed amongst themselves. And this enterprise had impact coast-to-coast, border-to-border, Canada to Mexico, California right out to Boston. It is just unbelievable. Every one here, every one, all the members, if you have agriculture in your districts, your producers, your growers, your packers, your shippers were impacted by this operation. This is strictly based on greed. These men sold themselves for $50 to $100 a truckload to what we call "knock the load"—downgrade the produce. My office wanted to say, what else is going on here, how far-reaching is this, how extensive is this. We put this out on the Web site. It is interactive. Folks here, you can scan it at your leisure.

What we are looking for is documentation from the growers, the packers, the shippers, to come forward and tell us. Well, they are.

I have been in contact with the Florida Fruit and Vegetable Growers Association. I am going down in a few weeks to make a presentation to them. We are going down to meet with the folks from Georgia. And I am addressing the National Fruit and Produce Association in Phoenix next weekend and, yes, we will share with them because they are part of it. They are the victims here. Actually, the victims are in the room. We are all the victims. This is

a tax that these people have basically said, "I need for myself." Corruption is a tax upon the public. What I have tried to do here at the Office of Inspector General is keep the process as transparent as possible so that you, our clients, our members here, understand what we are doing. We are trying to get the affected parties, the growers, the producers, the packers, the shippers involved, to let us know what has been going on here.

We have received several calls from AMS. We are working with AMS which is developing a program. They stated they were going to go out and show a videotape and require all of their graders to have ethics training. I think that is a first step. I don't know how far that has proceeded, how many markets it has gone out to but we continue to look.

Mr. BOYD. I know my time has expired, but I understand your answer to be that you are trying to gather the information necessary to determine how widely this has affected producers? You will then turn that information over to your superiors at the Department, and that decision will be left in their hands?

Mr. VIADERO. We are going to take a look at it, and where there is evidence of criminality, present it to the local United States attorney concerned to see if we are going to get a prosecutive opinion on that.

Mr. BOYD. I understand that, the prosecution side. But the other side is at some point in time, we have to deal with the producers who have been cheated.

Mr. VIADERO. Well, we have asked—as part of the agreement here, we have asked the producers to respond because there might be money. I am not qualified to state this, but there might be some funds under PACA, Perishable Agricultural Commodities Act. We also asked Justice to look at an antitrust restraint of trade in which the antitrust division of the Department of Justice is looking at it against the wholesalers, and maybe they will receive some remuneration that they can pass back to the victims here.

Mr. BOYD. Thank you very much.

Ms. KAPTUR. Would the gentleman yield on that. I just wanted to ask what type of information are you looking for from the local producers, packers, and distributors in local—let's say the Midwest. What would you be looking for?

Mr. VIADERO. We would be looking for the date they shipped produce, where they shipped it to, what the grade was when it left, what it was regraded at—if it was regraded, and what it was regraded at at the market. All the shipping detail, Ms. Kaptur, is right on this form that we provided. It is on the Web site. If I can, I got a call last week from a producer down south. This individual had a truckload of 1,500 cartons of green peppers. And the value of those green peppers, they tell me, was $10 a carton. So $15,000 for the truck. He went to a market, which unfortunately, I cannot tell you which market he went to. The peppers left as grade A fancy. They came out as grade C. Basically the truck driver, a contractor shipper, called them and said, listen, it is only costing you $3,200 to ship this product because it is a worthless load. The grader had said there were so many red peppers. Now it was worthless.

So this man was exposed to a loss. And this is a small producer. This is a farmer. He was exposed to a loss of about $20,000. He

was going to get nothing. So I said, "what did you do?" He said well, I called another wholesaler that I have been dealing with in the area. It took him five cartons to make up the 1,500 cartons. Five cartons. Now, we are looking at this one because I think it will probably get presented to the United States attorney. But this is one example. Here's a loss to the farmer of about $20,000. So you give the grader $50 or $100. The question is, where does the bulk of the $20,000 go? It goes to the wholesaler. I can't see $20,000 worth of savings being passed on to the consumer on that load.

Basically this is the first time that the Inspector General of the Department of Agriculture, who historically has been harangued for being a nemesis of the farmer, to come out and say we want to help you, and I think we are helping them. Based upon the responses we are getting, again, coast-to-coast, border-to-border, I just don't think we can do much more with what we have, and I think we are doing pretty good.

Mr. SKEEN. Mrs. Emerson.

OPERATION TALON

Mrs. EMERSON. Thank you, Mr. Viadero. I commend you for all that you are doing and hopefully will continue to do if we provide you the necessary funds to do it.

Can we talk a little bit about Operation Talon? I am impressed with the work that you all have done and the success rate that you have had in getting these fugitive felons off the streets, if you will, and bringing some semblance of responsibility back to the Department by eliminating waste, fraud, and abuse of food stamps, et cetera.

Can you elaborate a little bit about Operation Talon and tell us about some of your recent accomplishments in this area?

Mr. VIADERO. Yes, ma'am. Thank you. Ladies and gentlemen, also in the folder we have included this picture of a wonderful eagle, our national symbol, which is also our symbol for a project called Operation Talon. We began this operation as a result of the first welfare reform hearings which were conducted in the Longworth House Office Building on February 5 of 1995. And I recall it vividly, because it was my first hearing, and it went 5½ hours without a break. From that we got legislation which allows us to look at outstanding fugitive warrants. So we looked at fugitive felons. We are looking at the worst of the fugitives. We take those warrants and compare them against, for lack of a better term, because they are called different things in different states, the social services records on food stamps, because what we have found is that the bad guys do not give the police, the arresting agency, or the courts their proper address. But they give their right address to the people that are giving the money out and food stamps are cash equivalents. It is a secondary currency, if you will. We are rapidly approaching 6,000 fugitive felons arrested under Operation Talon, and I think that is just one heck of a great number. More than just the number are the type of people we are apprehending. Murderers, rapists, and, the plague upon society of all-time, child molesters. For instance, in New Jersey alone, we have arrested three child molesters, and we have two convicted under the State's

Megan law, and one we just arrested last week. So he is still pending.

Also in that state we have arrested three murderers, including one contract murderer who was wanted for 10 years and was still operating. To maximize the resources that we have here, I put together this idea that we are going to run it nationally and we do. We could run this in every town and village and hamlet in the country and come up with statistics. Unfortunately, our travel money is slim. That all goes into our personnel costs. I have limited Operation Talon to where we have regional offices or large suboffices to reduce the costs. But what we end up with here are, in essence, Federal agents, my agents from the Office of Inspector General dealing with the State agencies, the State police, the sheriffs' offices at the county level and the individual police departments, towns and villages, boroughs and hamlets across the country.

And by the way, this has taken everybody and is putting them shoulder to shoulder on the same side of the street. That is when you have an impact. There are no jurisdictional problems. There are no turf issues here. The goal is to lock the bad guy up and put the crooks in jail. And after 32 years in this business, I tell you that is still a satisfying thought, when you lock the bad guy up, put the crook in jail. Last week alone, we had a press conference in Beltsville, Maryland, right up the street here and we successfully arrested 726 fugitive felons from Prince George's and Montgomery Counties, and Washington, DC.

Also last week, Mr. Seybold attended a press conference for me out in Portland, Oregon, and we arrested 205 felons there. And those were only the most serious ones. Again, I don't have enough money to go out and get them all, nor do the locals. We are looking at the personal crime—person-to-person crimes, the really violent ones. That is what we are targeting. If we had more money, we would arrest more criminals for more types of crimes.

We would divest ourselves of the real bad ones and go after everyone else. The point is, and this gets back to your point, Ms. Kaptur, to what we do with the asset forfeiture money. This money that we receive we enter into agreements with the states and the locals. We can refund the amount that these local agencies spend on overtime, and if they need specialized equipment such as if we run a sting and we need a magnetometer to ensure the safety of all the parties, we can get that for them.

So this is an immediate return to these communities. Number one, instantaneous, is the safety of the citizenry. We get the bad guy off the street. That is terrific. That is very rewarding. Number two, we get to help out the State and locals who, in essence, help us, but it is not free. They also have budget constraints—so we can help them through reimbursing their overtime. It is just a great operation.

Mrs. EMERSON. It seems to be—and I appreciate your taking the time. I have another question, Mr. Chairman, but since I am out of time, I guess I will——

Mr. SKEEN. We will let you have one more question.

Mrs. EMERSON. I appreciate that. Thank you very much.

Mr. SKEEN. We are generous.

NATIONAL APPEALS DIVISION

Mrs. EMERSON. Thank you, and perhaps I can catch my plane before I get snowed in.

Mr. Viadero, yesterday, and I don't know if you were here during the time period in which I asked the Secretary some questions, but there was one specifically having to do with the National Appeals Division, and I put into the record this article about farmers court, if you will. We are concerned about the fact that 86 percent of the producers, after receiving a favorable appeal on the regional level, are overruled in Washington and I was curious about the kind of authority your office might have in this kind of situation, if it does have any authority, and if so, would it be within the purview of your office to do an investigation in this particular situation?

Mr. VIADERO. Mrs. Emerson, I am going to ask Mr. Ebbitt to join me in response to you. We presented an evaluation report back in 1997. That was the last review of NAD that we did. I am going to ask Mr. Ebbitt to give you a response.

Mr. EBBITT. Thank you very much. We shared some of your concerns, Mrs. Emerson, and also although I cannot—I just read this yesterday—I can't vouch for the figures that are in here, we raised a number of concerns about how the National Appeals Division was operating back in March of '97 when we issued our report. However, one of the issues that we raised in our audit report, which I will be happy to send up for all the members, concerned the decisions made by the field hearing officers. In other words, we saw some evidence that the hearing officers at the field level were making decisions outside the rules and regulations of the Farm Service Agency. In other words, they were making them based on gut feelings, on personal decisions, as opposed to following the rules of FSA. We saw some of both. Don't get me wrong, we saw some on both sides, but we did raise that as an issue back in 1997.

I did talk to FSA very quickly yesterday afternoon. They handle, in FSA, about 200,000 appeals on an annual basis. Now, the majority of those are handled at the county committee and State committee level. That is where the decisions are made. Only about 1 percent of that 200,000 actually goes to the National Appeals Division. So roughly, they are dealing with some 2,000 on an annual basis. I don't know how many of those 2,000 break out in favor of farmers, if you will, versus sustaining the decision of the government. I don't have that number.

Mrs. EMERSON. In this article, it says that of the 189 cases that USDA lost to the farmer, the NAD reversed 86.7 percent. Even though perhaps you have got 2,000 cases that finally make it, the impact isn't necessarily just on those 2,000 people, but rather on many other producers who may be in similar circumstances who are waiting to have their appeal determined one way or the other, based on the original one that was perhaps overturned. And so there is obviously concern that it seems tremendously biased. I mean, a 50/50 ratio, that would be a little more understandable.

Mr. EBBITT. One of the things we did recommend, we recommended more training because what is clear here is the deciding official has got to follow the rules set down by the agency. They

don't have the authority to make a decision outside those rules. So whichever way it goes, it has to be within that rule.

Mrs. EMERSON. I would think, though, that if the agents are making determinations outside the rules of the agency, then it should not be the fault of the producer, or the producer should not have to bear the expense or be responsible if, in fact, they have been told by a "government official," that these are the rules, and then all of a sudden those rules are different. Should the producer be penalized in that case?

Mr. EBBITT. Absolutely not. What I am referring to is when the hearing officer has all that information before the hearing officer, and if, the producer has been given a direction which, through no fault of the producer, results in his not following the rules, then obviously that has to be taken into consideration by the appeals officer. I am talking in terms of where the producer has, in fact, been given all the correct information, and then the decision of the appeals officer still is outside the bounds of the rules. That is what I am referring to. You have to bring that back in.

Mrs. EMERSON. I would appreciate seeing that report from 1997. Thanks very much.

Thank you, Mr. Chairman, for letting me go overtime.

Mr. SKEEN. Mr. Farr.

OIG EMPLOYEES

Mr. FARR. Thank you very much, Mr. Chairman. Inspector General, I am reading your report here. How many employees do you now have on board?

Mr. VIADERO. 665.

Mr. FARR. And how many of those employees are peace officers?

Mr. VIADERO. 215, sir.

Mr. FARR. And how many are women?

Mr. VIADERO. On the agent side?

Mr. FARR. Yes.

Mr. VIADERO. We are going to have the answer for you. On a percentage basis, sir, we lead all other Federal agencies for women.

Mr. FARR. Do you know how many are bilingual?

Mr. VIADERO. At last count, sir, I had 31 Spanish speaking agents.

Mr. FARR. Spanish is the only language?

Mr. VIADERO. We have a native Ukranian speaker, and we have Chinese, both dialects of Chinese.

Mr. FARR. As I read the report—Catonese and Mandarin. With 215 officers, you can't do all of these seizures alone. You are indicating that you are having investigations going all along the Canadian border, U.S./Canadian, Mexican/U.S. Border and points of entry. You have to work collaboratively with all the other agencies.

Mr. VIADERO. Yes, sir.

Mr. FARR. When somebody comes across the border as I have done several times, there are people in uniform, customs as we usually call them, but you have Immigration and Customs folks. They are the office of first instance, and then they would discover something like the cases here where you indicated there were illegal fruits being smuggled and they call you in? How does that work?

Mr. VIADERO. As a general rule, sir, I will take a place that we are probably all familiar with, Dulles Airport. If you fly into Dulles Airport, generally the first person that greets you is Immigration, and they just want to check citizenship. For us it is easy, U.S. passport, you go right back. The next one will be a Customs declaration form, and also in line with that is the APHIS form, Animal and Plant Health Inspection Service, and we cannot say from my organization too many good things about the men and women of APHIS.

Mr. FARR. Do you have an officer there also?

Mr. VIADERO. No, sir.

Mr. FARR. You are called in when they discover something out of whack?

Mr. VIADERO. Of a criminal nature, yes, sir.

Mr. FARR. Is it prosecuted in the Federal court or state court?

Mr. VIADERO. Generally in a Federal court.

Mr. FARR. Generally in a Federal court?

Mr. VIADERO. Yes, sir.

FOOD STAMP INVESTIGATIONS

Mr. FARR. Even if it means these other—where you have this bust in Ohio. This was the food stamp program that was investigated by the Cleveland Food Stamp Task Force which had OIG, Secret Service, FBI, I.R.S., U.S. Customs, Cleveland Police Department and the Ohio Department of Public Safety. Would that be a case that would be tried in Federal court?

Mr. VIADERO. That would be a case—I will ask Mr. Seybold. He is in charge of investigation.

Mr. FARR. Food stamp violation which is a federal program.

Mr. SEYBOLD. Normally these task force investigations also include a various assortment of other criminal violations in addition to the food stamp trafficking, so this is the cause and effect of those agencies that are predominantly involved with the enforcement of, say, drug laws, because food stamps can be associated with the purchase of drugs and paraphernalia.

FOREST SERVICE

Mr. FARR. You looked into a number of Forest Service land exchanges. I am surprised the Forest Service doesn't do that itself, would that be a peace officer that would do that or just somebody—one of the other employees?

Mr. VIADERO. I try to maximize my resources the best I can. We will generally start by having the audit side of the house, Mr. Ebbitt's people, go in and do a review of the records and bring it up to a point and then the regional Inspector General for Audit will meet with his counterpart, the Special Agent-in-Charge for that region. They will discuss it and see if it rises to a criminal level and if it does, they will present it to the United States attorney. But I don't have the resources to just let an agent go out on each one.

SMUGGLING

Mr. FARR. Exactly. That is what I was trying to get at, that some of these are paper reviews that probably don't need a peace officer to do the paper review.

I am curious. As we chatted yesterday, I was down in Mexico last month with Congressman Cass Ballenger. We met with President Zedillo of Mexico. The border between the United States and Mexico is the biggest commercial border in the world because you have essentially the number one ranking country in the world, the United States, next to the number 12 ranking country in GNP, Mexico. You have a million and a half people across the border each way every day. You have the biggest commercial truckload traffic. It is humongous. It is also the border where most of the illicit smuggling into the United States, particularly drugs, and I would imagine you might argue there is some food substance. We have developed a technology which enables us to determine the molecular component in vehicles essentially.

We could be running them through a radar screen and a truck going 40 miles per hour and put out a list just like you would get at the Safeway store when you get a list of what you bought. That equipment is expensive, but it seems to me, and the question I have is this: The direction we ought to be going, and really replacing expensive people with expensive equipment to be able to do a better job?

Mr. VIADERO. Well, sir, APHIS will be handling that type of equipment for us, APHIS and Customs. Can we replace the people? No. Can't replace all the people.

Mr. FARR. I didn't ask that.

Mr. VIADERO. Again, it is sort of a labor-intensive activity, but do I concur with that? Absolutely.

Mr. FARR. The question that I think our committee, the Congress has posed as we move into the era of technology and the demand—we have to make tough choices like we have to do in the military. You put the money into procurement, or you put it into hiring more people, employing more people. We try to do both and balance. But here is an area it seems to me in law enforcement that we ought to be putting some money into technology as well as into trying to more professionalize the forces.

Thank you, Mr. Chairman.

Mr. SKEEN. Mr. Hinchey.

HUNTS POINT INVESTIGATION

Mr. HINCHEY. Thank you very much, Mr. Chairman. Inspector General, good to see you. I was interested in your discussion about Hunts Point and the work that you did there. For years that operation was controlled by organized crime in the City of New York. Did your investigation and prosecution involve any major organized crime figures?

Mr. VIADERO. Not that we have been made aware of at this time, sir.

Mr. HINCHEY. Essentially what was it then?

Mr. VIADERO. It was organized in the sense it was a continuing enterprise. That was the organization. Now, to say whether it was

one of the five- or seven traditional organized crime families in the greater five boroughs of New York, I am not qualified to say at this time. There have been no links back. However, please know we have also done that investigation jointly with the FBI.

Mr. HINCHEY. Is there an investigation that is ongoing with regard to those markets or has it been completed?

Mr. VIADERO. I think it is safe to say it is ongoing.

Mr. HINCHEY. It is?

Mr. VIADERO. Yes, sir.

FOOD STAMP FRAUD—EBT

Mr. HINCHEY. The food stamp activity in the State of New York, in your report, indicates there was something like $63 million of fraudulent activity involving operators within New York City, including bank personnel.

Mr. VIADERO. That was just one case, one case. We had two $15 million cases down in Philadelphia. But if I can answer your question and relate it back to Congressman Farr's request on technology, EBT, electronic benefits transfer, the cards, came out. It is this office, it is these people at this table who wrote the controls on the EBT program because everybody was going to just send the program out nationally with no controls on it. EBT has allowed us to work a lot smarter because we are using the machines. The machines don't get sick leave. They don't get annual leave. They work when it snows and the machines just keep regurgitating figures for us on high redeemers. Because of limited resources, we are still only looking at people that are redeeming food stamp benefits which are 300 to 500 percent of their food sales. This particular case that you bring up, Mr. Hinchey, involved two or three officials of a major bank in New York City as well as two ethnic groups. We actually found a crossover from one group who received the stamps and washed them, laundered them through another ethnic group in another borough. I mean, usually, if you cross the street in New York City, you could be continents away. This activity not only crossed the street, this crossed the borough, so in essence, it was continents away, and what we found there was a willful, systemic problem within the food stamp business for laundering these benefits. The average was, at that point, 70 cents on the dollar.

So the bad guy got 70 cents for every dollar they put in. We are working closely with the state police up there, Jimmy McMahon, superintendent. We work with NYPD, and the people at Human Resource Development who handle the stamps. We are working out protocols because the city just recently came on EBT. It is going statewide at the end of this year so now we will be better able to focus and target various locations.

Mr. HINCHEY. You said it is going statewide. For New York State alone statewide?

Mr. VIADERO. Yes, sir.

Mr. HINCHEY. It is in a number of other states already.

Mr. VIADERO. Approximately 33.

Mr. HINCHEY. And the State of New York will be up and running completely sometime later this year?

Mr. VIADERO. Yes, sir, that is my understanding.

Mr. HINCHEY. The EBT program has allowed you to monitor this activity on an ongoing basis much more efficiently.

Mr. VIADERO. Absolutely.

Mr. HINCHEY. You have gotten to the point now where you are aware of substantial fraud in the industry, or at least you have evidence to indicate there may be substantial fraud in the industry. However, you are able only to investigate in a comprehensive way those cases which indicate a fivefold increase between the stamps redeemed and the actual food sales of the commercial establishment.

Mr. VIADERO. Yes, sir. If I had more agents and more auditors, we could get more cases done. The prosecutors like these cases because of the paper trail, the audit trail, if you will, of the electronic benefits transfer.

Mr. HINCHEY. And they like it because it is easy to make the case because you can present the evidence that is indicated in the transfer.

Mr. VIADERO. I dare say we have very few people right now that go to trial anymore. When the defendant and their counsel are presented with this evidence, which is overwhelming, they take a plea.

Mr. HINCHEY. Do you have any estimates as to the level of fraud in the food stamp program and whether that fraud is, in any way, an organized activity that for example would be an organized crime conspiracy of some kind?

Mr. VIADERO. Yes, but again, not the traditional organized crime. There is so much money that is out there in food stamps and food stamp benefits. Each group will have their own. It just goes from neighborhood to neighborhood, if you will, town to town. For instance, we did one back in 1995 in Albany.

Mr. HINCHEY. I am trying to get an idea the level of extent of this activity across the country and in New York.

Mr. VIADERO. If we took an average in white collar crime, which the FBI publishes—and that is what this is—of about a 10 to 15 percent loss, and if we take food stamp benefits for $22 billion a year, we are looking at between $2 and $3 billion in losses. I think that is conservative.

Mr. HINCHEY. $2 and $3 billion a year?

Mr. VIADERO. Yes, sir.

Mr. HINCHEY. Thank you very much.

Mr. VIADERO. Yes, sir.

Mr. SKEEN. Ms. DeLauro.

RESOURCE PRIORITIES

Ms. DELAURO. Thank you very much, Mr. Chairman. Good to see you, Mr. Viadero. Just to pursue or try to get some sense of a couple of questions about your resources and resources determining priorities. How do you determine the priorities of what you do? Dealing in a lot of areas, workplace violence, food safety, developers of rural housing who are ripping people off, and crop disaster loss, food stamps, what determines the priorities of the agency?

Mr. VIADERO. My management staff and I meet twice a week. Our priority list, as I am sure everybody's here is also, is in flux all the time. Where are we going to maximize our efforts? For instance, if you took the northeast, sort of isolated, we have ten

states covered by that region, and I have got 17 special agents to cover 10 states and the bulk of our operation is within New York City involving the public corruption at the market because the market is there and the food stamps, because that is the bulk of the food stamp activity. I have got two agents that are up in Syracuse and two agents just outside of Boston. Really not a heck of a lot of resources to cover that area, as you mentioned, as well as the other work we do such as workplace violence. We had a threat against the Secretary. We had some person who is incarcerated now in a mental institution, because he made death threats against the Secretary. And when we entered the premise, the individual had a whole sackful of ammunition.

Ms. DELAURO. What I am trying to get at, and let me just probe a little further, again, is it the market, is it food stamps, is it crop loss, is it corruption? Are you dealing with the market because that is where the greatest opportunity is for fraud in your view? Is food stamps the greatest opportunity for fraud?

If you could, and I notice that the Forest Service not under your jurisdiction, but you are responsible for investigating the Forest Service. One of my questions is how much time, effort, percentage of what you do, is dealing with the Forest Service versus some of these other areas?

I am trying to just figure out where the balances are, what we are not finding out in some of these areas in terms of losses. I am not making myself terribly clear here, I think.

I am trying to figure out if you overemphasize one piece to the detriment of the government, if you will, of other pieces? I don't know how those priorities get fixed. Do we give you any advice as to where to go to look at things? Does the Secretary give you advice about where to look for these pieces in terms of where you deal with your limited resources? Again, I would like an answer to the Forest Service piece, because I think that this bears on what your capability is in terms of the other parts of the portfolio you are charged with.

Mr. VIADERO. We do on average about 7 percent of our time in the Forest Service, dealing in Forest Service issues. Again, we have gone over and asked people in the Interior subcommittee, since you are funding the Forest Service, would you give us a hand and give us some money. They say you are funded, Mr. Inspector General, from the Department of Agriculture, and the Forest Service is in the Department of Agriculture, so go back to your Appropriations Committee and have them fund for all of Agriculture.

So there is a large deficit. By the way, the Forest Service has about 40,000 employees that we cover.

In answer to how we set the priorities, the priorities basically stand on a regional basis, because each region has their own specialty, if you will. We are not going to find food stamp fraud cases as large and as prevalent in Iowa and Nebraska as we do in major cities because of population density.

Again, our number one priority issue, above all else, and I don't care where we are, we drop it and go to it, is health and safety. If we have a meat case—and we are coming up with more and more meat cases—health and safety issues are handled immediately.

Ms. DELAURO. My time is up. Are you not spending the kind of time that you need to at food safety because you are spending more time at food stamps or more time at crop loss?

What is getting short shrift? It seems like a lot of the effort is on the food stamps, the market and market issues. I am sorry, Mr. Chairman, I am going over time.

Mr. SKEEN. You are doing very, very well. I have been reading your hands.

Mr. VIADERO. All areas, all of them are being shortchanged, but understand, when there is a health and safety issue, everything else goes by the wayside. So then what? Then we are neglectful of the other programs, for example, the crop insurance issues. We can't get in and look at those. We can't look at the smuggling issue because we are looking at health and safety. We have done a lot of health and safety cases.

This one we have a picture of in the testimony, we had some yahoo out there putting needles in packaged meat. That is either going to hurt somebody or kill them. But understand this, please, everyone here, understand, there is no higher priority for us than health and safety issues. We drop everything else we are doing and have a concerted effort to open health and safety issues.

We had that other case just down in Florida where they were adding sanitizer to the food. They took product manufactured in 1994 and sold it, distributed this product in 1997 and 1998. Some was rancid. Its average fat content of this product was 36 percent. It was so bad that even the Bureau of Prisons refused the product.

Ms. DELAURO. Even the Bureau of Prisons?

Mr. VIADERO. Yes. But yet this product went to some of our troops and it went to the National School Lunch Program, and it took us a while to get that product back, ma'am. Thank you.

Ms. DELAURO. Thank you very much.

Mr. SKEEN. Ms. Kaptur.

MONETARY RESULTS

Ms. KAPTUR. Yes, Mr. Chairman. Following on Ms. DeLauro's questions about the priorities, I want to get back to the money issues, the budget issue, and try to get a complete understanding here. The administration is requesting $70.2 million for this next fiscal year for your operations, Mr. Viadero. As I understand it, based on the testimony you have submitted, this past fiscal year you collected $68 million in fines, restitution and other resources and penalties. All those dollars went to the Department of Justice; is that correct?

Mr. VIADERO. This is just investigations, ma'am. That $68 million was recovered on the investigative side. We also had some funds that we recommended, total monetary assets resulting from audits, of some $376 million.

Ms. KAPTUR. Now, you have to help us a little bit too, because we need to get these numbers clear in our minds if we are going to try to help you. And we need to see over the last 3 years what those numbers have been.

It is very hard to piece together from the budget submission and from the testimony that has been given to us. So if we have to go in and do battle with some of the other subcommittees here, we need to understand. It isn't clear to me, quite frankly, on the $68 million how much of that actually was in monetary form that was transacted and actually became the property of the government of the United States.

Mr. VIADERO. All of this money, ma'am. It is all hard money.

Ms. KAPTUR. It was all hard money. What about on the investigations side?

Mr. VIADERO. This is the investigations side.

Ms. KAPTUR. What is the other side?

Mr. VIADERO. Audits.

Ms. KAPTUR. What was the number? $300-and-some-odd million?

Mr. VIADERO. Of the $376 million that we recommended to the department as part of the audits, we feel that they can recover $55 million.

Ms. KAPTUR. We need to have a clearer understanding of this, so we understand what was actually booked at the Department of Justice, and what dollars you have been recovering for the people of the United States, and then we have to have a relationship of that to your budget. That would help us a great deal in our efforts here. Do you understand our need for clarity here?

Mr. VIADERO. Yes, ma'am. Yes, ma'am. We will be happy to work with you. Again, we have had all of this in our semiannual reports, but I think it is better if we put it on one spreadsheet for you and then we can do an analysis, percentage year-to-year.

Ms. KAPTUR. We need to argue your cause, and we need this.

Mr. VIADERO. Let me just say that the fines and restitutions money goes to the Justice Department. The Justice Department serves as a conduit. Everybody's money ends up in the Treasury.

Ms. KAPTUR. In your testimony you refer to the $940,000 transfer. But then you stated this morning that isn't really to the Department of Agriculture. It goes to your local and state partners.

Mr. VIADERO. Yes, ma'am. Part of it does.

Ms. KAPTUR. That money doesn't really accrue to your budget. This sort of clarification from a budgetary standpoint is important to us.

Mr. VIADERO. Absolutely, ma'am. In terms of the Department of Health and Human Services, Mr. Seybold was saying they have some different relationship on this.

Any information you could provide us on how that works——

Mr. SEYBOLD. We can do that.

RUSSIAN FOOD AID PROGRAM

Ms. KAPTUR. It would be helpful to us. All right. On pages 25 and 26 you discuss in your testimony the Russian food aid program, which I will personally thank you for assisting us in attempting to get better accounting of those funds. I will continue to disagree with the administration and its emphasis on putting those funds into the Russian pension fund, simply because we do not have the ability to audit the Russian pension fund and what they do with those dollars.

It has been reported that the administration is seeking funds to adequately monitor trade agreements as opposed to commodity shipments. Some of those funds for monitoring trade agreements are destined for the Foreign Agriculture Service.

My question to you is, given that the Secretary is requesting funds to monitor trade agreements, wouldn't it be equally prudent to establish a fund to monitor the provision of food aid and seeing as how the Commodity Credit Corporation quadrupled sales last year, either through your office or through the Foreign Agricultural Service, could you conceive of some sort of initiative where one could monitor those sales?

Mr. VIADERO. Yes, ma'am, I think we will have to sit down with the people from foreign agriculture service and come to some form of an agreement as to oversight on that.

Ms. KAPTUR. It is a significant amount of money.

Mr. VIADERO. Yes, ma'am.

Ms. KAPTUR. And there are many sole source contracts that are involved in some of the provision of that assistance, and I can't tell you how many. I haven't spent my life over there. But the Commodity Credit Corporation has over $30 billion worth of authority, and very little oversight within the Congress of the United States.

Mr. VIADERO. Ms. Kaptur, this is an ideal opportunity to reinforce that half percent issue.

Ms. KAPTUR. Yes.

Mr. VIADERO. That would go a long way, because this oversight is costly.

Ms. KAPTUR. Would you give us legislative language on that?

Mr. VIADERO. I would be happy to.

Ms. KAPTUR. All right. Did I use my time up? All right.

Mr. SKEEN. Go ahead.

CHILD AND ADULT CARE FOOD PROGRAM

Ms. KAPTUR. I had one final question, Mr. Chairman, and that relates to the child and adult care food program, which we didn't talk a lot about this year. But you have identified a lot of problems in that program, and many of the people have gone to jail.

Do you know what the Food and Nutrition Services is doing to fix the program based on what you have learned?

Mr. VIADERO. Well, Ms. Kaptur, we continue the saga of working with FNS to develop more meaningful recommendations and controls on the program. Now, at our last meeting the former administrator was recommending that the amount of administrative costs that could be recovered by the sponsor should be raised from 30 to 40 percent. It has taken us quite a while just to get FNS, through the administrator of FNS, to understand that that would be a more reasonable figure. I think they are down to what, 10 percent now——

Mr. EBBITT. 15 percent.

Mr. VIADERO. 15 percent. We continue the dialogue of working with FNS to get a handle on the rascals that are in their programs out there.

Ms. KAPTUR. Do you sense we have just scratched the surface there?

Mr. VIADERO. Absolutely. We just had one conviction, if I can, which stemmed from an audit and led to the criminal side; we had one child adult care feeding program sponsor that was found guilty of some $27 million fraud in the program. It is highlighted in the testimony.

Ms. KAPTUR. That wasn't the case in Detroit, was it?

Mr. VIADERO. Yes, ma'am, it was the case in Detroit.

Ms. KAPTUR. I was going to ask you if you could give us more details surrounding that incident. That will be my final question.

Mr. VIADERO. Thank you. I will be happy to.

Ms. KAPTUR. Thank you, Mr. Chairman.

Mr. SKEEN. Thank you. Mr. Boyd.

RADIO TECHNOLOGY

Mr. BOYD. Thank you, Mr. Chairman. I have several issues I want to pursue. For the benefit of the committee and I know Mr. Farr brought up the issue of technology, one of the things that you all are dealing with is expanded technology in some the agencies that helps you do your job. I think you referred to the EBT food stamp program earlier. But I also noticed that in your justifications of increases and decreases for your own technology needs the only thing you addressed was radios. I understand your radios are still analog radios and you are trying to move to digital. I am sure all the bad guys have digital.

Mr. VIADERO. We have a Federal mandate from the Federal Communications Commission to move that way, and that has to be done by 2002. It is about a $3 million conversion cost for us.

Mr. BOYD. I assume that would greatly enhance your capacity to do your job?

Mr. VIADERO. Absolutely, sir.

INVESTIGATIVE PROCESS

Mr. BOYD. I spent a little time yesterday reading your justifications for the increases and decreases, and your investigation accomplishments. Operation Talon, food stamp program, child and adult care programs, WIC, FSA, Rural Housing, Food Safety Inspection Service, AFS, NRCS, employee integrity, and we go right on down the line. I am sure you probably could spend all of your usual resources in one of those agencies. I know the one I am most familiar with is probably FSA, and I know with all of the myriad of programs delivered through FSA, there exists a great opportunity for fraud and abuse. I know you have spent a lot of time on that.

Mr. Viadero, when you were here last year, we talked a little bit about an FSA investigation that was just completed at that time in Florida. I want to make sure I understand the process.

You do the investigation and then you turn all the information over to the U.S. Attorney's office and they make the decision about what happens from that point forward?

Mr. VIADERO. Yes, sir. They make a decision. It is their job to tell us whether they are going to prosecute or not prosecute it.

Mr. BOYD. I want to offer a compliment in this case to one of your counterparts sitting at the desk with you, Mr. Seybold. He has been very helpful to our office in helping us wade through an issue

in north Florida that was very emotionally charged. It is an issue where you presented your investigation to the U.S. Attorney's Office, and the U.S. Attorney's Office did not get a conviction. Obviously that caused a great deal of bad feelings among a lot of folks in the area that I represent towards your agency and the U.S. Attorney's Office.

But Mr. Seybold has been very helpful to us in helping us wade through some of those things. I wanted to pass that on to you.

Mr. VIADERO. Thanks for the feedback. I very much appreciate it.

INVASIVE PEST INVESTIGATIONS

Mr. BOYD. Another thing I wanted to say in relation to that, I know there is a lot to be done, and I am not sure all the blame goes to OIG. Maybe some of it goes to the U.S. Attorney's Office for going down a path that led us nowhere. But I am sure you are on top of those issues also.

We spent a good bit of time yesterday, Mr. Viadero, on the invasive pest issue when the Secretary was here. We consider that a very serious problem in States like Florida and California and others. We have an $8.5 billion citrus industry in Florida; and it is threatened because of Asiatic citrus canker.

I notice that you spent some time in your testimony on APHIS and the invasive pest issue. Can you outline again for the committee the different responsibilities of your organization and APHIS on this issue? I know some of the invasive pests are intentional, which reflect a criminal act, and others are sort of unknowingly brought in.

Mr. VIADERO. Yes, sir. APHIS, again, they are on the ground, they are in the field, and they are checking these things as they come in internationally. APHIS, however, does not check items that are going interstate. So for instance we have one case we are working on for fruit that, comes in sealed containers. It is transhipped into Canada. Canada has little concern about fruit flies. Any frost will kill fruit flies. I am sure here in the District and Virginia, few care about fruit flies. We had a frost.

However, your State and the border States, the southern States, are most impacted by this fruit fly and the citrus canker. We have begun a program, with your State Department of Agriculture, the enforcement people, and we have given them some of that forfeiture money. We have been able to develop software programs with them and supply some hardware needs, and we are profiling every truck that goes in there. So every truck that enters the state of Florida, that goes through the agricultural enforcement checkpoint, goes into the database. This is the incipient stage of intelligence gathering so we can target this.

Historically, we have never looked at this. It has never been that much of a problem. Again, technology lends itself that now it is a tool that is available to us. So we find these rascals taking it from Canada, shipping it down here and going into Florida, into Georgia, et cetera, et cetera, and it impacts on the local producer, and, in general, the community.

For instance, in your State, as I understand it, in the last 3 years, the State has spent approximately $165 million-plus in

eradication, treatment, whatever you want to call it, and that includes general spraying of malathion in large areas.

I would like to offer, if we get in and get some intelligence work, I am not going to be naive enough to make a statement before any committee that says we can stop produce smuggling. No. But I think we can put a good dent in it.

If we don't do anything, it is business as usual. What I am offering is this as one of the initiatives we would like to talk about, and this is some of the things if we get more money, we can do more things with.

We can help give a return, not only to the community, but to the farmer, the grower, and ultimately I am assuming, to the community. I would make that statement based on from not having to use all of the pesticides on everything.

Mr. BOYD. Thank you, Mr. Viadero.

Mr. Chairman, just if I might, just one brief second, I want to read something. This is part of the record, but I hope that all of the members of this committee and all the members of Congress understand what is in this OIG budget justification that they submitted to us. I read, "OIG is greatly concerned about the APHIS inspection and quarantine activities at U.S. ports of entry to prevent the introduction of exotic animal and plant diseases and pests. Our recent review at two Florida ports of entry found that inspection practices caused vulnerabilities and weaknesses which increased the risk of prohibited or infected products entering the U.S., including regulated garbage coming in on aircraft and ships."

So, Mr. Chairman, I will continue to talk about this issue as we go through our hearings.

Mr. SKEEN. Mr. Hinchey.

TRADE AGREEMENTS

Mr. HINCHEY. Thank you, Mr. Chairman. The issue that Mr. Boyd raises is one that is of increasing concern to all of us, even those who live above the frost belt, because I eat an orange or a grapefruit occasionally from Florida. So the infestation of pests is really a serious matter, and it seems to me that it is an increasingly serious matter in light of our trade agreements, the proliferation of international trade, and the fact that imported fruits and plants in great numbers are crossing international borders into our country.

To what extent have you seen an increase in pest infestations? Has the increase been dramatic since the implementation of these new trade agreements?

Mr. VIADERO. Well, we are operating 26 smuggling cases. Historically we have only a few a year. But in recent years we have been made aware of more attempts to bring products in.

For instance, we had one individual cross in from Canada, went to the State of Washington, and basically was caught four times with their car full of prohibited fruits that historically and notoriously are known to be infested with fruit flies. I don't know whether they are Mexican, Guatemalan, or Mediterranean, but they are fruit flies.

Mr. HINCHEY. You didn't check the passports?

Mr. VIADERO. I didn't know we had that many types. There are more than 50 types of fruit flies out there. After the fourth time, the judge sentenced the individual to 2 days. Wow. You get more if you don't pay your parking summonses, 5 parking summonses here in the District.

What we would like to do is work with the committee and go to the Judiciary Committee and propose that this offense, which is basically only a misdemeanor, be raised to the felony level. If we take the DEA's example of either quantity that the person would have, right, or weight that the person would have, we would like to come out with some methodology that it would be staggered going up or down. We don't want to arrest a grandmother for coming in from Canada with an orange.

SMUGGLING, FOOD STAMP FRAUD, AND CROP INSURANCE

Mr. HINCHEY. No, and of course we don't want you to do that. But we want the most egregious cases dealt with expeditiously and aggressively. There are a number of other exotic pests coming into the country that affect plants in the northeast, and the northern part of the country as well. The Asian Longhorn Beetle, for example, could have a serious impact on the availability of maple syrup, because this pest attacks maple trees. This puts in jeopardy the livelihood of farmers who produce the syrup in the northeast.

This a serious problem and I would like to cooperate with you, and I am sure the Chairman would. Perhaps we can find ways in which to be helpful more so than we have.

The other thing that I am fascinated with, is the $2 billion figure that you mentioned in response to the question with regard to food stamp fraud in the country, and the fact that you are able only to put a small dent in that.

This is, again, probably an area that I would suggest that we try to work with you to increase law enforcement, because I know that the level of food stamp fraud, both by organized crime and by start-up criminal companies, if you will, is really astonishing. The amount of taxpayer money we are losing is something we really ought to deal with.

My final question has to do with crop insurance and the fact that crop insurance is increasingly costly, costing us more than $2 billion a year. You note in your testimony and in your report as well that the number of limited resource farmers with catastrophic policies declined by about 78 percent from 1997 to 1998, during the time the insurance companies assumed sole delivery of the program.

I am wondering if this is something we ought to be concerned about. Superficially, it seems to be, in light of the fact we are spending so much money on the crop insurance program. With so much money going to the insurance companies, and so little of it going to farmers, I am troubled that as the price of the products goes up, the amount of participants is going down.

This is somewhat of an anomalistic situation that I would imagine needs to be addressed. If you could shed some light on that, I would appreciate it.

Mr. VIADERO. The quick answer to your question is yes, we think there needs to be fixes, changes, and yes, there are problems. To

that end, I would ask Mr. Ebbitt to give you a little more definition on it.

Mr. EBBITT. Mr. Hinchey, we issued a report the middle of last year that tried to put on the table some of these issues, you know, how much insurance companies are paid for delivering the product versus what farmers get as a result of the insurance.

The specific group we talked about in the testimony, those under the catastrophic insurance program, actually don't buy insurance. It is available to them for a catastrophic loss. However, they have to be signed into the program.

FSA staff used to sign these folks up. In, I forget the exact year, about 2 years ago, that duty was transferred to the reinsurance industry, the private sector folks. That is when you saw the big drop-off occur.

There is not a big benefit for the insurance company to go out and get these folks to sign into the program. They don't get a premium directly from the insured that they are bringing in. As a result, it is going down.

Now, you will hear RMA people come and tell you their reasons for this drop. They believe it is simply because the benefit isn't there to the farmer either. That the program is designed, the return to the farmer is so low that at that catastrophic loss level, they are just not interested in the program.

So we put these issues on the table, suggesting that the program really needs to be looked at, as far as benefits go, from all ends of the spectrum of the farm producer, versus how much they have to pay, versus how much insurance companies are paid for delivering the program.

It is a very complex issue, certainly deserving of some more discussion.

Mr. HINCHEY. Thank you very much. Thank you, Mr. Chairman.

Mr. SKEEN. Mr. Nethercutt.

SMUGGLING

Mr. NETHERCUTT. Thank you, Mr. Chairman.

Gentlemen, welcome. Nice to have you here. I am sorry I missed your testimony. I had another hearing across the Capitol on appropriations I could not miss.

I am wanting to follow up a little bit, Roger, on your comment about the fruit fly incident in Washington State, four incidents, apparently the same person. What was the purpose of that person bringing that fruit into the country? Was it for contamination purposes, was it just for personal use that happened to have infestation in it? Do you recall the circumstances?

Mr. VIADERO. It was in excess of 400 pounds, Mr. Nethercutt, so the assumption would be for distribution. I am not trying to say distribution for the purposes of destroying crops, but it happened to be one of those Asian fruits that the community, the Asian community, wanted from the old country, and they just transhipped them in through Canada.

BIOTERRORISM

Mr. NETHERCUTT. Which then brings me to the issue of bioterrorism, and what, if any, steps you might be taking, to what extent

are you involved in trying to find out what people are trying to destroy, crops that are grown, ARF facilities and otherwise in connection with your work?

Mr. VIADERO. We have an ongoing initiative within USDA and the requisite agencies, and I think it would probably be best served if we briefed you in private on that.

Mr. NETHERCUTT. That would be fine. It is receiving your attention?

Mr. VIADERO. Oh, yes, sir.

CIVIL RIGHTS SETTLEMENTS

Mr. NETHERCUTT. I am glad to hear. Another thing I mentioned to you privately earlier was the issue of the settlement process going on with respect to the black farmers who received discrimination over the years. My sense is that there may be some problems with the claims processing, that there are some people within the credit side of USDA who are concerned that others are being brought in that might be impacting somehow the legitimacy of the claims, acknowledging where there has been discrimination, this Congress, this committee, you, everybody wants to be sure that those legitimate claims are paid, but there seems to be a question that has been raised as to whether all claims are legitimate, and to what extent USDA is monitoring the legitimacy side in the process of analyzing those claims.

Would you care to comment?

Mr. VIADERO. Yes. Under the decision, which is the class, the Department of Justice is handling all aspects of that, both handling the settlement and the investigations. I couldn't see a bifurcated effort to remain as independent and not having the requisite resources to address the problem. We refer all of these allegations to the FBI.

I will give you an example of one. We had information of an individual that was going door-to-door to solicit people to sign up. We had another referral where we had an individual whose father was a farmer and had a number of siblings, and the sibling that remained on the farm was turned down for the money, but the sibling who was a postal carrier in a large city got the $50,000.

Our concern, I think everybody here shares the same concern, is what we are doing here by casting this aspersion upon everyone and holding up the payment to the people who have been harmed.

To that end we briefed the Secretary yesterday on Part 7 of our Civil Rights Report, on the program side. That will be released shortly, and every member in Congress, both Chambers of this great institution, will receive a copy, as usual.

Mr. NETHERCUTT. Are you satisfied that the Department of Agriculture is paying adequate attention to the issue of misprocessing, or improper processing or allegations of the same as it relates to this settlement effort that is being undertaken?

Mr. VIADERO. I am in fairly regular contact with Charlie Rawls, the General Counsel, and he and I have gone over and met with people at the FBI, because it is up to them now to investigate this. We take all the referrals and ship them over. It has actually become a fairly smooth process now for the Bureau to open up the cases on this.

Mr. NETHERCUTT. Nevertheless, it is your testimony that USDA is sensitive to the potential problems that exist, that are being referred and investigated by other Federal agencies?

Mr. VIADERO. Yes, sir. I speak for myself, and I think I can also speak for the Secretary and the General Counsel, all of us are concerned that the right thing is being done. To that end, that is why we refer cases, and any other allegations that arise in that, over to Justice.

Mr. NETHERCUTT. I understand. Thank you very much. Thank you, Mr. Chairman.

Mr. SKEEN. Miss. Kaptur.

SWISS GOVERNMENT REPORT

Ms. KAPTUR. Mr. Viadero, I wanted to ask you whether or not your division of USDA is involved in any way on an investigation of the Swiss government's report that it found DES hormone in two samples of beef that had been imported from the United States? That is a hormone that has been banned in this country for many, many years. Are you involved in that?

Mr. VIADERO. No, ma'am. I understand the Under Secretary in charge of food safety inspection, Dr. Wotecki, is handling that.

HUNTS POINT INVESTIGATION

Ms. KAPTUR. All right. My final question, on the Hunts Point market investigation, from what you know already, what would it take if organized crime, as other members have referenced, is heavily involved in that market? What kind of resources would it take to do a thorough investigation of the function of that market?

Mr. VIADERO. I have to be honest, Ms. Kaptur, that question is a bit mind boggling, so far as being able to immediately supply a finite answer. But we are working these aspects jointly with the FBI, which is charged with organized crime, ferreting out and prosecuting organized crime. So we are working closely with them.

At a minimum in that market, I would have to double my resources though. That is a conservative estimate.

Ms. KAPTUR. You say double your resources as the IG, or double your resources devoted to the investigation that has been ongoing in that market?

Mr. VIADERO. Double my investigative resources, and I have had approximately 20 agents working that case in the market. I would have to double that, just for that market.

Ms. KAPTUR. Thank you.

Mr. VIADERO. Only again because it is such an expansive market. If we look out the window here, we see these trains that pass by the window here. Two of those, 110-car freight trains, end up in the Hunts Point market every day. That is how much fruit juice just goes into that city.

Ms. KAPTUR. Thank you.

Mr. VIADERO. Thank you, ma'am.

Mr. SKEEN. Mr. Viadero, we go back many years, and I am always amazed at the enthusiasm that you carry forward. You have not aged one iota.

Mr. VIADERO. Neither have you, Mr. Chairman.

URBAN RESOURCES PARTNERSHIP PROGRAM

Mr. SKEEN. Thank you. It has been a very enlightening exchange today, and we appreciate what you folks do. We are also concerned about the Urban Resources Partnership Programs, because we constantly hear there is not enough money at the USDA to pay employees' salaries, yet something like this has been going on for 6 years. Whether the amount is $3.4 million or $20 million, we need to make sure this does not continue. We will continue to review this issue as we proceed and we will have a few more questions for the record. You have done a great job over a lot of years, and we really appreciate what you have done.

Mr. VIADERO. Likewise, for your support. Everybody that is here, we appreciate your support.

Mr. SKEEN. You have an expanded team. I remember you and one or two other folks started this thing.

Mr. VIADERO. We have come a long way, and I am honestly and truly proud.

Mr. SKEEN. You haven't dulled your enthusiasm one bit.

Mr. VIADERO. This one is going to get me in trouble, but if I could line up all 665 OIG rascals, I would give each one a hug. They work doggedly.

Mr. SKEEN. In this case, I guess one fellow doesn't mind another fellow giving him a big hug.

Mr. VIADERO. No. Thanks a bunch.

Mr. SKEEN. We will finish and go catch an airplane. Thank you all.

Office of the Inspector General

Questions submitted by Mr. Skeen

RESOURCES USED TO MONITOR THE FOOD STAMP PROGRAM

Mr. Skeen: Please update the table that appears on page 78 of last year's hearing record, which shows how much of your budget is spent on monitoring the food stamp program, to reflect fiscal year 1999 actuals and fiscal year 2000 and 2001 estimates.

[The information follows:]

Budget Spent on Monitoring the Food Stamp Program

(Dollars in thousands)

Fiscal Year	Amount	
1991	$11,225	
1992	12,839	
1993	13,775	
1994	18,600	
1995	19,743	
1996	17,952	
1997	16,914	
1998	16,684	
1999	15,503	
2000	16,060	*
2001	16,506	*

* Estimated

SERVICE CENTER INITIATIVE

Mr. Skeen: Please bring the Committee up to date in terms of oversight of the Service Center Initiative.

Response: Due to the lack of staff, we have been unable to devote resources to the Service Center Initiative (SCI). Various SCI meetings have been attended by staff to maintain an awareness of the Department's plans and actions. Although a review of this area has been considered, the competing priorities for our limited available staff time have precluded us from scheduling audits in this area.

SERVICE CENTER MODERNIZATION PLAN

Mr. Skeen: Did the OIG review the Service Center modernization plan that was recently submitted for OMB's approval? If so, did OIG make recommendations? What were they? Did they get incorporated into the plan?

Response: We reviewed various drafts, as well as the final version of the modernization plan developed by USDA, with input from the Office of Management and Budget (OMB). We did not make any recommendations to the Department. Lack of resources precluded us from performing a detailed, independent assessment of this activity.

EBT PROCESSOR OPERATIONS

Mr. Skeen: Please update the Committee on the President's Council on Integrity and Efficiency working group to develop standards for audits of EBT processor operations.

Response: The audit standards or guidelines have been developed. States will be required to have their EBT system contractors obtain an independent audit of the contractor's processing of benefits under the Food Stamp Program. The guidelines developed are anticipated to be incorporated into the Compliance Supplement for performing audits under OMB Circular A-133 in March 2000. Independent auditors will use the guidelines in their examination of EBT processors beginning in fiscal year (FY) 2000.

FOOD STAMP CASES

Mr. Skeen: Provide a table similar to the one that appears on page 79 of last year's hearing record showing the number of food stamp cases that were issued, the number referred to the Department of Justice, and the number accepted by the Department of Justice, for fiscal year 1999.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE - OFFICE OF INSPECTOR GENERAL
FOOD STAMP PROGRAM REFERRALS - FY 1999

STATE	CASES ISSUED	REFERRED TO DOJ	ACCEPTED BY DOJ	PENDING AT DOJ
ARIZONA	1	0	0	0
CALIFORNIA	23	8	1	4
COLORADO	5	3	2	1
CONNECTICUT	13	8	5	0
DIST OF COLUMBIA	1	1	1	0
FLORIDA	5	2	2	0
GEORGIA	7	6	3	0
HAWAII	1	1	0	0
ILLINOIS	6	4	1	3
INDIANA	3	1	0	1
IOWA	2	1	1	0
KANSAS	3	2	1	0
KENTUCKY	1	1	1	0
LOUISIANA	3	2	1	0
MARYLAND	12	8	4	3
MASSACHUSETTS	6	5	4	0
MICHIGAN	3	2	1	0
MINNESOTA	2	2	2	0
MISSISSIPPI	3	3	0	0
MISSOURI	7	0	0	0
NEVADA	1	1	1	0
NEW JERSEY	15	8	4	0
NEW YORK	26	16	7	1
NORTH CAROLINA	4	3	1	0
OHIO	23	11	1	8
OKLAHOMA	14	6	5	0
OREGON	1	1	1	0
PENNSYLVANIA	9	6	5	1
SOUTH DAKOTA	1	1	0	0
TENNESSEE	1	1	1	0
TEXAS	47	28	12	7
VIRGINIA	4	2	1	0

WASHINGTON	4	4	2	2
TOTAL	257	148	71	31

In addition to DOJ referrals, we also referred 77 cases to State or local prosecutors during FY 1999. Of those referrals, 56 were accepted for prosecution, and 12 are still pending a prosecutive decision.

STATE MEDIATION PROGRAM

Mr. Skeen: Bring us up to date on the State Mediation Program.

Response: The Farm Service Agency (FSA) has not issued the final regulations that would address many of the problems that we identified in our audit. For example, a clear definition of what constitutes mediation and what is eligible for Federal funding has not been provided. The closing date for comments on the proposed regulations was January 9, 2000; an agency official stated that he did not anticipate issuing the final regulations until July 2000 at the earliest. However, with legislative language included in the Agricultural Credit Act of 1987, as amended, that authorized this program to expire in September 2000, the agency official speculated whether it would be beneficial to go forward and issue the final regulations. We believe FSA's implementation of new regulations has taken too long; our reports containing these recommendations were issued in March 1996 and 1997. FSA informed us that they are aware of congressional discussions that would eliminate the sunset provisions or give the program a 5-year extension. However, there is no current legislative proposal to extend the program.

Since FSA canceled its reimbursable grant agreement with Texas Tech University, the program has been administered by the Texas State FSA office. In October 1999, FSA certified an application from the South Plains Association of Governments (SPAG) to participate in the program. FSA has given SPAG a $110,000 grant for mediation activities in Texas for FY 2000.

FINANCIAL STATEMENT AUDITS

Mr. Skeen: Please update the table that appears on page 82 of last year's hearing record showing which financial statement audits you contract-out and which you do in-house as well as the cost of each audit to include fiscal year 1999 actuals and fiscal year 2000 and 2001 estimates.

[The information follows:]

Audited Agency	Method of Performance	FY 1999 Actual *
FCIC	Contract	$212 [1]
RTB	Contract	182 [1]
CCC	In-House	881
FNS	In-House	903
FS	In-House	870 [2]
RD	In-House	516 [3]
AARCC	In-House	0 [4]
Consolidated	In-House	568 [5]

* Dollars in thousands.

[1] Contract amount plus other costs incurred by OIG.

[2] The actual cost to audit FS during FY 1999 was $121,000 more than FY 1998 due to additional audit coverage needed to address FS' conversion to a new accounting system plus the need for additional fieldwork to address areas reported as scope limitations during prior years. For example, FY 1999 was the first year FS provided a universe of individually listed real property that could be statistically sampled and tested.

[3] The actual cost to audit RD during FY 1999 totaled $231,000 less than FY 1998 due to the cyclical coverage of operations needing detailed control testing in conjunction with improved efficiencies in the audit process. Additional fieldwork was required during FY 1998 to audit RD operations not tested during previous fiscal years.

[4] OIG began auditing the financial statements for AARCC in FY 1998. For FY 2000, AARCC received no appropriation to continue operations and has ceased to exist. Therefore, no audit of the FY 1999 financial statements was performed.

[5] The actual cost to audit the USDA consolidated statements during FY 1999 was $233,000 more than FY 1998 due to additional fieldwork needed to address the Department's conversion to a new accounting system plus audit work to assess financial management operations within nonmajor agencies that were not reviewed during previous years.

For FY's 2000 and 2001, costs to audit FCIC, RTB, CCC, FNS, and RD should not vary significantly from those incurred during FY 1999. This is contingent on the agencies maintaining a strong financial internal control structure so that necessary audit work remains minimal. Concerning FS, audit costs will increase as the agency continues to improve its financial operations and generate financial data that are auditable and not reported as an audit scope limitation. When FS has completed its current effort to verify and value all property, plant, and equipment, a concerted audit effort will be needed to perform sufficient tests to verify the reported amount. Concerning the Department's consolidated financial statements, audit efficiencies will improve, but costs should remain about the same or increase as additional work is needed to address the Department's continued conversion to a new financial management system and to review financial data that becomes auditable for the first time.

WOMEN, INFANTS, AND CHILDREN PROGRAM

Mr. Skeen: Bring us up to date on all the audit and investigation work you are doing in the Program.

Response: We currently have six open unreported Women, Infants, and Children (WIC) Program investigations. During FY 1999, we obtained five indictments, three convictions, and $14,838 in monetary results. WIC violations are often discovered during our investigations of food stamp trafficking and are charged in the same indictment. However, since the investigations were initiated as food stamp cases and tracked as such in our management information system, we are unable to identify WIC program statistics from these cases.

An example of our investigation of WIC substantiated that a custodian at a WIC clinic in Dallas, Texas, through lax security

measures, was able to steal 359 WIC food vouchers valued at $19,830. The stolen WIC vouchers were redeemed for baby formula and also sold at a discount to neighborhood grocery stores. The custodian was sentenced to 18 months in prison, followed by 3 years' supervised release. Restitution of $1,700 was also ordered.

As a result of another OIG investigation, a Georgia Department of Health clerk responsible for administering WIC pled guilty to creating $49,945 in fraudulent WIC vouchers and converting them to her own use. This investigation was conducted jointly with the Georgia Department of Human Resources, Office of Fraud and Abuse. As a result of entering a guilty plea, she was sentenced to 1 year of incarceration, followed by 3 years of supervised release and ordered to pay $47,945 in restitution.

In the Audit arena, we had previously recommended that the Food and Nutrition Service (FNS) strengthen its WIC program monitoring rules and for States to establish computer systems that would monitor WIC voucher usage at the retailer level. We recommended that the States identify high-risk vendors who consistently charged in excess of any reasonable average price for WIC food. Our review then found, and subsequent FNS studies showed, that significant numbers of vendors tested continued to inflate charges to WIC vouchers and charge higher product prices to WIC. Although FNS agreed to correct these situations, to date, nothing has been implemented to cause change. Much more can and should be done in this area.

Also, during FY 1999, we issued an audit report detailing our review of the WIC program in Texas. The audit focused on program charges made to the WIC program and implementation of income eligibility guidelines. Except for some minor items, our audit concluded that program charges were documented and justified and that Texas had correctly implemented income eligibility guidelines. In January 2000, we issued an audit report on Indiana's monitoring procedures and controls used to identify high-risk/high-cost vendors from overcharging the program. While Indiana complied with present WIC regulations governing vendor monitoring, we found that Indiana could take additional actions to update high-risk vendor lists and do a better job developing cases against vendors where a compliance buy indicated vendors were overcharging the program.

COMMODITY CREDIT CORPORATION FINANCIAL AUDITS

Mr. Skeen: What was your cost of performing audits of CCC financial statements in fiscal year 1999? What was the reimbursement from CCC?

Response: Our in-house cost to perform audits of the Commodity Credit Corporation's (CCC) financial statements during FY 1999 was $881,000, which was only $11,000 more than the $870,000 reimbursement received from CCC.

REIMBURSEMENTS

Mr. Skeen: Please update the table that appears on page 83 of last year's hearing record showing the reimbursement received, and the actual cost of the audit for CCC, FCIC, and RUS, to include 1999.

[The information follows:]

Audited Agency	Fiscal Year	In-house/ Contract Cost * [1]	Reimbursement *
CCC	1991	$ 1,183	$ 675
	1992	1,017	723
	1993	832	752
	1994	827	741
	1995	931	857
	1996	981	795
	1997	850	842
	1998	858	842
	1999	881	870
FCIC	1991	218	200
	1992	277	208
	1993	255	216
	1994	210	210
	1995	225	225
	1996	218	170
	1997	183	170
	1998	183	170
	1999	212	210
RUS/RTB	1991	184	175
	1992	231	210
	1993	236	233
	1994	189	170
	1995	175	175
	1996	244	170
	1997	272	170
	1998	174	170
	1999	182	180

* Dollars in thousands.

[1] Contract amounts, as appropriate, plus other costs incurred by OIG.

USDA FINANCIAL STATEMENT AUDITS AND OPINIONS

Mr. Skeen: Please provide a list of all USDA financial statements your office audits along with the opinions you provided on those financial statements including a brief description of each audit opinion and the reasons these opinions were rendered.

[The information follows:]

Audited Agency	FY 1999 Audit Opinion
FCIC	Unqualified
RTB	Unqualified
CCC	*
FNS	Unqualified
FS	Disclaimer
RD	Qualified
Consolidated	Disclaimer

* The audit has not been completed. CCC has not finalized its financial statements because adjustments related to direct and guaranteed credits to foreign countries have not been completed.

This delay represents continued problems in the agency's implementation of a new accounting system and its process for computing the related subsidy estimates to satisfy credit reform reporting requirements. We estimate that our audit of CCC will be completed by April 1, 2000.

FCIC, RTB, and FNS received an unqualified opinion because financial statements, including the accompanying notes, presented fairly in all material respects in conformity with Federal generally accepted accounting principles, the assets, liabilities, and net positions as of September 30, 1999, as well as their net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the year then ended.

RD received a qualified opinion in that its financial statements, including the accompanying notes, were presented fairly in all material respects, except for adjustments, if any, as might have been determined to be necessary had we been able to assess the reasonableness of RD's reported non-Federal assets and estimated losses on loan guarantees. This is a longstanding qualification due to RD's inability to ensure that the costs of its outstanding direct and guaranteed loan programs are reasonably estimated.

We were unable to express an opinion on the financial statements for FS, and USDA as a whole, due to limitations on the scope of our audit work. The Department could not provide sufficient, competent evidential matter to support numerous material line items, including (1) fund balances with the U.S. Department of the Treasury (Treasury); (2) estimated losses on loan and foreign credit guarantees; (3) general property, plant, and equipment (PP&E); and (4) accounts receivable. Weaknesses in PP&E and accounts receivable primarily involved FS. In addition, CCC was unable to provide its financial statements in sufficient time to audit within timeframes established by the Department, and, as a result, information in USDA's consolidated financial statements, footnotes, and overview and supplemental information related to CCC has not been audited and should not be relied upon.

USDA FINANCIAL STATEMENT AUDITS

Mr. Skeen: Does your office perform audits of other USDA agencies' financial statements?

Response: In addition to agency financial statements, we have also reviewed the annual financial statements prepared for USDA's Working Capital Fund (WCF). In previous years, an audit of these statements could not be completed, and an opinion could not be rendered due to the lack of supporting documentation. For FY 1999, we had planned to incorporate results from our review of WCF internal controls into our audit results for USDA's consolidated financial statements. However, because the Department had not completed and provided documentation on all reconciliations and adjustments concerning WCF expenses and revenues, we were unable to complete the review in sufficient time to incorporate results within the established timeframes.

OUTSIDE PUBLIC ACCOUNTANTS

Mr. Skeen: Please update the table that appears on page 85 of last year's hearing record showing the amount of funds expended for outside public accountants hired under contract, to include fiscal year 1999 actuals and fiscal year 2000 and 2001 estimates.

[The information follows:]

Fiscal Year	Contract Amounts *
1991 [1]	$1,937
1992 [1]	1,660
1993	338
1994	258
1995 [2]	396
1996 [2]	397
1997 [3]	162
1998	0
1999	348
2000 est.	350
2001 est.	350

* Dollars in thousands.

[1] Includes FNS Child and Adult Care Food Program contract audits.

[2] Includes audits of tobacco manufacturers.

[3] RTB audit previously contracted out, now being performed in-house.

CONFIDENTIAL FUND OPERATIONAL ACTIVITIES

Mr. Skeen: Update the table that appears on page 86 of last year's hearing record showing the amount spent for confidential operational activities, to include fiscal year 1999 actuals and fiscal year 2000 and 2001 estimates.

[The information follows:]

Year	Available	Spent
1992	$ 95,000	$ 89,500
1993	89,000	42,445
1994	95,000	83,995
1995	95,000	80,577
1996	95,000	69,337
1997	95,000	79,322
1998	95,000	66,461
1999	100,000	50,159
2000	125,000	125,000 *
2001	125,000 *	125,000 *

* Estimated through the end of the fiscal year.

Throughout the year, as we conduct day-to-day investigations, we often have a need for more confidential funds than appropriated for this purpose. During our numerous undercover investigations, we utilize confidential informants whom we pay for important information concerning criminal activity. While some of these funds may actually be unspent and returned to Treasury as the books are closed at the end of the fiscal year, day-to-day investigative activities require the agency to have large amounts of these funds in continual use by agents for ongoing street operations in order to actually carry out our law enforcement investigations. Because these needs vary so greatly depending on

the particular workload, the $125,000 limitation can restrict the agency's investigative flexibility.

HOTLINE COMPLAINTS

Mr. Skeen: How many complaints did you receive through the hotline in fiscal year 1999?

Response: The hotline received 1,831 telephone calls, letters, and walk-ins during FY 1999.

HOTLINE RESPONSES

Mr. Skeen: How many were you able to look into; how many were referred to an agency; how many were referred to the Department of Justice; and how many went unanswered?

[The information follows:]

FY 1999 OIG Processed Hotline Complaints

	Number
Complaints referred to:	
OIG field staff for inquiries	119
OIG inquiries referred to DOJ for prosecution	7
Appropriate USDA agencies for inquiries	1,453
OIG requested a response from USDA agency	582
Complaints referred to FNS concerning food stamp recipients	536
Complaints with allegations of minor violations with no response to OIG required	335
Other Law Enforcement Agencies	16
Appropriate State Agencies	189
Complaints that contained insufficient information for a referral	54
Total Hotline Complaints	1,831

FY 1999 INDICTMENTS, CONVICTIONS, AND SUITS

Mr. Skeen: Please update the table that appears on page 87 of last year's hearing record on the number of indictments, convictions, and lawsuits for fiscal year 1999.

[The information follows:]

AGENCY	INDICTMENTS *	CONVICTIONS *	SUITS
AMS	17	34	0
APHIS	7	15	0
ARS	2	2	0
FSA	41	49	41
FNS	407	414	39
FS	1	0	0
FSIS	8	8	0
GIPSA	0	2	0
NASS	1	1	0

NRCS	5	7	0
OIG	1	0	0
RBS	2	3	0
RHS	8	12	9
RMA	2	6	5
RUS	0	1	0
SEC	0	1	0
Other **	0	4	0
TOTAL	502	559	94

* During the reporting period, our investigations led to 502 indictments and 559 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 559 convictions do not necessarily relate to the 502 indictments.

** This category includes cases involving multiple agencies and non-USDA/affiliated agencies.

AUDIT AND INVESTIGATIONS RESULTS

Mr. Skeen: Please update the table that appears on page 87 of last year's hearing record showing the number of audit reports, investigative reports, indictments, convictions, and lawsuits filed, to include fiscal year 1999.

[The information follows:]

	Fiscal Year				
	1995	1996	1997	1998	1999
Audit Reports	328	282	255	220	146
Investigative Reports	974	956	958	815	515
Indictments *	967	941	664	777	502
Convictions *	859	738	703	604	559
Suits	66	106	52	63	94

* The period of time to obtain court action on an indictment varies widely; therefore, the convictions do not necessarily relate to the indictments each year.

OIG FIREARMS

Mr. Skeen: Please update the table on page 88 of last year's record showing OIG owned firearms.

[The information follows:]

OIG Owned Firearms

Type of firearm	Number
9mm semiautomatic pistols	377
.357 cal. revolvers	11
.38 cal. revolvers	52
12 gauge shotguns	49
Miscellaneous rifles and handguns maintained at Headquarters for training purposes only	35
Total	524

BUDGET REQUEST

Mr. Skeen: Provide a detailed breakout of your request to the Secretary; the Secretary's request to OMB; and the OMB allowance.

Response: Our budget request to the Secretary was for $181,284,000; the Secretary's request to OMB was $89,624,000; and the OMB allowance was $70,214,000.

USE OF INVESTIGATIONS AND AUDIT RESOURCES BY AGENCY

Mr. Skeen: Provide tables similar to the ones that appear on page 89 of last year's hearing record showing the breakdown of OIG's resources and the percent of each that went towards investigations and audits of each agency under USDA for fiscal year 1999.

[The information follows:]

Use of Investigations Resources by Agency - FY 1999

(Dollars in thousands)

	Total OIG		Investigations			
	Dollars	Staff-Years	Dollars	Percentage of OIG Dollars Per Agency	Staff-Years	Percentage of OIG Staff-Years Per Agency
RMA.....	$3,515	38	$ 1,699	48	15	39
FSA.....	10,501	108	6,641	63	60	56
FAS.....	154	1	154	100	1	100
FNS-FSP...	15,503	150	12,665	82	115	77
FNS-Other.	6,722	73	3,089	46	28	38
AMS.....	958	10	618	65	6	60
APHIS.....	1,999	20	1,545	77	14	70
GIPSA.....	0	0	0	0	0	0
FSIS.....	4,814	52	2,317	48	21	40
ARS.....	309	3	309	100	3	100
CSREES....	268	3	154	57	2	67
ERS.....	0	0	0	0	0	0
NASS.....	0	0	0	0	0	0
RBS.....	722	8	154	21	1	13
RHS.....	3,474	38	1,544	44	14	37
RUS.....	681	8	0	0	0	0
FS.....	4,364	52	618	14	6	12
NRCS.....	804	8	464	58	4	50
OO.....	0	0	0	0	0	0
OHRM.....	0	0	0	0	0	0
CR.....	341	4	0	0	0	0
OCFO.....	454	6	0	0	0	0
NAD.....	0	0	0	0	0	0
OIG (Internal)	154	1	154	100	1	100

Multi-Agency..	8,741	111	0	0	0	0
Other.....	309	3	309	100	3	100
OCIO.....	227	3	0	0	0	0
AARCC.....	114	1	0	0	0	0
OGC	0	0	0	0	0	0
TOTAL.....	$65,128	701	$32,434	50	294	42

Use of Audit Resources by Agency - FY 1999

(Dollars in thousands)

	Total OIG		Audit			
	Dollars	Staff-Years	Dollars	Percentage of OIG Dollars Per Agency	Staff-Years	Percentage of OIG Staff-Years Per Agency
RMA.....	$3,515	38	$ 1,816	52	23	61
FSA.....	10,501	108	3,860	37	48	44
FAS.....	154	1	0	0	0	0
FNS-FSP...	15,503	150	2,838	18	35	23
FNS-Other.	6,722	73	3,633	54	45	62
AMS.....	958	10	340	35	4	40
APHIS.....	1,999	20	454	23	6	30
GIPSA.....	0	0	0	0	0	0
FSIS.....	4,814	52	2,497	52	31	60
ARS.....	309	3	0	0	0	0
CSREES....	268	3	114	43	1	33
ERS.....	0	0	0	0	0	0
NASS.....	0	0	0	0	0	0
RBS.....	722	8	568	79	7	87
RHS.....	3,474	38	1,930	56	24	63
RUS.....	681	8	681	100	8	100
FS.....	4,364	52	3,746	86	46	88
NRCS.....	804	8	340	42	4	50
OO.....	0	0	0	0	0	0
OHRM.....	0	0	0	0	0	0
CR.....	341	4	341	100	4	100
OCFO.....	454	6	454	100	6	100
NAD.....	0	0	0	0	0	0
OIG (Internal)	154	1	0	0	0	0
Multi-Agency..	8,741	111	8,741	100	111	100
Other.....	309	3	0	0	0	0
OCIO.....	227	3	227	100	3	100
AARCC.....	114	1	114	100	1	100
OGC	0	0	0	0	0	0
TOTAL.....	$65,128	701	$32,694	50	407	58

Reimbursements						
CCC.....	$870	--	$870	100	--	--
RMA.....	210	--	210	100	--	--
RUS.....	180	--	180	100	--	--
Other						
(OCFO/NFC)	688	--	688	100	--	--
TOTAL.....	$ 1,948	--	$ 1,948	100	--	--

OIG FIELD AUDITORS AND SUPERVISORS

Mr. Skeen: Provide an update of the table that appears on page 91 of last year's hearing record that shows the number of supervisors and field auditors at the agency to include fiscal year 1999.

[The information follows:]

Fiscal Year	GS-0511 Field Auditors	Audit Supervisors Agencywide
1999	250	45
1998	296	44
1997	294	40
1996	293	42
1995	293	138
1994	322	132
1993	334	140

FORFEITURE PROCEEDINGS

Mr. Skeen: Please provide for the record, amounts transferred to the Office of Inspector General through forfeiture proceedings in fiscal year 1999 and year-to-date in fiscal year 2000.

Response: The amounts received by OIG through forfeiture proceedings in FY 1999 totaled $939,041. For FY 2000, the agency has received or has signed agreements for a total of $940,000 to date.

DOJ ASSETS FORFEITURE FUND

Mr. Skeen: Please provide for the record, amounts transferred to the Office of Inspector General from the Department of Justice Assets Forfeiture Fund in fiscal year 1999 and year-to-date in fiscal year 2000.

Response: The amounts reimbursed to OIG from DOJ's Assets Forfeiture Fund in FY 1999 totaled $730,343. For FY 2000, the agency has an agreement with DOJ to provide the agency $940,000 as a result of being a participating agency.

DEPARTMENT OF THE TREASURY FORFEITURE FUND

Mr. Skeen: Please provide for the record, amounts transferred to the Office of Inspector General from the Department of Treasury Forfeiture Fund in fiscal year 1999 and year-to-date in fiscal year 2000.

Response: The amounts transferred to OIG through Treasury's Forfeiture Fund in FY 1999 totaled $145,986 and to date, we have received no Treasury money for FY 2000.

PETITION FOR REMISSION OR MITIGATION

Mr. Skeen: Please provide for the record, amounts transferred to the Office of Inspector General through the granting of a Petition for Remission or Mitigation in fiscal year 1999 and year-to-date in fiscal year 2000.

Response: The amounts transferred to OIG through the granting of a Petition for Remission or Mitigation in FY 1999 totaled $149,860. To date, we have received no petition money for FY 2000.

AUDITS OF NON-USDA AGENCIES

Mr. Skeen: I noticed in your available funds statement that you plan to obligate $715,000 under OCFO/NFC for audits of non-USDA agencies. Does the OCFO/NFC reimburse the OIG for this work or do the non-USDA agencies reimburse OIG for this work?

Response: The non-USDA agencies reimburse OIG indirectly. The Office of the Chief Financial Officer/National Finance Center's (OCFO/NFC) service rates include a charge for audit services provided by OIG. As the non-USDA agencies pay OCFO/NFC's bills for services rendered, these non-USDA agencies pay NFC for audit services, and then NFC reimburses OIG. OCFO transfers the funds to OIG. NFC provides data processing services to 42 non-USDA agencies. OIG is the auditor of record for all NFC audit activity; hence, non-USDA agencies obtain audit assurance over the propriety of their recordkeeping by way of our systems' audits.

STAFF-YEAR COSTS

Mr. Skeen: Based on your justifications for increases, your average staff year costs vary from $250,000 in the consumer protection area, to $336,000 in the information technology area, to $391,000 in the investigations and public integrity area. Why is that?

Response: Costs for OIG's FTE's are calculated based on the total cost to the agency to support a direct auditor or agent in the field. In addition to direct salary and benefit costs, this amount includes all related supporting costs, such as equipment, supplies, ADP, space, telecommunications, travel, etc., as well as management and support staff costs. The information technology costs are higher because they also include costs for hardware and software needed for this work. Our investigative request for public integrity is for our investigative staff who also receive statutorily required availability pay, which increases these costs for our agents by over 30 percent, as well as additional costs for specialized law enforcement supplies and equipment.

NARROWBAND RADIOS

Mr. Skeen: The budget justifications indicate an increase of $1 million for the first phase of replacing the OIG's radio inventory. How many radios would $1 million buy? How many phases are you considering to replace the entire inventory? How many radios does OIG own? What is the total estimated cost to replace all radios?

Response: During 1995, the National Telecommunications and Information Administration (NTIA), which regulates all radio frequencies used by Federal agencies, mandated that all Federal agencies, including OIG, make the transition to narrowband-capable radio equipment by 2005. NTIA also required that all new radio equipment manufactured after January 1, 1995, be able to operate at 12.5 kilohertz. OIG is currently using narrowband analog radios operating in frequency ranges of 162 to 174 megahertz.

To facilitate digital technological development, the Federal law enforcement community has requested that private industry develop a standard common interface to comply with NTIA's mandate. This switch to digital equipment, to comply with NTIA mandate, will render OIG's radios incompatible with other law enforcement agencies' radios.

OIG's narrowband analog radio inventory consists of 165 handheld and 105 mobile car radios. OIG's 15-base stations, 12 stationary repeaters, and 15 mobile repeaters assigned to the 7 regions and headquarters are not narrowband-capable. To ensure future interoperability with the Federal law enforcement community, as part of a 3-year-phase plan, OIG will require $3 million to replace our current narrowband analog radio system.

During phase one, we would purchase 193 mobile radios and related accessory equipment. In addition, each of the seven OIG regions would receive one portable repeater, which would be taken to the vicinity of ongoing law enforcement activity and used to increase the reception and transmission area of the radios. The digital/narrowband communications equipment is needed for tactical law enforcement activities (surveillance, execution of search warrants, and arrest warrants).

EQUIPMENT DECREASE

Mr. Skeen: Why does spending for equipment decrease by $1.277 million in fiscal year 2000 compared to fiscal year 1999?

Response: Spending for equipment in FY 2000 is lower than what was expended in FY 1999 because the agency's FY 2000 appropriation remained at the same level as FY 1999. This reduction is necessary to offset increased pay costs, which are expected to cost the agency nearly $2 million in FY 2000.

URBAN RESOURCES PARTNERSHIP GRANTS

Mr. Skeen: Has USDA conducted a review of all urban resource partnership grants to determine if there was legal authority for each grant and whether the grants met the purposes of the applicable statutes from which they were funded in the urban resources partnership program as recommended in your evaluation report?

Response: The Forest Service's (FS) and the Natural Resources Conservation Service's (NRCS) officials notified OIG that they had provided written guidance to regional foresters and NRCS State conservationists to review all 1998 and 1999 Urban Resources Partnership (URP) grants. The response stated that a large portion of this review was done to ensure that the projects were in compliance with FS's and NRCS's legislative authorities. However, supporting documentation was not provided to show what actions were actually taken as a result of these reviews. We have requested additional documentation from the agencies. Based on the information provided to date, it is our opinion that an adequate review of all URP grants has not been completed.

Mr. Skeen: Has USDA developed a strategy to resolve all grant funds issued without legal authority and/or do not meet the purposes of the funding statutes in the urban resources partnership program as recommended in your evaluation report?

Response: The agencies report limited actions with respect to FY 1998 and 1999 grants. To date, no strategy has been developed to resolve grant funds issued without legal authority. The Under Secretary contends that the "administrative oversights . . . cited in your (OIG's) report have been or are being corrected." However, the followup information we have obtained does not support this assertion.

URBAN RESOURCES PARTNERSHIP PROGRAM

Mr. Skeen: Has USDA published applicable requirements and procedures for the urban resources partnership program in the *Federal Register* as recommended in your evaluation report?

Response: No. The response to our audit report contends that publishing requirements and procedures for URP in the *Federal Register* are not required because the URP initiative is consistent with NRCS' existing authorities. However, our audit identified widespread noncompliance with existing authorities. Thus, we continue to believe that formal publication of URP policies is a necessary foundation if the initiative is to operate within the confines of existing authorities.

In lieu of *Federal Register* publication, NRCS and FS officials cite an "URP Guidance Document" that was originally scheduled for issuance in January of this year. To date, the document has not been issued. Our preliminary review of this draft document indicates that it will not provide adequate guidance. It is likely to create new problems, in addition to those already existing in URP. For example, the section titled "Public Relations" emphasizes the benefit of "Building political support for the continuation of the URP Program and grants." An extensive discussion of "Lobbying, Advocacy and Non-Profit Boards" provides legal citations but does not explain that appropriated funds (i.e., URP grants) cannot be used for lobbying. Instead, concerning Anti-Lobbying laws, the guidance reassures "in practice, these statutes have not been applied literally" and "The Department of Justice . . . has not prosecuted anyone since the statute was enacted in 1919."

The URP Guidance Document falls far short of fulfilling the need for competent, authoritative guidance. Publication of rules in the *Federal Register*, complete with public comment, is the best alternative to achieve a URP Program that complies with existing law.

Mr. Skeen: Has USDA established control procedures at the Under Secretary level to ensure that all program initiatives are forwarded to Office of General Counsel for review in the urban resources partnership program as recommended in your evaluation report?

Response: No. Controls have not been established at the Under Secretary level. NRCS and FS officials contend that since the Office of the Under Secretary does not implement initiatives, no controls at the Under Secretary level are needed. This statement directly conflicts with our audit conclusion of the Under Secretary's continuing involvement. We note that the URP Guidance Document, which was scheduled for issuance in January 2000, has not yet been issued. The document is awaiting clearance from the

Under Secretary's Office--a condition that further supports our conclusion of the Under Secretary's continuing involvement with and direction of URP.

Mr. Skeen: Has USDA established controls to ensure that grant award recipients meet the purposes of the applicable statutes in the urban resources partnership program as recommended in your evaluation report?

Response: No. The Chiefs of FS and NRCS stated that all FY 1998 and 1999 URP grants have been reviewed by FS regional foresters and NRCS State conservationists and that all applicable statutes have been applied, and are being applied, to these grants. The Chiefs also said the management review process, which began in FY 1997, reviews the use of applicable statutes for URP grants prior to FY 1998. Five URP locations have been included in the management review process. We found that 88 percent of the NRCS-funded projects and 68 percent of the FS-funded projects we reviewed in 4 of 13 URP cities did not meet the purpose of one or more of the funding statutes. Also, the Chiefs did not address the results of the management reviews. We requested the agencies to provide additional documentation showing the URP projects reviewed, the results of these reviews, and the amount of funds that were issued without legislative authority. Upon receipt of this information, we will evaluate whether adequate corrective action has been taken by the agencies. These actions relate to grants already issued and do not speak to implementation of controls to prevent reoccurrence of the problems identified in our review. We are requesting the Department to provide us with documentation on the controls they plan to implement to ensure the program operates within established laws and regulations.

Mr. Skeen: Has USDA established control procedures at the Office of the Under Secretary for Natural Resources and Environment, and the Offices of the Chiefs of the Forest Service and NRCS, to assure that USDA and OMB regulations are adhered to for all award programs in the urban resources partnership program as recommended in your evaluation report?

Response: No. The Chiefs of FS and NRCS stated that the Office of the Under Secretary for Natural Resources and Environment does not engage in the implementation of FS or NRCS programs or initiatives. Therefore, designing and implementing controls is not required. The Chiefs also stated that both FS and NRCS have established controls to ensure proper grant management and that administrative specialists for both agencies review pre- and post-awards for all URP grants.

We requested documentation from FS and NRCS showing when the cited agency controls were implemented. Upon receipt of this information, we will determine if the actions taken are adequate to resolve the problem identified in our evaluation.

HAZARDOUS MATAERIALS MANAGEMENT PROGRAM

Mr. Skeen: According to last year's testimony, you were in the process of issuing a report to the Assistant Secretary for Administration and the Under Secretary for Natural Resources and the Environment recommending the establishment of a crosscutting authority backed by adequate technical resources to administer a comprehensive and strategic compliance program that covers USDA's commitment to pollution prevention, control, and abatement. Has that report been released? Have the principals agreed to it? Please provide a copy of the report for the record.

Response: Our report on the Department's Hazardous Materials Management Program (HMMP) will be issued shortly, and we will provide you a copy of the report as soon as it is completed. Our audit was put on hold for some time because the Department was in the process of reorganizing this function. Over the past year, we have reviewed the plan of the Office of the Secretary and the Assistant Secretary for Administration to implement a reorganization of HMMP. The Department also established a senior-level policy council to coordinate its agencies' environmental compliance activities. HMMP was reestablished in Administration so it can work with all agencies and coordinate with the Safety and Health Program.

FY 2001 REQUEST

Mr. Skeen: How much of your 2001 request would go to audits and how much of your 2001 request would go to investigations?

Response: Out of the FY 2001 request of $70,214,000, $35,247,000 is planned for Audit, and $34,967,000 is planned for Investigations.

RECOVERY OF FUNDS

Mr. Skeen: I read in your witness statement that based on the work of the inspector general's office, that management agreed to recover more than $55 million. What is the mechanism for recovery of these funds?

Response: Our recommendations made to recover funds are addressed to the USDA program agencies. Agencies use their existing operating procedures to bill the party who received the excess benefit, record it as a receivable, pursue collection, and account for the monies as received. Agencies follow procedures for collection as set forth in the Federal Debt Collection Act. Monies that are collected are in some instances returned to Treasury or, depending on the program, are available to be used in that program. In the Food Stamp Program, for example, States can retain for their use a percentage of monies collected on some food stamp overpayments, with the remainder returned to Treasury.

CHILD AND ADULT CARE FOOD PROGRAM

Mr. Skeen: What specific recommendations have you made to improve the current control structure in the Child and Adult Care Food Program and what has been the response from the Food and Nutrition Service?

Response: We recommended basic and substantive program changes in how sponsors are paid. FNS declined to do this in the short term but finally agreed to ask for comments in a regulation now in clearance. The problems we have been reporting will not be alleviated until basic program changes are made. Additionally, we recommended that FNS (1) develop a handbook that incorporates all Federal regulations controlling sponsorship of the program and identifies the costs that are allowable; (2) clarify what constitutes adequate sponsor staffing and provider training; (3) raise the visibility of the Child and Adult Care Food Program by ensuring that parents know that their day care providers are participating in the program; and (4) establish a realistic rate that sponsors can retain for administering the program to child care centers.

FNS has issued guidance to State agencies and sponsors on what costs are allowable. However, as noted, the referenced handbook

needs to be revised and expanded. The rule is currently in departmental clearance.

As long as program reimbursement is based on the number of homes under the direction of a sponsor and a count of children in each home, the types of fraud and abuse we noted in our reports will continue.

QUESTIONS SUBMITTED BY MS. KAPTUR

SOURCES OF FUNDS

Ms. Kaptur: Last year we discussed at some length trying to find ways to get more resources for you from recovered dollars. I understand that it would take legislative action to make this happen, and would be pleased to work with you on this. Has the Department ever proposed such legislation or taken a position on such a proposal?

Response: We are not aware of any legislation the Department has ever proposed in this area. However, there are two approaches to this issue. One, as you suggest, is sharing in recoveries. The second and more desirable approach is to set aside a small percentage of funds to be used for oversight purposes (say 0.5 percent) when supplemental appropriations are made for emergency or disaster relief programs administered at USDA. For example, in FY 1999, when supplemental appropriations for disaster relief on our Nation's farms were passed, we believe it would have been a wise investment to designate a certain portion of those funds for oversight. Because the supplementals occurred toward the end of the fiscal year, we also suggest that any amounts allowed for oversight be available on a "no-year" funding basis to allow for effective use of the monies. In many instances, farmers sign up and are paid emergency monies in the subsequent fiscal year in which the appropriations were made.

We believe that our work clearly shows the benefit of this kind of oversight. When we worked with FSA and NRCS on emergency relief programs last year, our work identified issues and problems early on that the agencies could correct before payments were made, and, as a result, payments were directed to truly eligible farmers. Our early-on work identified that 6.5 percent of applications we reviewed had errors serious enough to impact program payments. The benefits of these early-on reviews are that the agencies can make corrections before payments are finalized.

We would like to work with you on specific legislative language for the Committee to consider and will do so in the near future. Recently, legislative language was included in House Resolution 3908 that addressed this issue for FY's 2000 and 2001.

FORFEITURE FUNDING

Ms. Kaptur: Your testimony identifies the fact that you have been allocated $940,000 in forfeiture funding from the Department of Justice. This is an increase compared with $282,365 in FY 1998 and $730,344 in FY 1999. Can you tell us why this amount has been increasing?

Response: The FY 1998 forfeiture-funding amount reflected our new status as a participant in DOJ's Assets Forfeiture Fund as of May 1998. The amount allocated to us at that time for FY 1998 was partial-year funding only. FY 1999 allocation covered the full fiscal year.

RECOVERY OF FORFEITURE FUNDS

Ms. Kaptur: Do you get forfeiture funds from all investigations in which a recovery is made or only certain ones?

Response: A very limited number of our cases come within DOJ's legal and procedural requirements for forfeiture. Such forfeitures generally result from court-ordered forfeitures of the

ill-gotten gains of the criminals. The Asset Forfeiture funds of DOJ, Treasury, and the U.S. Postal Service receive these forfeiture funds and determine subsequent distribution. Our investigations include large cases, such as money laundering, smuggling, and fraud involving the Food Stamp Program, the tobacco program, farm loans, commodities, and the Child and Adult Nutrition Programs. We reported 515 investigations during FY 1999. During FY 1999, only 27 cases involved forfeiture.

In addition, our investigations lead to convictions that result in court-ordered fines and restitutions. These penalties do not involve forfeiture and are generally deposited into the U.S. Treasury. These funds cannot be transferred back to OIG.

Finally, funds allocated by DOJ for reimbursement of expenses are limited to specific-cost categories, and the use of these funds within each category is controlled through DOJ's Assets Forfeiture Fund requirements. Reimbursement is also contingent upon particular circumstances stipulated by DOJ with the understanding that the use of these funds would be for the purpose of supplementing law enforcement efforts, not supplanting other funding sources.

BACKLOG

Ms. Kaptur: You state in your prepared testimony that due "thousands of prosecutable cases" are in the file ~~do~~ to diminishing resources. If you were given an increase in funding over your request, would you be inclined to use these funds on expanding efforts in your priority areas, or would you be likely to take further action on the backlog you have?

Response: We have identified health, safety, and public corruption as top priority initiatives, and increases in funding would first be used to continue and expand our efforts in those initiatives. We would also use additional funding to prevent the introduction of foreign plant and animal pests and diseases. Only with a substantial increase in personnel could we address other program fraud.

We would also use additional funding to provide audit coverage to other vulnerable USDA operations, such as the Animal and Plant Health Inspection Service's activities to prevent the introduction of foreign plant and animal pests and disease, security over the information technology systems, collection of monies owed USDA, and the Department's new system for tracking the Rural Housing Loan Program.

INVESTIGATIVE CASES

Ms. Kaptur: Can you describe for us at what point you turn cases over to the Department of Justice or other agencies for further action? Is the backlog in your files in any way due to those agencies not taking further action?

Response: Matters referred to OIG are scheduled for investigation, declined for investigation, or placed into a backlog. Declined matters are referred to other investigative agencies for any action deemed necessary or to the appropriate USDA agency for administrative action. Backlog matters are not due to inaction on the part of DOJ or any USDA agency.

When OIG receives allegations of criminal conduct, it contacts DOJ through the U.S. attorney's office to obtain an initial prosecutive determination. If a positive prosecutive interest is expressed, the matter is scheduled for an investigation. If the

allegations are substantiated and criminal activity is found, a meeting is held between OIG and the U.S. attorney's office for a formal presentation of the findings and a final prosecutive determination. If the matter is accepted for prosecution by DOJ, administrative action is normally placed on hold pending the outcome of the prosecution.

ELECTRONIC BENEFITS TRANSFER

Ms. Kaptur: Last year you told us about your efforts to develop standards for audits of EBT processor operations. Where do you stand on that project.

Response: The project has been completed. States will be required to have their EBT system contractors obtain an independent audit of the contractor's processing of benefits under the Food Stamp Program. The guidelines developed by OIG are anticipated to be incorporated into the Compliance Supplement for performing audits under OMB Circular A-133 in March 2000. Independent auditors will use the guidelines in their examination of EBT processors beginning in FY 2000.

DETROIT SCHOOL BOARD CASE

Ms. Kaptur: In your testimony you mentioned a person who was previously a member of the Detroit School Board who had recently been sentenced for violating the Child Feeding Program. Can you give us more of the details surrounding this case?

Response: Through an OIG criminal investigation in Michigan, a former City of Detroit School Board member, who owned and operated 16 day care centers, and her assistant were indicted by a Federal grand jury for defrauding USDA out of an estimated $16 million. Our investigation revealed that their scheme actually defrauded USDA out of approximately $27 million. Our investigation also showed that these individuals inflated the number of meals fed to children and falsified supporting documentation for USDA's Child and Adult Food Care Program. A food vendor admitted supplying false invoices to inflate the food costs of the day care centers to substantiate the false meals reported to USDA. Due to the statute of limitations, the subjects could not be charged with the total fraud. However, a Federal district court jury found the owner of the day care centers guilty of conspiracy to commit mail fraud and Government program fraud, obtaining USDA funds by fraud, mail fraud, embezzlement of public funds, conspiracy to launder money, and money laundering. This individual was sentenced to 108 months in prison, followed by 3 years' supervised release, and was ordered to pay over $13 million in restitution and a $10 million fine. Cash in the amount of $1.1 million and three real estate properties were ordered forfeited to the Government. Her assistant recently pled guilty to conspiracy to commit mail fraud and Government program fraud. Sentencing is pending.

COMPUTER SECURITY

Ms. Kaptur: You note your concerns regarding information technology security. Just how vulnerable is USDA to unauthorized access?

Response: We believe the Department is very vulnerable. Our reviews have identified numerous breakdowns in security in some of the Department's systems. For example, we have identified the transmission of unencrypted user "ID's" and passwords, which, once captured, provide the capability of further exploratory actions which could culminate in a grievous breach of security. The

Department is developing a plan to address these vulnerabilities. The Department also recently hired a security expert to lead the Department's security operations. Given the breadth and complexity of the Department's computerized operations and the billions of dollars of payments and assets processed through the systems, however, the vulnerability is very great. We have initiated reviews of general information technology and internet security operations, as well as extending our network analyses to several additional agencies to assist the Department in minimizing the risk.

COMMON COMPUTING ENVIRONMENT

Ms. Kaptur: Much is being made of the Department's proposal for a Common Computing Environment. Has your office been sufficiently consulted to be sure that the right security procedures are in place with this new system?

Response: We were provided copies of some of the initial security plans while they were under development for the first phases of the Common Computing Environment (CCE) and attended various CCE security meetings where the security plans were drafted. Due to lack of resources, however, we have neither provided any formal input to the process nor have we visited the Service Center sites to test the implementation of the security procedures.

PERSONNEL LEVELS

Ms. Kaptur: There may be a little confusion about the number of personnel at the Office of Inspector General. Your testimony indicates that personnel levels have been steadily declining--which seems quite plausible, since your appropriations have been more or less frozen for a number of years. Yet the budget justifications suggest that you had a large increase in staff in FY 2000. (For example, page 8-3, shows employment at OIG increasing from 664 FTEs at the end of FY 1999 to 753 FTEs at the end of FY 2000.)

Could you clarify these figures for the committee? How many employees did you have on board five years ago, how many are on board now, and how many would you employ next year if your appropriation request is approved?

Response: The figures shown on the Permanent Positions by Grade and Staff-year Summary exhibit reflect FY 1999 actuals and 2000 and 2001 authorized ceilings for total permanent full-time employment at the end of the year. As we have done in past Explanatory Notes submissions, we have used the staff-year ceiling as the basis for estimating the total permanent full-time employment at the end of the year for the current and budget fiscal years. It is not expected that we will have 753 employees on board at the end of FY 2000, but this is the maximum number of employees that could possibly be on board. However, due to budget constraints caused by not having an increase in our FY 2000 appropriation for pay costs, we are unable to hire or pay as many employees as our ceiling permits. At this point in time, we have 665 employees on board, 13 percent less than what we had on board 5 years ago where we had 766 employees on board. If our FY 2001 appropriation request is approved, we estimate that we could have approximately 680 employees on board next fiscal year.

JUSTIFICATION OF INCREASES

Ms. Kaptur: The budget justifications indicate that your request for FY 2001 would allow hiring only 7 additional employees. Why wouldn't a $5.1 million appropriations increase cover a larger increase in staff?

How much of your proposed $5.1 million increase would be used to hire additional staff? How much would be used to cover increased pay costs for existing staff? How much would be used to purchase equipment?

Response: The $5.1 million appropriation increases include $1.8 million for pay costs for the existing staff; $1 million for technical equipment; and $2.3 million for 7 additional staff-years.

OPERATION TALON

Ms. Kaptur: Turning to Operation Talon, would you explain what role your office plays once a fugitive has been identified through the matching process. Do your agents actually participate in locating and apprehending the fugitive?

If they do participate, have you considered scaling back or ending that part of your involvement, and leaving the task of actually catching the offenders to the federal, state or local law enforcement authorities who are seeking them? Might this be a way of freeing up some of your agents' time to concentrate on matters that are more uniquely within your office's expertise and jurisdiction -- matters like fraud involving USDA programs, or sale of contaminated foods, or importation of products potentially dangerous to U.S. agriculture?

Response: Operation Talon has been one of the most effective initiatives undertaken by OIG. In addition to removing nearly 6,000 felony fugitives from the streets of America, it has been a very effective tool for establishing liaisons between Federal, State, and local law enforcement entities. After State food stamp records and law enforcement felony fugitive files are matched, OIG special agents and other Federal, State, and local law enforcement personnel conduct joint arrest operations.

Without the active participation of OIG in this process, Operation Talon would not have been implemented in many areas. OIG has taken the powerful tools provided to us by the Welfare Reform Act of 1996 and acted as a catalyst to initiate matches between social service and law enforcement data across the country. OIG also provided funds from the DOJ Assets Forfeiture Fund to pay for the overtime of local police officers during Operation Talon arrests. With the State social service agencies actually performing most of the data matches and the sporadic arrest operations consuming a minimal amount of time and effort on the part of OIG, we do not believe that scaling back or ending part of our involvement in Operation Talon would best serve the mission of OIG and the American public.

FOOD SAFETY ISSUES

Ms. Kaptur: Another area of concern is safety of imported food products. I understand that, in ensuring the safety of meat and poultry brought into this country, the Department relies heavily on foreign inspection systems, supplemented by occasional field audits of foreign manufacturing facilities by U.S. inspectors and inspection of a sample of imports at the border. Has your office

done work to evaluate the effectiveness of this system for ensuring that imported meat and poultry is safe? Has your investigative work turned up abuses in this area?

Response: Our investigative staff has ongoing initiatives to collect intelligence on foreign agriculture products entering the United States illegally or without proper documentation, inspection, quarantine, and control. We have agents assigned to joint task forces with the U.S. Customs Service, the U.S. Food and Drug Administration, and other USDA agencies which are targeting smuggling of imported agricultural products at different locations around the country. Based on these initiatives, we have identified illegal importation of foreign agricultural products.

We also have ongoing investigations regarding the smuggling of potentially hazardous prohibited fruits, vegetables, and meat products into the States in the East, Midwest, and Western United States.

In addition, we have a "Food Safety Initiative" underway to review the Food Safety Inspection Service's (FSIS) food safety mission across a broad spectrum of meat and poultry operations. One of our reviews currently in process is evaluating FSIS' policies and procedures to ensure that foreign countries and their meat and poultry establishments have adequately implemented food safety systems and inspection requirements equivalent to those of the United States. When this review is completed, we will focus on FSIS' responsibility to reinspect the imported product on entry to the United States. If need be, we will also visit selected foreign countries to assess their meat and poultry inspection systems.

We have also made reviews of the Animal and Plant Health Inspection Service's (APHIS) responsibilities to detect and prevent pests and diseases harmful to U.S. agriculture from entering the United States. In 1997, we followed up on earlier recommendations we made to APHIS regarding its preclearance program for imported fruits and vegetables. We found that our earlier recommendations had been implemented but that APHIS needed to address differences between the workplans it had developed with Mexico and those contained in APHIS' manual. These differences included the use of phytosanitary certificates for imported citrus, correct product sampling procedures not being followed, and correct workplans not followed at one border crossing. We also found two areas where preclearance procedures were not being followed, including trailer side-door seals not always being checked at border crossings and certain Mexican packing houses not obtaining certificates showing the product for export came from registered groves. APHIS management revised its operating procedures to clarify the preclearance functions.

We also reviewed APHIS' practices for inspecting air and ship cargos and passengers arriving at the Miami and Fort Lauderdale, Florida, ports. We observed that inspectors did not (1) inspect cargo ships timely upon arrival, (2) inspect the baggage of 75 percent of arriving international airline passengers and 98 percent of cruise ship passengers arriving from foreign locations, (3) assess fines as a deterrent where passengers were found to have prohibited agricultural items when entering the United States, (4) ensure caterers met all arriving foreign aircraft timely and controlled regulated garbage, and (5) control the selection of perishable cargo samples for inspection. APHIS is in the process of responding to our recommendations.

AUDITS OF USDA CONSOLIDATED FINANCIAL STATEMENTS

Ms. Kaptur: Your written statement indicates that in auditing the Department's consolidated financial statements for FY 1998 you were unable to give a clean bill of health. On the contrary your office issued a "disclaimer of opinion", apparently because of concerns about the reliability of the Department's financial systems. What has the Department done to address these concerns? Do you believe progress is being made?

Response: USDA has many serious financial management problems that impact the Department's ability to provide accurate and reliable reporting on its financial operations. For the last 8 years, the Department has reported that it is unable to provide reasonable assurance that its financial systems conform with required standards and principles. Even though this difficulty will continue until at least 2003, and possibly longer, progress is being made by the Department. A new accounting system is being implemented that is designed to integrate USDA's financial management systems and comply with requirements under the Federal Financial Management Improvement Act. Other efforts include an assessment of existing feeder systems, initiation of a corrective action plan to address out-of-balance amounts between fund balances with Treasury and the Department's records, and the use of a task force to assist in resolving longstanding credit reform problems. We will continue to monitor the Department's progress and success in these efforts.

QUESTIONS SUBMITTED BY MR. KINGSTON

BRIBERY OF AGRICULTURAL MARKETING SERVICE GRADERS

Mr. Kingston: You mentioned in your testimony that your office worked an investigation regarding bribery of Agricultural Marketing Service graders at Hunt's Point, New York, which resulted in cheating fruit and vegetable producers out of their market value of their crops. Can you tell us more about this investigation?

Response: Our current investigation in New York City epitomizes the agency's work in the public corruption area. Thus far, in this ongoing investigation, nine Agricultural Marketing Service (AMS) graders have pled guilty to charges of accepting bribes for downgrading the quality of fruits and vegetables at the Hunts Point Terminal Market in the Bronx. Three owners or employees of produce wholesalers have pled guilty to charges of paying bribes to these graders. In addition, 12 owners and employees of other produce wholesalers have been indicted and are awaiting trial. Since the testimony, the number of pleas have increased by 2, bringing the total to 14, which reduces the number of individuals waiting for trial to 10. All were arrested by OIG special agents. During the 2½-year investigation, we uncovered a scheme by which the AMS graders accepted bribes from produce wholesalers to downgrade lots of produce. The wholesalers then used the lower grades to reduce the price they paid the grower for the produce, which resulted in the growers being cheated out of the true value of their produce.

PUBLIC CORRUPTION INVESTIGATIONS

Mr. Kingston: What other types of public corruption investigations have you conducted?

Response: During FY 1999, OIG issued 40 reports of investigation concerning serious allegations of misconduct by USDA employees. Our investigations resulted in 22 convictions of current and former employees and 68 personnel actions, including reprimands, suspensions, resignations, removals, and alternative discipline. The following are examples of these investigations.

In West Virginia, nine individuals, including two employees of FSA's Agricultural Credit Team, were convicted for defrauding the Government of approximately $2 million in FSA direct and guaranteed farm operating loan funds. The loans were obligated by FSA based on false information submitted by the applicants. The two employees of the Agricultural Credit Team assisted the loan applicants by forging signatures or manipulating figures on official FSA documents for the purpose of making the applicants qualify for loans. Eight of the nine individuals have been sentenced. All seven loan recipients were ordered to make full restitution. The two FSA employees resigned from Government service following their convictions.

In an investigation in Louisiana, five individuals pled guilty and were sentenced in Federal court for their involvement in a kick-back scheme in which an FSA credit manager in Louisiana falsified loan documents, resulting in $1.8 million in false FSA farm-operating loans. The credit manager resigned, and two other FSA borrowers were indicted and are currently fugitives. In addition, a local bank vice president was placed on pretrial diversion for conspiring with the former credit manager to provide false information to the Government, which resulted in the issuance of an erroneous FSA-guaranteed loan. The bank vice president obtained

the loan for the construction of an airplane hangar. To date, the sentences have ranged from 2 years 3 months of incarceration to probation. In addition, the court has, thus far, ordered a total of over $670,000 in restitution be to paid to USDA.

In Nevada, an OIG investigation found that a former FSA County Executive Director (CED) had embezzled over $1 million from the Commodity Credit Corporation between May 1992 and her death in October 1997. The former CED committed suicide upon learning of our investigation. Most of the embezzled funds were routed through a bank account that the former CED established under the guise of an official FSA account. The former CED diverted funds, supposedly provided to local producers, into the unauthorized account and subsequently transferred the monies into other bank accounts that she and/or her relative controlled.

In an investigation in Ohio and Texas, OIG found that an NRCS budget officer had embezzled over $300,000 from 1993 to 1998 through lax financial controls. When confronted, the subject admitted his guilt and resigned from NRCS. He recently pled guilty in Federal court in Ohio.

QUESTIONS SUBMITTED BY MS. DELAURO

FOOD STAMP FRAUD

Ms. DeLauro: In your testimony, you mentioned that of $19 million in food stamp benefits, about 70 percent are now issued via the electronic benefits transfer system. Would you elaborate on how this program will affect the amount of time and resources that you focus on combating food stamp fraud? Are there any fraud problems you see over the horizon related to the Electronic Benefits Transfer system?

Response: Electronic Benefits Transfer (EBT) supports law enforcement efforts by substantially eliminating most street-level food stamp trafficking, which allows us to focus our efforts on trafficking by authorized retailers. It also provides electronic data that provides leads to identify retailers and recipients who defraud the Food Stamp Program. Analysis of this electronic data performed by special agents often discloses the fraud scheme. Additionally, it creates an electronic paper trail that captures the food stamp redemption activity of the retailer. This EBT data identifies high-volume redeemers, redemption patterns contrary to logical food purchasing patterns in comparison to neighboring retailers, and the EBT card that was used in the transactions, as well as information regarding the transactions.

While EBT reduces the number of individuals who traffic benefits, it does not substantially eliminate the amount of fraud in the program. There continues to be a significant amount of fraud by retailers, which far exceeds our available resources to investigate. As it was with coupons, we continue to disclose substantial amounts of fraud through EBT.

Through the use of our limited resources, we are generally only able to direct our attention to high-volume redeemers that may appear to be involved with EBT fraud. However, fraud in lower-volume redemption amounts will persist and will continue to impact the intended purpose of the program.

While the EBT system is clearly a better system to issue program benefits, it also presents new areas where we must employ audit procedures to ensure that control measures are in place to prevent and detect fraud, waste, and abuse. These new areas include reconciliations between State agency certification records and issuance amounts credited to individual accounts by EBT processors, security over access to EBT systems, security over unissued EBT cards, analyses of data to identify potential fraudulent activity by retailers and recipients, and dormant accounts. Interoperability among the States will also be an area that will require our attention as all States implement EBT systems as mandated.

COMPUTER HACKERS

Ms. DeLauro: In your testimony, you stated that to prevent hackers from breaking into the USDA computer facilities, the Office of Inspector General "required special and costly training, hardware, and software." Would you provide the committee with a specific cost for these items? What steps are you taking now to address the threat of hackers?

Response: We estimate a cost of $673,000 to enable OIG to provide adequate information technology audit coverage. Within the last year, OIG completed reviews of access controls at the Department's computer centers and used sophisticated software

to analyze some of the Department's information technology networks. Our reviews identified numerous vulnerabilities, such as the transmission of unencrypted user "ID's" and passwords. Although the Department is developing a plan to address these vulnerabili-ties, we intend to conduct as many of these types of reviews as our limited resources will allow due to the criticality of the area. For example, we have initiated reviews of the Department's general information technology and internet security operations, as well as extended our network analyses to several additional agencies.

FEDERAL FARM ASSISTANCE

Ms. DeLauro: As you may know, this summer, parts of Connecticut were declared natural disasters as a result of the worst drought in 20 years. Connecticut farmers suffered $41.6 million in losses. I truly appreciate your office's efforts to help the Risk Management Agency (RMA) ensure that all eligible farmers received their Federal farm assistance in a timely manner. From your work with these agencies, what additional steps do you think should be taken to make the distribution of vital assistance more efficient?

Response: In order to ensure that these programs providing vital assistance to farmers are more efficiently and effectively operated, OIG needs to get quickly involved in monitoring the agencies' implementation of these farm assistance programs as soon as they are authorized, as we did with the enactment of the Crop Loss Disaster Assistance Program (CLDAP). By doing so, we were able to help the program agency in avoiding the many historical problems that we encountered in prior ad hoc disaster programs. We participated in meetings convened by FSA and RMA to draft the program regulations. We were able to proactively review and provide comments on the agencies' regulations. In addition, we attended various FSA training sessions, which provided our office another opportunity to provide feedback to the agencies. We assisted FSA in developing its compliance program for CLDAP targeted areas for review, thereby reducing duplicative efforts by our office and by the agencies.

We placed staff at the FSA field offices shortly after the program was implemented, and we provided timely feedback on the implementation of the program; as FSA and RMA had requested in areas, such as the status of its outreach program, backlogs or other problems in the processing of applications, problems in the agencies' software application, county office workload statistics, etc. We held biweekly conference calls with the two agencies to update them on our review; with this information, the agencies were better able to prioritize their projects. During our early fieldwork, we were also able to alert FSA and RMA about potential program weaknesses. For example, we alerted FSA and RMA to discrepancies in yield and production data (and the processing of such discrepancies) and of producers whose crop payments exceeded normal or reasonably expected gross returns. As a result of our proactive coordination with FSA and RMA, the two agencies were able to revise the program procedures and reduce or preclude improper CLDAP payments. We believe that such proactive actions on the part of this office are more cost effective and efficient to both the American taxpayers and the American farmers.

Furthermore, based on our fieldwork in CLDAP, we have recommended to both agencies the need to expand their automated data base systems to capture more vital information that can be analyzed and tracked to ensure better compliance with the laws and regulations. We have also recommended to both agencies the need to develop and use common reporting information from producers, thereby facili-

tating cross-comparison for compliance purposes. For example, RMA and FSA did not collect and store producer and crop information in their data bases in the same manner, making it very difficult to convert the data from one system to another and reconcile the data for compliance purposes.

2001 Explanatory Notes

OFFICE OF THE INSPECTOR GENERAL

Purpose Statement

The Office of the Inspector General was established pursuant to the Inspector General Act of 1978 (5 U.S.C. app. 3). Its activities consist of two broad areas, audit and investigations.

1. The appropriation funds activities which are authorized by the Inspector General Act of 1978 as amended. This Act expanded and provided specific authorities for the activities of the Office of the Inspector General which had previously been carried out under the general authorities of the Secretary of Agriculture. The Office of the Inspector General:

   a. Provides policy direction and conducts, supervises, and coordinates all audits and investigations relating to programs and operations of the Department;

   b. reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and the Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations and the prevention and detection of fraud, waste, and mismanagement in such programs;

   c. recommends policies for and conducts, supervises, or coordinates other activities in the Department whose purposes are to promote economy and efficiency or prevent and detect fraud, waste, and mismanagement;

   d. recommends policies for and conducts, supervises, or coordinates relationships between the Department and other Federal, State, and local Government agencies in: (1) promoting economy; (2) preventing and detecting fraud, waste, and mismanagement; and (3) identifying and prosecuting individuals and groups involved in fraud, waste, and mismanagement; and

   e. keeps the Secretary and the Congress fully and currently informed about fraud, waste, mismanagement, deficiencies, and other serious problems in Department programs and operations; recommends corrective action; and reports on the progress made in correcting problems.

2. The Office of the Inspector General is headquartered in Washington, D.C., and has regional offices in the following cities: New York, New York; Beltsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California. As of September 30, 1999, total onboard employment was 675, including 664 full-time and 11 other employees. There were 184 employees located in the Washington, D.C., metropolitan area and 491 located in the field.

OFFICE OF THE INSPECTOR GENERAL

Available Funds and Staff Years

1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses .	$65,128,000	701	$65,097,000	753	$70,214,000	760
Obligations under other USDA appropriations:						
Commodity Credit Corporation Audit of Financial Statements	870,000	--	910,000	--	944,000	--
Risk Management Agency Audit of Financial Statements	210,000	--	220,000	--	228,000	--
Rural Utilities Service Audit of Financial Statements	188,000	--	188,000	--	195,000	--
OCFO/NFC, Audits of Non-USDA agencies	688,000	--	688,000	--	715,000	--
Total, Other USDA Funds	1,956,000	--	2,006,000	--	2,082,000	--
Total, Office of the Inspector General .	67,084,000	701	67,103,000	753	72,296,000	760

OFFICE OF THE INSPECTOR GENERAL

Permanent Positions by Grade and Staff Year Summary

1999 Actual and Estimated 2000 and 2001

Grade	1999 WashDC	1999 Field	1999 Total	2000 WashDC	2000 Field	2000 Total	2001 WashDC	2001 Field	2001 Total
Executive Level IV	1	--	1	1	--	1	1	--	1
ES 6	1	--	1	1	--	1	1	--	1
ES 5	3	--	3	3	--	3	3	--	3
ES 4	4	--	4	4	--	4	4	--	4
ES 3	--	--	--	--	--	--	--	--	--
ES 2	--	--	--	--	--	--	--	--	--
GS-15	15	12	27	15	14	29	15	14	29
GS-14	41	47	88	53	54	107	53	54	107
GS-13	43	131	174	45	148	193	46	149	195
GS-12	19	180	199	9	197	206	11	198	209
GS-11	6	30	36	5	44	49	5	44	49
GS-9	8	35	43	11	37	48	12	37	49
GS-8	4	--	4	6	--	6	6	--	6
GS-7	20	23	43	21	30	51	22	30	52
GS-6	8	22	30	8	26	34	8	26	34
GS-5	4	10	14	5	11	16	5	11	16
GS-4	2	1	3	3	1	4	3	1	4
GS-1	1	--	1	1	--	1	1	--	1
Total Permanent Positions	180	491	671	191	562	753	196	564	760
Unfilled Positions End-of-year	-6	-1	-7	--	--	--	--	--	--
Total, Permanent Full-Time Employment, End-of-year	174	490	664	191	562	753	196	564	760
Staff Year Ceiling	185	516	701	191	562	753	196	564	760

OFFICE OF THE INSPECTOR GENERAL

CLASSIFICATION BY OBJECTS

1999 Actual and Estimated 2000 and 2001

Personnel Compensation:		1999	2000	2001
Washington, D.C.		$ 8,419,545	$ 8,759,000	$ 9,168,000
Field		33,678,181	35,035,000	36,672,000
11	Total pers. comp.	42,097,726	43,794,000	45,840,000
12	Personnel benefits	11,646,539	12,116,000	12,682,000
13	Benefits for former personnel	9,123	9,000	9,000
	Total pers. comp. and benefits	53,753,388	55,919,000	58,531,000
Other Objects:				
21	Travel	4,481,829	4,720,000	5,230,000
22	Transportation of things	405,708	365,000	443,000
23.2	Rental payments to others	457,459	410,000	499,000
23.3	Communications, utilities, and miscellaneous charges	902,853	807,000	980,000
24	Printing and reproduction	143,189	128,000	155,000
25.2	Other services	1,471,376	1,064,000	1,330,000
25.3	Purchases of goods and services from Government accounts	902,411	757,000	920,000
25.4	Operation and maintenance of facilities	129,239	114,000	139,000
25.6	Medical care	26,976	32,000	39,000
25.7	Operation and maintenance of equipment	225,461	201,000	244,000
25.8	Subsistence and support of persons	105,716	91,000	110,000
26	Supplies and materials	387,068	365,000	443,000
31	Equipment	1,368,725	91,000	1,111,000
42	Insurance and indemnities	34,183	32,000	39,000
43	Interest and dividends	110	1,000	1,000
	Total other objects	11,042,303	9,178,000	11,683,000
Total direct obligations		64,795,691	65,097,000	70,214,000
Position Data:				
Average Salary, ES positions		$126,000	$137,000	$137,000
Average Salary, GS positions		$64,000	$67,000	$70,000
Average Grade, GS positions		11.4	11.4	11.4

OFFICE OF THE INSPECTOR GENERAL

PASSENGER MOTOR VEHICLES

The Office of the Inspector General (OIG) owns seven passenger vehicles. This figure includes vehicles which were seized and forfeited to the Government as the result of OIG investigations in cooperation with other law enforcement agencies. These vehicles were acquired by OIG under the excess property regulations. The agency utilizes these vehicles for law enforcement activities during undercover operations to obtain evidence for prosecutions. OIG has installed specialized law enforcement equipment such as radios, cameras, and video equipment in these surveillance vehicles. These vehicles are used in investigations that typically include the controlled exchange of USDA Food Coupons for cash or contraband and for observing and photographing criminal violations of USDA laws and regulations. OIG must have such operational capabilities and equipment to fulfill the statutory criminal investigative responsibilities specified in the Inspector General Act of 1978 and other related Congressional Acts.

Age and mileage data for passenger-carrying vehicles on hand as of September 30, 1999, are listed below. No requests for additional vehicles are anticipated. These figures do not include vehicles leased from the General Services Administration (GSA) or commercially leased under GSA approved contracts.

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1994 & before	7	100	80-100	4	57
Total	7	100	60-80	2	29
			40-60	1	14
			Total	7	100

OFFICE OF THE INSPECTOR GENERAL

APPROPRIATION LANGUAGE

The estimate includes proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Inspector General

For necessary expenses of the Office of the Inspector General, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. section 2225), and the Inspector General Act of 1978 as amended [$65,128,000], $70,214,000 including such sums as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(8) of the Inspector General Act of 1978, as amended, and including a sum not to exceed $50,000 for employment under 5 U.S.C. 3109; and including a sum not to exceed $125,000 for certain confidential operational expenses including the payment of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and section 1337 of Public Law 97-98.

OFFICE OF THE INSPECTOR GENERAL

LEAD-OFF TABULAR STATEMENT

SALARIES AND EXPENSES
(On basis of appropriation)

Appropriations Act, 2000	$65,128,000
Budget Estimate, 2001	70,214,000
Increase in Appropriation	+5,086,000

Adjustments in 2000:		
Appropriation Act, 2000	$65,128,000	
Rescission under P.L. 106-113 a/	-31,000	
Adjusted Base for 2000		$65,097,000
Budget Estimate, 2001		70,214,000
Increase over Adjusted 2000		+5,117,000

a/ The amounts above are rescinded pursuant to section 301 of the Emergency Supplemental Appropriations part of the Omnibus Appropriations Act, FY 2000 (P.L. 106-113) enacted November 29, 1999.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2000 Estimated	Pay Costs	Program Changes	2001 Estimated
Audit and Investigations	$65,097,000	+$1,770,000	+$3,347,000	$70,214,000

PROJECT STATEMENT
(On basis of appropriation)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Audit and Investigations	$64,795,691	701	$65,097,000	753	+$5,117,000	$70,214,000	760
Unobligated Balance	332,309	--	--	--	--	--	--
Total, Available or Estimate	65,128,000	701	65,097,000	753	+5,117,000	70,214,000	760
2000 Rescission	--	--	+31,000	--			
Total, Appropriation	65,128,000	701	65,128,000	753			

OFFICE OF THE INSPECTOR GENERAL

Justification of Increases and Decreases

(1) An increase of $5,117,000 for audits and investigations ($65,097,000 available in fiscal year 2000 due to rescission of $31,000 from our appropriation) consisting of:

(a) An increase of $1,770,000 for pay costs, which includes $435,000 for annualization of the FY 2000 pay raise and $1,335,000 for the anticipated FY 2001 pay raise.

(b) An increase of $500,000 and 2 staff years for audits involving consumer protection issues.

In auditing the wide range of consumer protection and inspection areas for which USDA is responsible, OIG continues to find significant problems. The agency has developed a strategy in the consumer protection arena to address the programs and activities in USDA where OIG has identified high risks to people, animals, and plants. However, the marked reduction of auditors over the last 5 years has precluded OIG from implementing its components of this strategy. Additional funds and staff years are needed to successfully cover both the remedial and preventative efforts of consumer protection.

Since FY 1995, the number of audit staff has steadily declined from 324 auditors in FY 1995 to 281 in FY 1999, a decrease of 43 auditors or 13 percent. At the same time, programs and activities administered by USDA to protect consumers have undergone substantial changes. Moreover, activity has increased substantially due to global trade and travel, and in addition, purchases of commodities for use in the National School Lunch Program (NSLP) and related programs have continued to increase.

OIG must become more proactive in order to ensure the safety of agricultural products such as meat, poultry, and eggs. To this end, OIG has developed a "Food Safety Initiative" to review FSIS' food safety mission across a broad spectrum of meat and poultry inspection operations. The initiative will include a review of meat and poultry establishments' sanitation and Hazard Analysis and Critical Control Point (HACCP) implementation, including efforts to test for pathogens and reduce their presence. A key to pathogen reduction is FSIS' laboratory operations. Our review will assess FSIS' quality control system over its laboratory operations, product sample integrity, and laboratory testing operations. To export meat to the United States, a country must demonstrate that its meat and poultry inspection system is equivalent to the U.S. system. Our review will focus on FSIS' process to make the equivalency determination. Future efforts will focus on FSIS' responsibility to inspect the imported product upon entry into the United States, and to assess the meat and poultry inspection systems of foreign countries, if necessary. Lastly, our initiative will focus on FSIS' Compliance Program to determine its effectiveness in preventing and detecting violations of the meat and poultry inspection laws. This includes activities related to businesses engaged in transporting, storing, and distributing products after they leave federally inspected establishments.

OIG is also looking at the control structure over the Agricultural Marketing Service (AMS) grading activities. AMS realizes its vulnerability in ensuring the integrity and objectivity of grading standards for agricultural products such as meat, fruits, vegetables, and cotton. OIG investigated a case involving AMS after school children in Michigan became ill with the Hepatitis B virus associated with strawberries purchased for the NSLP. The processing

company from which the product was purchased had certified falsely that the strawberries were of domestic origin when, in fact, strawberries from Mexico were substituted. This remains a vulnerable area.

OIG is greatly concerned about the Animal and Plant Health Inspection Service (APHIS) inspection and quarantine activities at U.S. ports-of-entry to prevent the introduction of exotic animal and plant diseases and pests. Such diseases and pests could impact U.S. farmers' ability to provide abundant and reasonably priced products which affects products available to U.S. consumers and the price they pay. Our recent review at two Florida ports-of-entry found that inspection practices caused vulnerabilities and weaknesses which increased the risk of prohibited or infected products entering the United States, including regulated garbage coming in on aircraft and ships. In addition, we reviewed controls over uninspected products that pass through the United States en route to another country. Such products may enter the United States for transshipment, under seal, provided there is evidence that the product exits the United States. We found that APHIS' controls were insufficient to assure that such products did not enter U.S. commerce.

OIG is also focusing on APHIS' surveys and inspection activities within the United States to locate and prevent the spread of agricultural pests and diseases, as well as control and eradication programs to combat new endemic infestations and animal diseases.

(c) An increase of $673,000 and 2 staff years for audits of information technology activity.

OIG has been very active in the Information Technology (IT) area, and one of our primary initiatives is to enhance IT audit efforts in USDA. It is incumbent upon OIG to make IT a priority, because, as recognized by the Congress and the Administration, security risks will only increase with the continued expansion of Internet use and public access to departmental systems. The potential for improper entry into the Department's computer systems is extraordinary given the degree of sensitive data processed and the extent of program payments made. OIG assisted the Department in meeting the Y2K challenge. Our audits of computer security disclosed significant vulnerabilities that needed, and received, prompt attention.

For example, an audit survey at two USDA agencies and the Department's National Information Technology Center (NITC) identified over 600 security vulnerabilities, 100 of which qualify as "high risk." This means there was inadequate security to preclude unauthorized access to computers, the data maintained in the computers, and possibly entire computer networks. The USDA agencies involved have been notified and are taking immediate action to address these problems. We have concerns about similar weaknesses in the thousands of untested departmental systems that make billions of dollars in payments to farmers, Federal employees, and contractors. However, we have been severely hampered by the lack of staff, funds to train personnel in the highly technical and complex automated environment, and funds to purchase the software and hardware necessary to analyze and identify problems in the IT area.

Additional funding is necessary to effectively and meaningfully assess the reliability of agencies' efforts to improve and modernize the Department's financial and program management systems. Delay will put OIG further behind in the technological audit environment, with the cost of catching up even greater.

(d) An increase of $1,174,000 and 3 staff years for proactive investigations of public integrity issues.

While the integrity of most public servants is not in question, we are alarmed by the occurrences of corruption within the Department's ranks. The requested increase in funding and staffing will not allow OIG to engender new initiatives but will help regain some of its lost capability to address critical public integrity issues that USDA faces in the new millennium.

For example, in FY 1999 one of our investigations targeted public corruption at the Hunts Point produce market in New York and resulted in 8 AMS fruit and vegetable graders being charged on 65 counts of racketeering. In addition, 13 owners or employees of produce wholesalers, located at the Hunts Point Market, were indicted on bribery charges. During this investigation, OIG undercovered a scheme by which the AMS graders accepted bribes from produce wholesalers to downgrade lots of produce. Once produce was downgraded, prices were negotiated downward between the wholesaler and the grower. This investigation is continuing to develop additional evidence on USDA graders and produce wholesalers. Trial for the graders is scheduled to begin in March 2000.

During FY 1999, we issued 40 investigative reports and obtained 22 convictions of current and former USDA employees. These results were accomplished with 4 percent of OIG's limited investigative resources; the remainder were committed to other significant criminal investigations, such as those involving conspiracies to sell adulterated meat products, physical assaults, smuggling of products that endangered the U.S. agricultural sector, arrest operations that removed numerous dangerous fugitives from our Nation's streets (Operation Talon), and massive frauds in USDA programs.

Funding for OIG law enforcement services for the protection of USDA programs and operations against criminal activities has been curtailed since FY 1994. Since FY 1994, the number of investigative staff has steadily declined from 268 criminal investigators in FY 1994 to 215 in FY 1999, a decrease of 53 criminal investigators, or approximately 20 percent. As our number of law enforcement personnel has eroded, our criminal enforcement efforts have also declined in correlation to that erosion. We have had to accept fewer cases. During FY 1994, OIG criminal investigators conducted 1,079 criminal investigations, which accounted for 856 indictments and 886 criminal convictions. During FY 1999, OIG criminal investigators conducted 515 criminal investigations, a 52 percent decrease; these investigations accounted for 502 indictments, a 41 percent decrease; and 559 criminal convictions, a 37 percent decrease.

An additional 3 staff years and $1,174,000 in FY 2001 is requested to replenish a small portion of our lost capabilities to conduct proactive, as well as reactive, law enforcement operations targeting corruption within USDA. We will also purchase a small amount of the specialized law enforcement technology needed to detect corruption within the Department. Since deterrence and prevention operations are our first line of defense against corruption, OIG will also use these funds to initiate law enforcement activities designed to deter and prevent compromise of USDA's critical agricultural inspection mission.

(e) An increase of $1,000,000 for technical equipment.

All Federal law enforcement agencies are required to transition to narrowband digital radio equipment by 2005, and all new radio equipment manufactured after January 1, 1995, must operate at 12.5 kilohertz. OIG is currently using narrowband analog radios operating in

frequency ranges of 162 to 174 megahertz in its law enforcement operations. In order to continue our work and carry out our responsibilities, OIG must obtain radios that meet the mandated specifications. OIG will utilize $1 million for the first phase of replacing our radio inventory.

The members of the Federal law enforcement community--DOJ, Treasury, the Department of Defense, OIG's, and uniformed police agencies--are in the process of switching to the specified equipment. To facilitate development of digital technology, the Federal law enforcement community has requested that private industry develop a standard, common interface to ensure interoperability of equipment, effectively phasing out analog radio communications. This will render OIG's current radios incompatible with other law enforcement agencies' radios, as well as being unusable because of the mandated frequency change. Because OIG would be unable to communicate by radio with other law enforcement agencies, joint operations with OIG and other law enforcement agencies, such as the Federal Bureau of Investigation, Internal Revenue Service, and U.S. Customs Service, would virtually halt. In addition, OIG's security responsibilities for the Secretary and Deputy Secretary would be seriously impaired.

Beyond the need to communicate with other law enforcement agencies, agent safety is OIG's primary concern. Radios are essential tools used daily by OIG special agents in day-to-day tactical situations such as conducting surveillance, providing security in undercover operations, and enforcing court-ordered searches and arrest warrants. The equipment is essential in order for the agency to operate effectively and to communicate both internally and with other law enforcement agencies.

OFFICE OF THE INSPECTOR GENERAL

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS

1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	$8,047,625	89	$8,085,000	96	$8,721,000	97
D.C.	14,325,679	185	14,392,000	198	15,524,000	199
Georgia	8,288,665	92	8,328,000	99	8,982,000	100
Illinois	7,954,319	90	7,991,000	97	8,619,000	98
Maryland	6,815,211	22	6,847,000	24	7,385,000	24
Missouri	9,983,072	124	10,030,000	133	10,818,000	134
New York	2,996,801	29	3,011,000	31	3,247,000	32
Texas	6,384,319	70	6,413,000	75	6,918,000	76
Subtotal, Available or Estimate	64,795,691	701	65,097,000	753	70,214,000	760
Unobligated Balance	332,309	--	--	--	--	--
Total, Available or Estimate	65,128,000	701	65,097,000	753	70,214,000	760

OFFICE OF THE INSPECTOR GENERAL

STATUS OF PROGRAM

The Office of the Inspector General (OIG) is operationally independent of other agencies of the Department. OIG has the responsibility to (1) supervise, coordinate, and provide policy direction for audit and investigative activities relating to programs and operations of the Department; (2) recommend policies and conduct, supervise, or coordinate other activities of the Department for the purpose of promoting economy and efficiency and preventing and detecting fraud, waste, and mismanagement in its programs and operations; (3) keep the Secretary and the Congress informed of fraud and other serious problems, waste, and deficiencies relating to the administration of programs and operations of the Department; and (4) recommend corrective action and report on progress made in obtaining management's agreement to implement such action.

ACCOMPLISHMENTS IN FISCAL YEAR 1999

During fiscal year (FY) 1999, OIG issued 515 investigative reports and 146 audit reports. Investigations also had 502 indictments, 559 convictions, and 94 suits filed. The period of time to get court action on an indictment varies widely; therefore, the 559 convictions are not necessarily related to the 502 indictments.

Investigative Monetary Results:

	(in millions)
Claims established	$ 5.1
Recoveries and collections	10.8
Cost avoidance (payments not made based on investigations)	8.8
Fines	5.9
Administrative penalties	.2
Restitutions	37.4
Total investigative monetary results	$ 68.2

Audit Monetary Results:

During FY 1999, management decisions were made on 138 audit reports. At the time of the management decision, the monetary values agreed to by agencies were:

Questioned and unsupported costs and loans		$262.5
Recommended for recovery	$ 55.1	
Not recommended for recovery	207.4	
Funds to be put to better use		$114.1
Total audit monetary results		$376.6

INVESTIGATIONS ACCOMPLISHMENTS

PRESIDENTIAL INITIATIVES

Operation Talon

For the past 30 months, OIG has coordinated a nationwide law enforcement initiative dubbed "Operation Talon," which has resulted in the arrest of over 5,000 fugitive felons. This initiative, which has been carried out in conjunction with other law enforcement agencies and State social service agencies across the country, was designed to identify, locate, and apprehend dangerous and violent, fugitive felons who may also be illegally receiving benefits through the Food Stamp Program (FSP). These enforcement actions were made possible by provisions in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, also known as Welfare Reform. This legislation allows for law enforcement agencies' felony fugitive files to be matched with social service agencies' food stamp recipient records, thus facilitating the location and apprehension of fugitives who may also be illegally receiving benefits.

Operation Talon began as a pilot project in Louisville and Lexington, Kentucky. In May 1997, in partnership with the Office of the Attorney General for the State of Kentucky and several other State and local law enforcement agencies, the first 85 felony arrests were made. From there, Operation Talon has grown into a nationwide dragnet, currently encompassing 24 States, resulting in 5,906 arrests to date. Included in this number were 33 fugitives who were wanted for murder or attempted murder; 24 for child molestation; 13 for rape or attempted rape; 8 for kidnapping; and 1,617 for assault, robbery, and drug offenses.

In December of 1997, Vice President Gore, along with the Secretary of Agriculture and the Inspector General (IG), announced the success of Operation Talon during a press event at the White House. Many of the State and local law enforcement professionals with whom OIG had worked during these phases of the operation attended the White House announcement. During a reception for these officers, two deputies from a rural county in Washington State, who comprised their entire fugitive squad, told the IG that Operation Talon was the "best thing that has happened" in their efforts to locate fugitives. They were very impressed that, with the information now available to them through their interaction with OIG, they found their fugitives at 90 percent of the addresses provided. This kind of positive feedback exceeded even what OIG initially anticipated.

The improvement of communication and cooperation between Federal, State, and local law enforcement organizations is a central theme of Operation Talon. Following the December 1997 White House announcement, the IG sent a copy of his Operation Talon report to the Governors of all 50 States, Puerto Rico, and Guam, advising them of the success of the operation and urging them to consider similar actions in their States. As a result, the IG received responses from several of the Governors, extolling the success of the operation and advising of their interest in similar activities in their States. Computer matching and joint arrest operations have begun or are planned for the future, in several of these States as a direct result of the cooperative nature of this initiative.

The next phase of Operation Talon will introduce cooperative efforts between the U.S. Marshals Service and USDA/OIG expanding the operation to include the apprehension of Federal fugitives while continuing to work with State and local law enforcement agencies targeting non-Federal fugitive felons.

FOOD AND NUTRITION SERVICE (FNS)

Food Stamp Program (FSP)

In FY 1999, OIG issued 282 reports of investigation relating to FNS programs, including 257 reports relating to FSP. Most of our investigative efforts in FSP involve trafficking of food stamp benefits at grocery stores that are authorized by FNS to accept and redeem them. Our FSP investigations resulted in 391 convictions and overall monetary results exceeded $38.9 million, which included more than $25.4 million in restitution, over $3 million in fines, about $2.1 million in cost avoidance, $6.7 million in collection/recoveries, and $1.6 million in claims established and administrative penalties. The following are some examples of these cases.

As the result of three investigations in Cleveland, Ohio, that initially seemed unrelated, a local grocer, who has two prior convictions for food stamp trafficking as a result of OIG investigations conducted in 1989 and 1994, pled guilty to laundering $8.6 million in connection with food stamp trafficking. The investigation showed that, from June 1993 through March 1998, the grocer organized the illegal redemption of food stamps for himself and other Cleveland area grocers. The grocer was sentenced in Federal court to 12 years' imprisonment. The other two store owners involved in the conspiracy, who cooperated with the prosecution, were sentenced to 2-1/2 years and 18 months, respectively. All involved grocers were permanently disqualified from the FSP. This investigation was conducted by the Cleveland Food Stamp Task Force, which is composed of OIG, the U.S. Secret Service, the Federal Bureau of Investigations (FBI), the Internal Revenue Service's (IRS) Criminal Investigation Division, Customs, the Cleveland Police Department, and the Ohio Department of Public Safety.

The investigation of a major Detroit, Michigan, narcotics and food stamp trafficker and his lieutenants resulted in the arrest and conviction of 18 members of the organization. The head of the organization had trafficked narcotics for over 20 years in the area and was seemingly "untouchable" until he mentioned that he was interested in buying food stamps. During the course of the investigation, he bought $23,000 in food stamps directly from an undercover officer. After the food stamp deals, he agreed to the sale of narcotics to the officer, after which he was arrested. He was released on bond, and shortly after, was murdered, gang land style, along with his girlfriend. The rest of his organization was arrested at the same time as the gang leader in a citywide drug sweep. Their convictions for drug and/or food stamp trafficking led to sentences ranging from a maximum of life in prison without parole to a minimum of 5 months in prison. The store owner involved pled guilty to food stamp and drug trafficking but failed to appear for sentencing and is currently a fugitive. The neutralization of this major drug trafficking enterprise has significantly stemmed the flow of narcotics in the Detroit area. This investigation was conducted jointly with the Organized Crime Drug Enforcement Task Force, composed of OIG, the Drug Enforcement Administration, IRS, and the Detroit Police Department.

We previously reported on a complex food stamp trafficking conspiracy involving 20 authorized stores in New York City. In this conspiracy, food stamps worth $63 million were fraudulently redeemed by 44 defendants who owned and/or worked in authorized stores in Manhattan, Brooklyn, and the Bronx. The investigation revealed that the money used in the food stamp trafficking was derived from drug trafficking proceeds. To date, 46 individuals have been indicted and 27 convicted for their involvement in this scheme. Sentencing on the remaining subjects is pending. Two commercial bank officers were also indicted for conspiracy to facilitate food stamp trafficking and bank bribery. Criminal forfeiture actions are also pending. This case is being conducted jointly with FBI and IRS.

Another investigation resulted in the arrests and convictions of 14 individuals for their involvement in the theft of $728,000 in food stamps from four county welfare offices in Indiana. Sentences ranged from 1 year of probation to 20 years in prison, with $1.1 million in restitution. The investigation

showed street gang members stole the food stamps from county welfare offices and traded about $500,000 worth of food stamps to other gang members for cocaine, marijuana, firearms, and cash. The remaining food stamps were traded to two individuals for cash, marijuana, firearms, and explosives. This investigation was worked jointly with the Indianapolis Safe Streets Gang Task Force.

Six family members were sentenced in Houston, Texas, for food stamp fraud, money laundering, conspiracy, and criminal forfeiture. A 2-year investigation disclosed that the subjects illegally accepted and redeemed in excess of $2 million in food stamp benefits via the EBT system. This investigation was worked jointly with the Texas Department of Human Services OIG, IRS, and the Secret Service. The sentences of the six subjects ranged from 27 months' to 97 months' imprisonment. In addition, $2 million was ordered in restitution, individually and severally.

Two subjects were sentenced in Beaumont, Texas, for trafficking in EBT food stamp benefits in exchange for "crack" cocaine. One subject was sentenced to 46 months in jail, and the other subject was sentenced to 18 months in jail. These investigations were worked jointly by OIG and the Cleveland, Texas, Police Department.

Child and Adult Care Food Program (CACFP)

During FY 1999, OIG issued 14 reports of investigation regarding the CACFP program, resulting in 13 convictions and over $3 million in monetary results. A few examples of these cases are set forth below.

In Michigan, the president of a child care operation, who was also a former Detroit school board member and an attorney, was found guilty of fraud, embezzlement, conspiracy, and money laundering related to defrauding CACFP of an estimated $17 million between 1989 and 1993. The assistant, also charged in this crime, is scheduled for trial in February 2000. Both were indicted for falsifying claims totaling $27 million for more than a decade from 16 day care centers the board owned and operated. A food vendor admitted to false invoices to inflate the day care center's food costs to substantiate the false meal count sheets. The president of the child care operation was sentenced to 108 months in prison, ordered to pay $13.5 million in restitution, and fined $10 million.

In a California case, the executive director and assistant executive director of an organization sponsoring nearly 1,000 day care centers in the San Diego area were convicted by a jury in U.S. district court of mail fraud for illegally obtaining in excess of $85,000 in CACFP funds. The executive director was sentenced to 1 month in prison, 5 months of home confinement, and 2 years of supervised release. The assistant executive director was sentenced to 5 months in prison, 5 months of home confinement, and 2 years of supervised release. Each was fined $10,000. They were also ordered to pay a total of $55,500 in restitution.

Special Supplemental Food Program for Women, Infants, and Children (WIC)

During FY 1999, OIG issued three reports of investigation regarding the WIC program, resulting in three convictions. A few examples of these cases are set forth below.

A custodian at a WIC clinic in Dallas, Texas, through lax security measures, was able to steal 359 WIC food vouchers valued at $19,830. The stolen WIC vouchers were redeemed for baby formula and also sold at a discount to neighborhood grocery stores. The custodian was sentenced to 18 months in prison, followed by 3 years of supervised release. Restitution of $1,700 was also ordered.

In Georgia, a Department of Health clerk responsible for administering WIC pled guilty to creating $49,945 in fraudulent WIC vouchers and converting them for her own use. This investigation was

conducted jointly with the Georgia Department of Human Resources, Office of Fraud and Abuse. While the investigation was in progress, the clerk resigned from her position. As a result of entering a guilty plea, she was sentenced to 1 year of incarceration, followed by 3 years of supervised release, and ordered to pay $47,945 in restitution.

FARM SERVICE AGENCY (FSA)

During FY 1999, OIG issued 97 reports of investigation regarding FSA programs and operations. Our FSA investigation resulted in 49 convictions and monetary results totaling over $9.3 million, including over $5.2 million in restitution and fines, $1.4 million in collection and recoveries, approximately $800,000 in cost avoidance, and another $1.9 million in claims established. A few examples of these cases are set forth below.

Three Mitchell County, Georgia, farmers believed to be the masterminds in a disaster fraud scheme that netted them and 12 relatives and friends approximately $1.6 million in unentitled disaster payments have each pled guilty to one count of conspiracy to launder money. The defendants filed fraudulent claims to receive FSA disaster payments for themselves and the others and submitted fictitious seed invoices to support the fraudulent claims. Each farmer was sentenced to serve 1 year in a Federal prison for their involvement in this scheme.

Four cotton exporters participated in a conspiracy to defraud CCC. Two cotton companies based in Lubbock, Texas, pled guilty to charges of making false statements and claims, mail and wire fraud, and money laundering. Both companies were fined and ordered to pay restitution totaling $1,067,575. Two cotton companies based in Memphis, Tennessee, have entered guilty pleas to similar criminal charges, and their sentencings are pending.

Two Idaho warehouse operators, a husband and wife, were ordered to pay restitution of $166,000 to CCC and local farmers after they pled guilty to Federal charges related to the theft of grain that was being stored at their State-licensed grain warehouse. Producers in Idaho and Oregon lost more than $1.5 million. The wife was sentenced to serve 6 months in Federal prison to be followed by 4 months of home detention and 3 years of supervised release. Her husband was placed on probation for 4 years. As part of their plea agreement, they also agreed not to contest debarment action by USDA. This investigation was a cooperative effort with warehouse examiners from the FSA Kansas City commodity office; the Oregon State Police; the Canyon County, Idaho Sheriff's Department; FBI; and the IRS's Criminal Investigation Division.

In North Dakota, three farmers pled guilty to filing false tax returns, and another was found guilty following trial on five separate counts of conspiracy, fraud, false statements, and filing a false tax return. They fraudulently obtained $438,500 in crop insurance disaster program benefits and sold grain in another person's name, which enabled them to underreport their crop production over 2-1/2 years. The farmer who was convicted at trial was sentenced to 1 year and 9 months in prison and ordered to pay a combined criminal/civil restitution of $257,270. The three who pled guilty were each sentenced to 18 months' probation and ordered to pay a combined restitution of $31,280. Two other subjects, who were acquitted at trial, have agreed to pay approximately $150,000 to settle a civil suit against them.

A Minnesota farmer pled guilty to felony charges in U.S. district court after an OIG investigation showed he had converted more than $230,000 in CCC-secured corn and soybeans. He was sentenced to serve 5 months' confinement, followed by 5 months' home detention and 3 years' supervised probation. As part of the plea agreement, he agreed to make full restitution and repay the remainder of his outstanding loans.

In Harrisburg, Pennsylvania, the owner of a mink operation pled guilty to criminal charges relating to making false statements to FSA in order to obtain $188,600 in operating loans. In addition, eight individuals, including the defendants' attorney, and two fictitious trust companies were sued in U.S. district court for filing fraudulent Federal common-law liens against FSA-pledged securities. The defendants were ordered to pay restitution of $113,700 to FSA and fined a total of $25,000.

RURAL HOUSING SERVICE (RHS)

During FY 1999, OIG issued 25 reports of investigation concerning RHS programs and operations, including four involving the Rural Rental Housing Program. Our investigation resulted in 12 convictions and overall monetary results totaling approximately $315,000, including nearly $160,000 in restitution and approximately $155,000 in fines, collections, and claims established.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

During FY 1999, OIG issued 15 reports of investigation concerning FSIS. Our investigations resulted in eight convictions and overall monetary results totaling approximately $2.4 million, including fines of about $0.8 million and restitution totaling over $1.6 million. The following are some examples of these cases.

In Philadelphia, Pennsylvania, two owners, the vice president, plant manager, and four salesmen for a large meat company were indicted for skimming $2.7 million from the company cash register and concealing this income on their tax returns. The owners and plant manager were also indicted for misbranding cheaper cuts of beef and pork between 1990 and 1995 and selling this meat as expensive cuts. The two owners pled guilty to all 52 counts brought against them. The plant manager pled guilty to selling misbranded meat and filing false income tax returns. At sentencing, the two owners were ordered to pay a total of $1.5 million in restitution and fined $724,000. In addition, one owner was sentenced to serve 60 days' imprisonment, the other owner 1 year of home confinement, and each, 5 years' probation. The investigation was conducted jointly with the FBI, IRS, and Defense Criminal Investigative Service.

Two employees of a Buffalo, New York, salvage company and a third individual pled guilty to diverting and selling uninspected meat food products. The three individuals stole meat products designated for destruction or use in animal feed from the salvage company and sold the product to local stores. One individual was sentenced to 2 years' probation and fined $1,000. A second individual was sentenced to 2 years' probation and fined $250. The third individual was sentenced to 2 months in a halfway house and 2 years' probation. This investigation was conducted jointly with the U.S. Food and Drug Administration's (FDA) Office of Criminal Investigation.

A Vermont meat company and its vice president were sentenced for wire and mail fraud and misbranding violations under the Federal Meat Inspection Act. The Vermont company, which supplied Halal beef to the New York City Department of Corrections, falsely represented meat products as such. Halal refers to a slaughter practice consistent with the Muslim faith, which allows meat to be consumed by devout Muslims. Halal beef sells for a higher price than regular beef. The vice president received 4 months in prison and 1 year of probation, and the company was sentenced to 2 years' probation. The judge ruled that the total restitution for all parties would be $67,000.

A Dallas, Texas, meat company pled guilty to making false statements to FSIS by certifying that beef tenderloins exported to EU were from an EU-certified plant when, in fact, the exported meat was not certified for export to EU. In addition to a $100,000 fine and 5 years of probation, the company entered into a consent decree (i.e., probation) with FSIS for continued inspection privileges.

In December 1998, plant operations at an Arkansas meat processing plant were suspended by FSIS for sanitation problems dealing with listeria monocytogenes (LM) bacteria. The plant produced about 600,000 pounds of product per week, which consisted of frankfurters (hot dogs) and cold cuts. The plant did business with large food stores and the military. On January 22, 1999, the plant voluntarily recalled all its product produced from July 1998 to December 1998, about 30 million pounds of potentially tainted hot dogs and sandwich meats. Subsequently, the recalled product was deemed unfit for human consumption and destroyed. The criminal investigation by OIG is continuing.

An OIG investigation of sewing needles found in ground beef, fruit, and bakery items in an Iowa grocery store led to the indictment of one individual on a Federal criminal charge of tampering with food product. Eighteen OIG criminal investigators, in cooperation with the local police department, worked around the clock for up to 4 weeks in an effort to identify the individual responsible for this serious threat to the health and safety of the area population. Due to the immediate response of our investigators, no injuries are known to have resulted from these criminal acts. An April 2000 trial date has been set.

AGRICULTURAL MARKETING SERVICE (AMS)

During FY 1999, OIG issued 14 reports of investigation concerning AMS programs, resulting in 34 convictions and $896,000 in monetary results. The following is an example of this type of case.

A Pennsylvania dairy labeled and sold as "skim milk" more than 19 million pounds of a "reconstituted skim milk" which had been made from skim milk powder and water. From January 1993 through December 1997, the company filed 60 false monthly reports with the Milk Market Administrator (MMA), AMS, which resulted in a $1 million loss to MMA. The three defendants, who were officers of the company, pled guilty to conspiring to misbrand milk with intent to defraud and mislead consumers and increasing the company's profits by mislabeling the reconstituted skim milk. It was sold to Federal institutions, local school districts participating in the National School Lunch Program, and the general public. The company also routinely underfilled milk containers, mixed old milk with new milk and gave it a new freshness date, and placed false freshness dates on milk during production. The officers were each sentenced in U.S. district court to 3 years' probation, 100 hours of community service, and a total fine of $5,250. The Government also has a pending civil suit against the company. This was a joint investigation with MMA, the AMS Compliance staff, and the Office of Criminal Investigation for FDA. Sentencing is pending.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

During FY 1999, OIG issued 23 reports of investigation concerning APHIS programs, resulting in 15 convictions and about $358,000 in monetary results. The following are examples of these cases.

Two owners and their company operating a horse export/import business in Virginia and Germany pled guilty to smuggling and providing falsified information concerning the age of horses being exported from Germany. The German veterinarians unknowingly issued inaccurate health certificates for export to the United States. The certificates were presented to APHIS officials so that the horses could avoid 50 days of quarantine in the United States, a requirement for all horses over the age of 731 days in order to prevent the spread of Contagious Equine Metritis. The horse owner is responsible for paying for the quarantine process. Consequently, at least four horses were imported into the United States without being placed in quarantine. This was a joint investigation with APHIS. Sentencing is pending.

In North Dakota, a dog kennel owner pled guilty to a felony count of threatening to assault an APHIS Animal Care inspector in an attempt to prevent him from performing the required inspections at the kennel. During the interview with OIG, the subject admitted that he had threatened to kill the

inspector, and then proceeded to make another threat. The kennel owner was sentenced to 12 months' probation.

A husband and wife, both Canadian citizens, were indicted in Washington for smuggling prohibited Asian fruit into the United States. The fruit is prohibited entry into the United States because it is known to carry pests and diseases not found in the United States. The fruit was discovered hidden in the cargo area of the subject's station wagon, as well as inside the walls of the cargo area. This was the third time these individuals had been caught smuggling fruit into the United States. The subjects were later arrested when they attempted to cross into the United States, again carrying prohibited Asian fruit. The husband eventually pled guilty and was sentenced to 2 days in jail and 3 years of supervised release.

NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

During FY 1999, OIG issued seven reports of investigation concerning NRCS, resulting in seven convictions and $6 million in monetary results. One of these cases is summarized below.

In Harrisburg, Pennsylvania, the superintendent of a major construction company pled guilty to criminal charges regarding the submission of false documents to USDA and the Board of Contract Appeals (BCA) when its contractor entered into an agreement with NRCS for the construction of the Lost River Watershed flood control project in West Virginia. During the construction in 1994 and 1996, the contractor incurred additional expenses of over $5.9 million in order to repair an emergency spillway. The contractor claimed NRCS officials were aware of the emergency repairs and had approved these additional expenses. NRCS denied the contractor's request, which resulted in an appeal to BCA. One of the contractor's supporting documents in the appeal was the superintendent's diary, indicating dates, conversations with NRCS officials, and approvals for additional expenses. However, forensic examination of the diary revealed that some entries were actually made from 10 to 16 months after the date of the entry.

The superintendent was sentenced to 1 year of probation, ordered to pay restitution of $18,000 to cover the cost of prosecution, and fined $6,000. The contractor entered into an agreement with NRCS to dismiss the $5.9 million claim.

EMPLOYEE INTEGRITY

During FY 1999, OIG issued 40 reports of investigation concerning serious allegations of misconduct by USDA employees. Our investigations resulted in 22 convictions of current and former employees and 68 personnel actions, including reprimands, suspensions, resignations, removals, and alternative discipline. The following are examples of these investigations.

Five farmers have pled guilty and been sentenced in Federal court for their involvement in a kickback scheme in which an FSA credit manager in Louisiana falsified loan documents, resulting in $1.8 million in false FSA loans. The credit manager, who resigned, and two other FSA borrowers have been indicted and are currently fugitives. Also, a local bank vice president was placed on pretrial diversion for conspiring with the former credit manager to provide false information to FSA, resulting in the issuance of an FSA guaranteed loan. To date, the sentences have ranged from probation to 2 years and 3 months of incarceration. In addition, the court has ordered a total of over $670,000 in restitution be paid to USDA.

In West Virginia, nine individuals, including two employees of the FSA Agricultural Credit Team, were convicted for defrauding the Government of approximately $2 million in FSA guaranteed loan

funds. The loans were obligated by FSA based on false information submitted by the applicants. The two employees of the Agricultural Credit Team assisted the loan applicants by forging signatures and/or manipulating figures on official FSA documents for the purpose of making the applicants qualify for loans. Eight of the nine individuals have been sentenced. All seven loan recipients were ordered to make full restitution. The two FSA employees have resigned from Government service.

In Nevada, the relative of a former FSA County Executive Director (CED) was awaiting sentencing after having been convicted by a jury in U.S. district court of receiving stolen property. However, a Federal judge subsequently granted the defendant's motion for a judgment of acquittal. The U.S. attorney for the District of Nevada is preparing an appeal of the judge's decision. The former CED, who committed suicide upon learning of our investigation, embezzled over $1 million from CCC between May 1992 and her death in October 1997. Most of the embezzled funds were routed through a bank account which the former CED established under the guise of an official FSA account.

A former program assistant for NRCS in Washington, D.C., was ordered to serve 5 years' probation and make full restitution to the Government after pleading guilty to using a Government credit card to buy $21,000 in personal items in 1997 and 1998. Another former NRCS employee embezzled nearly $10,000 and was sentenced to 5 years' probation and ordered to make restitution of $9,900. A former NRCS district conservationist was convicted in North Carolina on charges of conflict of interest and the conversion of property of landowners to his own use. A search warrant at the home of an NRCS computer specialist in Illinois revealed that the employee had stolen U.S. Air Force computer components and a USDA computer not assigned to him. The employee was convicted and sentenced to 12 months' probation for theft.

In Virginia, a former FSA employee pled guilty to embezzling over $99,000 in travel advance funds and was sentenced to 5 months' incarceration, 3 years' supervised release, and restitution of $99,085.

A former Kansas FSA county office program assistant pled guilty to charges that she had issued CCC checks to herself, disguised as administrative payments, to embezzle more than $276,000. She has since been sentenced to serve 18 months in prison, followed by 3 years of supervised release, and ordered to pay restitution of $276,680.

AUDIT ACCOMPLISHMENTS

Each fiscal year we use a strategic planning approach to focus our audit resources on those programs most vulnerable to fraud and mismanagement or those where the largest dollar losses are most likely to occur. Highlights of our efforts during FY 1999 included reviews of farm-related programs, such as the implementation of the Crop Loss Disaster Assistance Program, the Noninsured Crop Disaster Assistance Program, farm loan programs, and various aspects of crop insurance. The Food Stamp Program continues to be an area of emphasis, including the ongoing implementation of electronic benefits transfer systems and related systems to track participating retailers. Our Presidential initiative, Operation "Kiddie Care," continues to find sponsor abuses in the Child and Adult Care Food Program, and we have made a number of recommendations to restore integrity to that program. In the marketing and regulatory programs, we reported on the need for residue testing of certain imported tobaccos and control problems over foreign agricultural products passing through the United States en route to other countries. We have continued reviews of the Forest Service land exchanges, and we completed our Presidential initiative with the Rural Housing Service to identify owners and management agents who misused funds while neglecting the physical condition of Rural Rental Housing program apartment complexes. As required by law, we completed seven financial statement audits, including the Department's consolidated statement.

Details of our significant audit accomplishments may be found in the Semiannual Reports to Congress covering FY 1999. Some highlights are provided below.

FARM AND FOREIGN AGRICULTURAL SERVICES

Farm Service Agency (FSA)

Monitoring Implementation of the Crop Loss Disaster Assistance Program (CLDAP)

OIG has been actively working with FSA to monitor the implementation of CLDAP, which was authorized under the Omnibus Consolidation and Emergency Supplemental Appropriations Act for FY 1999. In addition to the $3.1 billion appropriated for market loss assistance, the Act also authorized $2.4 billion for crop loss assistance.

We issued a Management Alert to the Administrators of FSA and the Risk Management Agency (RMA) recommending that the agencies obtain a Secretarial decision on two material issues to determine whether to (1) adjust crop loss payments for producers who received excessive disaster payments resulting from identified excessive yields and/or production guarantees and (2) reduce payments to producers who could receive total disaster program benefits exceeding the expected gross return for their crops. We also recommended that the agencies implement regulations and procedures to resolve producers' file data where the two agencies' records are materially disparate.

During the recent phase of our review, we discussed with officials of both agencies the following areas that needed immediate attention: (1) conversion of RMA's production count for certain crops from a dollar amount to a measurable unit; (2) establishment of FSA State office crop yields, rates, and factors; (3) improvement of outreach efforts in some States; (4) processing disputed records; (5) establishment of maximum-loss levels; and (6) concerns of the FSA county offices about the reliability of RMA crop insurance data. In addition, in the county offices where our reviews were performed, we provided FSA with updates on the workload resulting from CLDAP. As a result of these discussions, the agencies were able to make timely program modifications and reduce or preclude improper program payments.

Noninsured Crop Disaster Assistance Program (NAP) Loss Verifications and Controls Over Payments Inadequate

We reviewed NAP operations in California, Oklahoma, Florida, and Georgia, sampling 98 payments totaling about $2.4 million. We found that the reported production used to determine claims for losses was submitted long after reported losses occurred, and that the extent of disaster loss was not, or could not be, verified by FSA because FSA did not, or could not, verify harvested production sold to vendors. Also, information used to verify harvested production for forage could not be verified.

Underreported production and misrepresentations of grazing resulted in excessive payments totaling $89,500. Further, program payments were computed manually, contributing to the high payment error rate of 32 percent, on 31 of 98 payments. The county office errors resulted in overpayments of more than $200,000, which were forgiven under the finality rule.

We recommended that FSA make field crop appraisals for fruits and vegetables when the method of marketing would prevent the verification of all production. We also recommended that the system of determining forage production be improved to allow verification of the elements used to determine the extent of the disaster loss. In addition, we recommended that FSA issue spot check procedures which include a verification of reported marketed production and that a computerized system for computing payments be developed to prevent such a high rate of payment errors.

FSA has taken action to collect the overpayments if relief was not granted under appropriate relief provisions. Procedures revised since our audit should improve the verification of losses, and new spot check requirements have been put in place for verification of production. FSA also agreed that a computerized payment system was needed and modified an existing software package to automate payment calculations to implement the corrective action.

Farm Loan Program Loanmaking and Loan-Servicing Actions Violate New Provisions

FSA did not implement adequate controls to ensure that loans were processed and servicing actions completed in accordance with the Federal Agriculture Improvement and Reform (FAIR) Act of 1996. We identified 24 borrowers who had prior debt forgiveness and then received direct and guaranteed loans totaling $4.1 million after April 4, 1996, when the new statute went into effect. We questioned the propriety of additional loans totaling $20.1 million made to 196 borrowers. However, their loan application dates were not recorded in the data base, so agency officials will have to review each loan file to determine whether the application was filed before April 4, 1996. Further, FSA had canceled $1.2 million through debt settlement for three Texas borrowers who had previously received debt forgiveness of Farm Loan Program loans.

We recommended that FSA collect the $4.1 million in unauthorized assistance and determine the propriety of the $20.1 million in question. We also recommended that FSA refer the three loan-servicing cases to OGC for an opinion on the collectability of the $1.2 million in unauthorized assistance. Further, we recommended that FSA implement controls, which will ensure that loan making and loan-servicing actions are processed in compliance with current provisions. The agency agreed to recover the unauthorized loan assistance and implement computer controls to prevent further unauthorized assistance. However, they indicated that it would take some time to accomplish this and did not establish a date by which it would be completed.

Foreign Agricultural Service (FAS)

FAS Needs To Strengthen Controls Over the Food for Progress (FFP) Program

The FFP program provides food resources to developing countries and emerging democracies. FAS enters into agreements with private voluntary organizations (PVO) to furnish the countries with food commodities. The Commodity Credit Corporation (CCC) supplies FFP commodities and pays for tens of millions of dollars in noncommodity costs (primarily transportation) and other assistance. Four of the five PVO's we reviewed generally complied with grant agreement terms.

We found that the other PVO had a history of grant agreement violations dating back to 1993. That PVO materially violated provisions of one agreement by monetizing (selling) $14 million of CCC-donated commodities, which were designated for direct distribution to recipients in the Republic of Belarus. It also received $415,000 of administrative funds to assist in directly distributing the commodities to recipients, and the funds were not accounted for. The governments of the Republics of Belarus and Ukraine assessed import taxes against the PVO on $3.7 million of CCC commodities donated as part of two other agreements. The two governments declared that the PVO's activities in their countries were commercial businesses and taxed the monetization proceeds derived from the sale of these commodities. As a result, nearly all of the $3.7 million of commodities provided to PVO under the two agreements will probably be used to pay import and sales taxes. The PVO also diverted $128,000 of commodities to other countries, in direct violation of a grant agreement.

Three of the five PVO's reviewed received $264,000 in grant funds for foreign social security and payroll taxes that they did not pay to their host governments.

We found that FAS did not (1) require formal budgets for monetization proceeds that PVO's used to pay for FFP projects or adequately monitor the use of those proceeds, (2) conduct timely reviews of PVO's semiannual logistics and monetization reports, or (3) validate information PVO's reported in their semiannual reports or require them to submit copies of their annual audit reports for review.

We recommended that FAS debar one PVO from further participation in the program and initiate actions to account for and recover from PVO's, as appropriate, the questioned monetization proceeds and administrative funds. We also made a series of recommendations to strengthen controls over the program. FAS agreed to conduct followup reviews of the PVO's activities, take appropriate action, and improve its controls over FFP.

Observations on the Implementation of the Russian Food Aid Agreements

In December 1998, the governments of the United States of America and the Russian Federation signed agreements for USDA to provide food aid assistance under the authority of P.L. 480, title I, section 416(b). Under section 416(b), 1.5 million metric tons of wheat were donated. An additional 1.5 million metric tons of various commodities were financed under P.L. 480, title I. Subsequently, agreements were signed with PVO's operating in Russia to donate 100,000 metric tons of commodities.

Since January 1999, OIG has attended regular meetings lead by FAS on the implementation of the food aid agreements. At the invitation of FAS, OIG participated on a U.S. Government interagency team trip to Russia in May 1999 as an observer. The team's primary objectives were to (1) monitor and evaluate the implementation of the food aid agreements between the governments of the United States and the Russian Federation and (2) assess the possible uses of proceeds from monetized commodities and the need for future food aid agreements. Because OIG had already raised concerns about the 1992-1993 food aid agreements in our audit issued September 1994 and many of these concerns related

to the team's first objective, we believed our presence on the team could be beneficial. We provided FAS with our comments and observations limited to this first objective.

The itinerary established by FAS included a variety of meetings with representatives from private and government (American, Russian, and European Union (EU)), entities and site visits to Russian grain terminals and other processing plants. Because our role on this trip was that of an observer, we did not try to alter the itinerary. However, the itinerary did not give us an opportunity to review or track the processing of funds to the Russian government pension fund, interview FAS' onsite monitors, or review FAS' tracking records other than those records provided in the information packet provided to the interagency team members.

Based on the observations we made during the trip, we provided FAS with our conclusions on the implementation of the food aid agreements. In general, the Russian government officials and other related parties were committed to ensuring the program was carried out properly. Additionally, we found that the staff of the American Embassy was committed to providing the necessary monitoring effort over the program. Finally, we observed that a good working relationship had been established between FAS and EU staff in Moscow.

Our trip report provided suggestions for FAS to improve the food aid program. The Moscow Bilateral Working Group needed to better document the information it used to make decisions and the followup work the Group performed related to these decisions. In addition, this Working Group needed to better define, coordinate, and document assistance in monitoring the food aid effort received from other Russian Ministries and EU Moscow representatives. Finally, FAS needed to ensure that changes to food distribution plans were controlled; ensure that its tracking reports contain clear, complete, and accurate information; determine that the specific level of shipment monitoring that would be acceptable; and ensure that local Russian media representatives were aware that food distribution information was available on the Internet.

We will provide feedback to FAS on the Russian food aid program as it continues.

Risk Management Agency (RMA)

Nursery Crop Insurance Program Needs Improvement

RMA and the reinsured companies, which actually sell insurance to farmers and are then reinsured by the Government, need to improve their management and administration of the Nursery Crop Insurance Program. In a joint effort with RMA, we identified significant problems for three of the five producers we reviewed.

- Sales agents for reinsured companies had not assessed the reasonableness of producer-reported inventory values. One producer, who submitted inflated values for inventory to the reinsured company, received over $2.9 million in indemnities.

- Loss adjusters did not always verify the reported cause of loss. In one case, where we concluded that a tornado did not strike a producer's nursery as alleged, we questioned over $243,000 in indemnity payments for crop-year 1996.

- RMA's system for identifying and sanctioning producers with abnormal loss histories was not effective. As a result, producers having a history of receiving large, recurring indemnities have been allowed to continue to purchase insurance coverage at the same premium levels as producers with little or no loss experience. For example, administrative miscues allowed one producer to underpay premiums by about $3.1 million for crop-years 1997 and 1998.

Reinsured companies' quality control reviews did not identify deficiencies similar to those disclosed in our audit, and the agency did not provide adequate oversight and monitoring of the program. Some cases have been referred for possible investigation.

RMA officials generally agreed with our findings and recommendations to review the cited cases and, in consultation with investigative personnel, recover the questionable indemnities and take other appropriate administrative actions, take measures to ensure compliance with program regulations and requirements, and adjust the cited producer's premium for crop-year 1999.

Reinsured Companies Were Not Properly Servicing Catastrophic (CAT) Policies

The FAIR Act authorized the Secretary to transfer CAT coverage from FSA offices to private insurance companies. Our review showed that the program is allowing limited-resource producers who had coverage in the past to slip away from the program and farm without crop protection. The participation of limited-resource farmers declined about 78 percent in just a year, between 1997 and 1998, or the same period, when reinsured companies assumed sole delivery of the CAT program. Of limited-resource producers who dropped from the program, over half of those still eligible for coverage had received inadequate servicing by the reinsured companies. Producers remaining in the program tended to be those with larger acreage who could contribute more per policy to the reinsured companies' underwriting gains.

Generally, we question whether the CAT program is a viable means of protection to farmers having catastrophic crop losses. Within our 8-State universe of 84,028 CAT program policies, we estimate that the private, reinsured companies retained only about 42,000 of the transferred policies. Despite shrinking enrollment, it cost over $2 to deliver the CAT program for every $1 paid out to producers for crop losses ($506 million versus $250 million) from 1995 through 1998.

We also found that RMA did not take an active role in monitoring the transfer and servicing of CAT program policies, a continuing concern. RMA has not addressed deficiencies reported since 1997, despite assurances that it would. In June 1998, we further reported in a management alert that reinsured companies were not providing any special servicing to limited-resource producers and that RMA had not provided any guidance to the companies on how to service the limited-resource producers who were flagged during the transfer process. Again, RMA did not take any action to address the servicing of the limited-resource producers.

Without improvements in the CAT program, producer participation will likely continue to decline, and the effectiveness of the program as protection against catastrophic losses for producers, especially small and socially disadvantaged farmers, will diminish further. We recommended that RMA concentrate its efforts on improving the CAT program policies, consider an alternative CAT program delivery system (with limited-resource producers to be provided special servicing in the interim), and follow up as recommended to help ensure that assigned tasks, such as the transfer of the CAT policies, are accomplished properly.

RMA does not agree with OIG regarding the reasons cited for the dropoff rate of limited-resource producers. RMA stated that while instances of substandard service may have occurred, the quality of servicing CAT policies by reinsured companies was not the primary factor in the reduction of participation. Therefore, instead of requiring special servicing by the reinsured companies, RMA has asked Congress for authority to develop a program that might better meet the producers' needs; however, Congress has not provided this authority. Furthermore, RMA stated that the reinsured companies had made efforts to service these individuals, and that other actions by RMA, such as conducting outreach programs and monitoring CAT servicing, addressed our recommendations.

Large Insurance Indemnities Paid on Noninsurable Potatoes

Based on a complaint, we initiated an audit of alleged abuse of crop insurance on potatoes by a producer in Gaines County, Texas. We found evidence that the seed varieties purchased from a firm in North Dakota used by the insured were not of the type adaptable to produce a crop in the Gaines County area of Texas, in violation of policy provisions. Therefore, we questioned almost $616,000 of the indemnity payment of over $771,000 on 380 of the 490 acres planted in 1998. Based on historical losses on this farm, indications of low-quality potato seed used, and a questionably high insurance payment price, the claim also raised the question of whether the insured planted the potatoes only for the insurance indemnity.

We recommended that RMA collect about $616,000 in overpayments, determine whether insurance coverage should be terminated based on prior years' losses, and establish controls to ensure that insurance coverage for potatoes is limited to the acreage planted with a variety adapted to the area where planted. RMA has taken actions to obtain recovery of the overpayment. RMA also agreed to take action to implement the other recommendations or provide us with alternative solutions for correcting the problem. Corrective action is scheduled for completion by March 2000.

FOOD, NUTRITION AND CONSUMER SERVICES

Food and Nutrition Service (FNS)

Operation "Kiddie Care" Finds Unscrupulous Sponsors, Inherent Flaws in the Child and Adult Care Food Program (CACFP)

Operation "Kiddie Care," our Presidential initiative to identify, remove, and prosecute unscrupulous CACFP sponsoring organizations (sponsors), continued to be successful. The focus of our Operation is on improving program delivery and oversight. After an interim report on Operation "Kiddie Care" was issued on April 22, 1998, a formal audit report was issued in August 1999; urging needed regulatory and legislative changes to CACFP. The cases of serious deficiencies and criminal activities continue to mount.

- To date, we have identified 40 sponsors whose program deficiencies are so serious that they should be terminated from program participation unless the shortcomings are addressed promptly. These sponsors have been receiving about $78.6 million in CACFP funds annually.
- There are now 38 active investigations of individuals and sponsors of CACFP.
- Twenty sponsors, receiving $42.3 million annually, have been terminated from CACFP.
- Fifty-four individuals have been charged with crimes. Thirty-four individuals have pled guilty or were convicted, and 29 individuals were sentenced for their illegal activities.

We believe our findings demonstrate a need for dramatic changes in CACFP.

- The system encourages sponsors to seek new providers at the expense of integrity. The more providers a sponsor has, the more costs for reimbursement it can claim. This creates competition among sponsors for providers and discourages sponsors from enforcing CACFP requirements.
- Sponsors are not required to maintain a reasonable ratio of monitors to providers. More reimbursement is available to spend on executive salaries and benefits than providers.

- Some States allow sponsors of day care centers to retain up to 30 percent of food reimbursement to pay for administrative costs. Regulations do not clearly specify how administrative costs of these sponsors should be reimbursed. Sponsors were thus able to retain substantial funds that in many cases contributed to the personal enrichment of their officers.

In terms of general oversight, we concluded that FNS needed to better codify its CACFP requirements. State agencies and sponsors alike generally did not understand all that was required of the sponsors to administer the program, leading to some serious deficiencies and many questionable claims.

We made 23 recommendations to eliminate the structural program flaws, strengthen internal controls, and clarify CACFP program requirements. In addition to such a redesign, we also recommended that FNS study alternative methods of delivering a meal program to children and adults in day care, specifically one that addresses the problems with private, nonprofit sponsors.

Monitoring of State Electronic Benefit Transfer (EBT) Systems

Currently, 40 States and the District of Columbia use EBT systems to deliver food stamp benefits. Thirty-four of the systems have been implemented statewide, including the District of Columbia. About 67 percent of all Food Stamp Program (FSP) benefits are being issued via EBT. During FY 1999, we completed EBT system audit work in Oregon, Colorado, Missouri, and Minnesota. The EBT systems were successfully implemented in all four States; however, controls needed to be strengthened in some areas.

In Oregon, the State agency had not performed reconciliations to ensure that food stamp authorizations matched the food stamp settlement data with the Account Management Agent data at the Federal Reserve, resulting in a difference of $2.3 million. We also noted an inadequate separation of duties for persons authorized to approve food stamp benefits and those authorized to issue EBT cards.

A State issuance system error caused an estimated $730,000 in food stamp benefits to be issued to about 10,000 ineligible individuals in Colorado. Controls were not in place to correct the erroneous benefit file that had been transmitted to the contractor. The State agency had developed neither an EBT security manual nor an administrative procedure manual.

Colorado, Missouri, and Minnesota all needed to improve controls over access to their EBT systems.

FNS' Computer-Based System Needs to Better Identify Food Stamp Fraud By Retailers Using EBT

With the implementation of EBT, FNS established a computerized system called the Anti-Fraud Locator Using EBT Retailer Transactions (ALERT) to monitor retailers' EBT transactions and identify potentially fraudulent transactions. We determined that FNS needed to consider new approaches to combat retailer fraud, with greater emphasis on advanced computer technology as opposed to the labor-intensive analyses required for the ALERT system. We identified certain deficiencies which limited the system's effectiveness. Redemption transaction data were not available on ALERT for 30 or more days after redemptions occurred, delaying any possible enforcement action. Also, the system omitted certain low-volume retailers from its scans because they were inaccurately classified as supermarkets, which are believed to have a low incidence of fraud. Finally, FNS had not issued procedures or guidelines on how the ALERT system should be used even though the system itself is now available nationwide.

Participants Received FSP Benefits in More Than One State at the Same Time

In Nebraska, Kansas, Iowa, Missouri, Indiana, Illinois, and Wisconsin, we found that 147 of 230 statistically selected FSP participants whose Social Security number appeared in more than one State received food stamp benefits in more than one State simultaneously, resulting in overissuances of $43,000. Projected to the audit universe, an estimated 888 participants received excess food stamp benefits totaling about $394,000. Benefits totaling an additional $56,000 were paid to members of households where the head of household had certified more than one household in more than one State. Projected to the audit universe, an estimated 273 heads of households received approximately $376,000 in improper benefits because they certified more than one household in more than one State.

We recommended that FNS establish claims to recover the identified overpayments, review the remaining participants in the universe to determine if they are dual participating in FSP, and establish a nationwide data base to prevent dual participation. FNS concurred with our recommendations and findings and is conducting a study on the feasibility of establishing a nationwide data base.

Georgia Deficient in Management of the Food Stamp Employment and Training Program

The Welfare Reform Act limited the participation of able-bodied adults without dependents (ABAWD) in FSP to no more than 3 out of every 36 months. Each State is required to implement an employment and training (E&T) program to ensure that ABAWD's are involved in activities that will eventually lead to paid employment and decreased dependency on assistance programs. To assist States with their E&T efforts, FNS provides 100-percent Federal grants, of which at least 80 percent must be spent to serve ABAWD's. States are reimbursed at fixed rates for providing E&T services to ABAWD's, except for nine States.

We found that errors in Georgia's methodology for allocating costs among benefiting programs led to overcharges to the E&T program of about $3.7 million for FY 1998, and the State drew down about $922,000 in excess of the 20 percent for non-ABAWD related expenses.

During the audit, we advised FNS of the improper FY 1998 charges. FNS and the State made fiscal adjustments to the E&T accounts, totaling about $4.6 million. The adjustments resulted in a net recovery of $2.7 million in overclaimed FNS funds. Because the cost allocation deficiencies were ongoing in FY 1999, FNS will have to validate the 1999 costs and recover any overclaimed amounts. The State also did not limit ABAWD participation in FSP to 3 out of 36 months. A monthly average of approximately 466 ABAWD's improperly participated in FSP for more than 3 months and received ineligible food stamp benefits estimated at $400,000 for FY 1998.

Inadequate Storage Jeopardizes USDA-Donated Commodities

In addition to cash reimbursements for meals served under the National School Lunch and Breakfast Programs (NSLP and SBP), schools are entitled to receive USDA-donated commodities, such as meats, fruits, vegetables, grains, and dairy products. State agencies are responsible for storing the commodities under conditions prescribed by FNS until they are distributed to the schools. For each commodity, FNS has established a "Best If Used By" (BIUB) date; commodities retained in storage significantly past this date will be of reduced quality and nutritional value. We evaluated applicable procedures and practices in Illinois, Wisconsin, and California.

Of the 241 various commodities we reviewed, all or portions of 46 commodities which were valued at over $560,000 had been stored in State agency warehouses beyond their established BIUB dates. Warehouses did not ensure that oldest commodities were shipped first, and State agencies did not always limit their commodity orders to quantities that could be used within a reasonable period of time.

Although frozen commodities are required to be stored at 0 degrees Fahrenheit or below, some commodities at the warehouse which handles frozen commodities for 75 percent of the schools in Illinois were being stored at or above 20 degrees Fahrenheit. Some freezers at that warehouse were not designed to freeze foods at any temperature below 0 degrees even under optimum conditions. We noted similar, though less serious conditions, at other warehouses in both Wisconsin and California.

We recommended that FNS review and update its existing BIUB dates and require that States use them as a basis for distributing commodities. We also recommended that FNS require States to order commodities in quantities that can be used within the periods established by the BIUB dates and that warehouses use the first-in-first-out method when distributing commodities. Finally, we recommended FNS require State agencies and warehouses to improve their existing controls to ensure commodities are stored at the proper temperatures. FNS agreed with our findings and is undertaking a major overhaul of its procedures for commodity distribution. This will include revised BIUB dates and requirements for increased monitoring by State agencies.

Puerto Rico Department of Education's School Lunch Financial Management System Continues To Be Inadequate

Our current audit disclosed that the Puerto Rico Department of Education still has not developed a sound financial management system to ensure accurate financial accountability and reporting, as recommended in 1992. State agency and school food authority functions had been separated; State agency expenditures and State administrative expense matching requirements were accounted for in separate cost centers. However, FNS meal reimbursement and Department of Education appropriated funds used to pay for school food authority functions continued to be accounted for as State agency revenue and expenditures. We concluded that the financial status of the programs was materially misstated, limiting the ability of FNS and Department of Education officials to make sound fiscal decisions or effectively manage program expenditures.

The Department of Education was appropriated $10 million less than it needed to pay all liabilities incurred during school year 1997, overstated its expenditures toward the State revenue matching requirement in school year 1997 by over $61 million, and did not meet its 1997 State revenue matching requirement (funding of $11.5 million is subject to repayment to FNS). Further, in FY 1997, it understated the amount of the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) unliquidated obligations by $23 million and overstated its total outlays by $942,000. In addition, its computerized accounting system incorrectly classified 1997 NSLP and SBP expenditures of $30 million, did not record and report unliquidated obligations of up to $23 million, and did not consistently account for all costs because appropriated funds were accounted for on a school-year basis while FNS reimbursement is accounted for on a fiscal year basis.

FOOD SAFETY

Food Safety and Inspection Service (FSIS)

FSIS Oversight of State-Operated Meat and Poultry Inspection Programs Needs Further Improvements

Under the State-Federal Cooperative Inspection Program, individual States are authorized to inspect meat and poultry products sold solely within their boundaries provided that their food safety requirements are at least equal to those of the Federal Government. FSIS retains an oversight role and provides assistance.

Although FSIS has taken significant steps to correct the problems identified in a previous OIG review, additional improvements are still needed. FSIS needs to ensure that acceptable ratings are not given to

State programs with identified sanitary deficiencies or to States that do not take adequate corrective actions to address serious sanitation problems. FSIS further needs to strengthen its comprehensive review program and develop recommendations to place greater emphasis on identifying and correcting the cause of problems found at State-inspected establishments.

We recommended that FSIS (1) assign unacceptable ratings to State programs with documented serious and widespread sanitation deficiencies at plants, (2) use its comprehensive review results to identify and provide alternatives to correct problems noted in the States' food safety inspection programs, and (3) require the States to provide annual reports that assess the effectiveness of the State inspection programs in meeting the food safety standards required by their State Performance Plans. FSIS agreed to implement corrective actions.

MARKETING AND REGULATORY PROGRAMS

Agricultural Marketing Service (AMS)

Improved Controls Needed Over the Pork Research and Promotion Program

AMS and the National Pork Board need to strengthen their oversight and controls over the Pork Research and Promotion Program. The board placed too much responsibility on its primary contractor, the National Pork Producers Council (NPPC), allowing it to be in a position to exert undue influence over board budgets and grant proposals. Since 1996, the board has awarded all of its program grants to NPPC. These grants cover the fundamental issues to be addressed with check off funds, such as promotion, research, and consumer information. This is significant because NPPC is involved in the development of projects and issues within each grant area, which are eventually awarded to them. They are also engaged in the planning and development of the grant proposals. The board does not have sufficient staff to administer check off funds directly; provide adequate oversight of the funds; or oversee $60 million in annual collections, distribution, and use.

We found that the board was not involved with, and did not monitor, funded-subcontract work obtained by NPPC. NPPC acted alone and without board oversight to retain contractors, set contract terms, and accept deliverables. NPPC did not develop adequate written policies and procedures for administering the projects and subcontracts. Neither the board nor NPPC installed a system to track individual project and subcontract costs, which resulted in some subcontractors working without contracts, a $900,000 unsecured prepayment, varying and subjective rates for contracting costs, nondisclosure of potential conflicts of interest, and noncompliance with USDA and NPPC requirements.

The board also contracted with NPPC to perform routine administrative and accounting functions. The board's weak oversight also lessened assurance of accountability over funds for other activities. Neither the board nor AMS tested NPPC's overhead cost allocations to determine if the allocations were fairly applied to check off activities, and the board did not effectively test compliance at check off collection sites or at State pork associations. In addition, the board did not provide State pork associations sufficient guidance on national election practices, so not all producers were provided equal opportunity to participate.

We recommended AMS work with the board and its delegates to accomplish appropriate separation of the board's business from NPPC and assure accountability for check off expenditures. A plan should be developed to provide for sufficient staff to oversee key operational responsibilities for the board. We also recommended actions for the board to more effectively oversee the primary contractor's subcontracting practices and procedures; more closely monitor and test State association check off expenditures, collections, and transfer of check off funds from collection sites; and improve access to

board delegate elections for all pork producers. AMS agreed to improve the board's accountability of funds and strengthen controls over checkoff funded operations. The timeframe for corrective action was January 1, 2000.

Animal and Plant Health Inspection Service (APHIS)

Controls Over Transportation and Export Shipments Need To Be Strengthened

The North American Free Trade Agreement (NAFTA) allows Transportation and Export (T&E) shipments of agricultural products to pass through the United States en route to other countries. In some instances, certain of these commodities would not otherwise be allowed into the country because they would not pass USDA inspection requirements. To minimize this threat, T&E shipments are sealed by APHIS inspectors prior to entering the country. Shipments are required to leave the country at a specified port of exit within a given timeframe. At the exit port, the seals are inspected to ensure that the shipments are intact and no products have been offloaded. T&E shipments are bonded and tracked by U.S. Customs (Customs), and this bond is to be forfeited if the shipment does not exit the country as required. APHIS' Plant Protection and Quarantine (PPQ) staff is responsible for implementing controls at the 33 border crossings, along with 26 seaports and international airports.

We found that APHIS did not have adequate controls to ensure that T&E shipments were exiting the country as required or that agricultural products were not diverted to U.S. markets en route to the ports of exit. We identified 199 T&E shipments; 11 percent of the shipments entering the country between April and November 1998 could not be accounted for. Although APHIS indicated that it was aware of the missing shipments, no action was taken to resolve its status since APHIS relied on Customs to follow up on missing shipments. We further learned that, in certain instances when T&E shipments arrive at the ports of exit, some truck drivers frequently hand the inspectors the broken seals. In such instances, there is no guarantee that some of the product was not diverted to U.S. markets.

Review of APHIS' enforcement policies and procedures revealed that APHIS' instructions do not stipulate that monetary penalties be assessed against brokers whose T&E shipments do not exit the country as required or who have tampered with APHIS seals. No fines were assessed against any of the brokers responsible for the 199 aforementioned shipments. The only monetary penalty to the brokers is the forfeiture of the Customs bond, and according to Customs officials, the amounts forfeited are frequently reduced after initial assessment.

We recommended that APHIS (1) strengthen its controls to track T&E shipments and document instances where official seals are tampered with so that appropriate investigative and enforcement actions can be taken, (2) coordinate more closely with Customs in monitoring T&E shipments, and (3) assess fines against program violators and seek authority to levy fines in excess of the current $1,000 limit. APHIS agreed and is implementing corrective actions in line with its recommendations. The timeframe for completing action on its recommendations was October 30, 1999.

NATURAL RESOURCES AND ENVIRONMENT

Forest Service (FS)

Timber Sale Environmental Analysis Requirements

The administrative controls over the preparation of environmental documents and implementation of mitigation measures applicable to timber sales have not been effective. Mitigation measures in 10 of the 12 environmental assessments reviewed were not always implemented, and mitigation measures were either omitted or incorrectly incorporated into 4 of the 12 accompanying timber sale contracts. These measures are designed to reduce the adverse impacts of timber sale activity on the environment. In some instances, deterioration of the environment had occurred.

In 3 of the 12 environmental assessments and decision notices reviewed, timber sale contracts authorized the harvest of more acres of trees than specified; one case resulted in the cancellation of several timber sales and the subsequent payment of about $650,000 to timber purchasers for breach of contract. FS management officials generally agreed with our conclusions and a series of recommendations to improve controls regarding timber sale environmental analysis requirements. During our evaluation, FS officials took immediate action to correct several conditions that could have adversely affected the environment. We are continuing to work with the agency to resolve the remaining issues identified in the report.

Unresolved Issues Could Expose FS to Significant Liabilities in Pending $50 million Land Exchange

We reviewed the land exchange of the Thunderbird Lodge estate at Lake Tahoe, which includes about 140 acres of lakefront property, a stone mansion, and assorted buildings, appraised at about $50 million. Because FS' mission to preserve wilderness areas does not include maintaining improvements in those areas, FS required that a reservation be added to the deed which would sever the building improvements from the land before completion of the exchange. In the case of the aging structures on the Thunderbird estate, the cost of maintenance is conservatively estimated at $300,000 per year. To alleviate FS'-concerns regarding maintenance, the private firm exchanging the land to FS arranged for the University of Nevada, Reno (UNR) to purchase the improvements for use as a research facility.

We reviewed the reservation that was added to the deed and determined that it did not sufficiently clear FS of liability regarding maintenance of the improvements. The reservation provided that if its terms were not complied with, the improvements would revert to FS ownership. The reservation did provide that the reservation holder would bear the cost of removing the improvements, but we subsequently found that their removal might not be possible due to the historical status conferred on them by the Nevada State Historical Preservation Office.

During our review, UNR abandoned plans to buy the existing improvements and build a research facility adjacent to them. We were notified that a nonprofit group, the Thunderbird Preservation Society, would buy the improvements. The Society was recently formed with the financial assistance of the private firm exchanging the land with FS.

FS could be exposed to a total liability of up to $3 million if it proceeds with the land exchange without resolving who is responsible for maintaining the improvements. We recommended that, before accepting the title to the Thunderbird Lodge estate, the private firm provide sufficient endowment funds (approximately $6 million) to FS for maintaining the historical structures for 40 years (the term of the current reservation) or restore the land to its original natural state. Our evaluation also questioned the

feasibility of the proposed use by UNR of the Thunderbird site because of problems associated with the building expansion proposed by them, required water rights, and additional sewer facilities.

FS stated that our report was instrumental in assisting its regional staff in its coordination with the proponent, OGC, and the Bureau of Land Management. As a result, additional terms and conditions were added to the deed reservation. FS has concurred with all recommendations except for the establishment of an endowment fund. Instead, FS, with OGC's concurrence, has required that the proponent furnish a 10-year performance bond in the amount of $2.3 million to cover the maintenance and the eventual removal of the improvements should the private party default on the current agreement relating to the Thunderbird Lodge improvements. We agreed with the management actions proposed by FS to resolve our recommendations.

Natural Resources Conservation Service (NRCS)

Environmental Quality Incentives Program (EQIP) Could Better Maximize Environmental Benefits Nationwide

EQIP, authorized by the 1996 Farm Bill, encourages conservation practices on private farmland that will economically maximize environmental benefits. We reviewed the initial year of EQIP implementation (FY 1997) and found that USDA had successfully developed EQIP as a consolidated conservation initiative, replacing the functions of four previous conservation programs. However, EQIP implementation did not achieve maximum environmental benefits nationwide. NRCS delegated major decision-making processes to the State and local levels without sufficient review and oversight from the regional and national offices. Therefore, the program was not consistently administered for the priority areas of the eight States we reviewed. We noted that the methods used to allocate funds, classify priority areas, and apply the EQIP environmental benefit index offer needed improvements.

We recommended that NRCS reassess the methods for allocating EQIP funding and approving priority areas. We also recommended that NRCS establish controls to provide for consistent establishment of ranking criteria and equitable consideration of all applications for EQIP contracts. Although NRCS officials disagreed with our conclusions on the implementation of EQIP, they agreed to implement our recommendations.

RURAL DEVELOPMENT (RD)

Rural Housing Service (RHS)

Presidential Initiative in the Rural Rental Housing (RRH) Program Uncovers Fraud and Threats to Tenant Health and Safety

In order to curb program abuse and develop a roadmap for future efforts, OIG and RHS undertook a nationwide cooperative effort to identify owners and management agents who misused funds while neglecting the physical condition of RRH apartment complexes. The initiative targeted 32 owners and management agents in 13 States and identified over $4.3 million in misused funds at apartment complexes operated by 20 owners and management agents.

Some owners and management agents used a variety of methods to improperly withdraw funds from RRH apartment complex accounts. Many double-charged apartment complexes for management-related expenses that were the responsibility of the management agent and already paid through the management fee. Such costs included bookkeeping, postage, and photocopying fees. For example, one management agent skimmed over $630,000 from 70 RRH apartment complexes by double-charging bookkeeping, salary, and insurance costs for its employees.

(1) documentation associated with OMB Circular No. A-130 reviews; (2) third-party reviews of payments made through the Miscellaneous Payment System; (3) accounting for Online Payments and Collections; (4) reconciliations of personal property, suspense and fund balances with Treasury, and accounts receivable balances; (5) the manual adjustment process; (6) the production deviation process; (7) accounting for allowance for losses on accounts receivables; and (8) systems documentation. We will evaluate the corrective actions taken during the performance of our FY 2000 internal control review at NFC.

Implementation of the Foundation Financial Information System (FFIS) Needs Improvement

Since 1992, we have reported problems associated with financial accounting systems used within the Department, particularly those problems associated with the Central Accounting System (CAS) used by NFC. These weaknesses have significantly impacted the ability of Department officials to prepare accurate financial statements and cost data necessary to manage departmental programs. As a crucial effort towards correcting these problems, the Department is implementing FFIS, an off-the-shelf accounting system that will replace CAS at NFC. Our monitoring and review of these implementation efforts continue to find that substantial weaknesses exist, and, unless corrective actions are taken, the full and effective implementation of FFIS will not be achieved.

During FY 1999, our reviews disclosed that prior decisions by OCFO to interface many of the NFC "feeder" systems into FFIS have resulted in substantial implementation impediments. For example, accounting posting models for the FFIS "feeder" systems are not sufficiently documented to enable an effective and efficient evaluation and have been found, in some cases, to be in error. There is a critical need to consolidate and reengineer the functions of the NFC "feeder" systems. These systems are old and labor-intensive, frequently provide bad data, and are expensive to operate. In addition, we found other FFIS problems, such as weaknesses in trial balance reporting and weaknesses in internal controls over FFIS manual adjustments and reconciliations.

OCFO recognizes the serious impediments to the effective implementation of FFIS and has initiated many efforts to address them. For example, a new project team, with recognized expertise in project implementation, has been brought in. However, much work remains, and it is important that identified deficiencies be corrected in a timely manner. During FY 1999, we recommended that OCFO, in consultation with the Assistant Secretary for Administration and departmental users, analyze the need for each "feeder" system and, based on the analyses, develop long-range plans to consolidate, integrate, and/or reengineer the "feeder" systems. In addition, we continue to recommend that OCFO take corrective actions on weaknesses previously identified and develop a project management process that will ensure all identified problems are corrected in a timely manner. OCFO generally concurred with our review results, and we will continue to monitor and assist in its efforts.

INFORMATION RESOURCES MANAGEMENT

The Department Continues Toward "Year 2000" Compliancy

Year 2000 testing is essential to provide reasonable assurance that new or modified systems process dates correctly and will not jeopardize an agency's ability to perform core business operations after the millennium change. Until thorough system validation has been performed, there is no certainty that changes are complete or correct. Throughout FY 1999, we continued to review and report on the Department's Year 2000 remediation activity.

We found that not all of the agencies were adequately documenting the system validation efforts or performing Independent Verification and Validation (IV&V) reviews for each of the departmental priority systems. We did find that most of the agencies had taken appropriate actions to resolve the

Another common scheme involved charging apartment complexes for personal expenses of the owner or management agent. One owner used over $325,000 from five apartment complexes for personal purposes. Over $59,000 of this was used to purchase a house and pay for related expenses, including mortgage payments and real estate taxes.

Many of the unallowable charges were made by related party or Identity-of-Interest companies that provided services or supplies to apartment complexes. RHS has responded to our audit recommendations by reforming program regulations to better identify these types of relationships and prioritize "at risk" properties. RHS has developed a prototype Multifamily Housing Enforcement Program that will lead to additional gains in program integrity. Elements of the proposed program include (1) establishing liaison with the U.S. Department of Justice to encourage acceptance of RRH cases for prosecution, (2) developing a team of national and field office staff trained in audit and program fraud detection techniques to conduct reviews of particularly difficult or multi-State cases, and (3) coordinating with the U.S. Department of Housing and Urban Development's Office of Enforcement to facilitate reviews of common program participants.

Loans Approved for Ineligible Borrowers

Our audit of guaranteed housing loans in 10 States disclosed that an estimated 1,839 loans totaling $139 million did not meet eligibility requirements to participate in the Guaranteed Rural Housing Loan Program (GRHLP). We also found that GRHLP has not fully met its objective to expand home ownership opportunities to low- and moderate-income residents of rural areas. In addition, loan losses totaling almost $1.5 million on the 72 statistically sampled defaulted loans reviewed were not shared equitably between lenders and RHS, with the Government sustaining nearly all the losses. Furthermore, the Government will continue to have to subsidize GRHLP because guarantee fees collected have not been sufficient to cover program losses.

We recommended that RHS develop an eligibility checklist for RHS loan approval officials to help ensure compliance with eligibility requirements. Further, we recommended that State Directors implement a more aggressive outreach program in targeted rural areas. RHS should implement a plan to limit loan loss payments to lenders to no more than 90 percent of the loan. In addition, the agency should seek legislation allowing RHS to raise the loan guarantee fee sufficiently to cover all loan loss expenses.

Rural Business-Cooperative Service (RBS)

RBS Needs to Improve Oversight of Business and Industry Loans

We performed an audit to determine if RBS and RD State offices identified potential program borrowers before their financial condition deteriorated to the point that loan repayment was jeopardized. We concluded the lenders and RD were aware of negative trends or impacts and were monitoring the situations before borrowers became delinquent. However, RBS was not aware of the extent of these nondelinquent problem loans nationally because RD did not report them in its tracking system as required. For the seven States in our review (30 percent of the national loan portfolio), we statistically projected that 40 percent of the guaranteed loans, valued at over $203 million, were at risk of default.

Problems we found included unfavorable financial results--most notably, negative trends in current debt-to-equity and return-on-assets ratios and a lack of financial statements and/or analyses. Because of the high percentage of potentially problematic loans, we believe that the national delinquency rate of 6.6 percent could increase dramatically in future years unless RBS ensures that lenders perform the required annual financial analyses. RBS officials agreed with the findings and are taking action to implement our recommendations.

ADMINISTRATION

Equal Employment Opportunity

Civil Rights Phase VI Tracks Status of Settlement Agreements

We have performed a series of evaluations concerning the resolution of complaints of discrimination in the administration of the Department's programs. Since we had reported that the Civil Rights (CR) office did not track settlement agreements after they were executed and did not know the number of agreements, the Secretary requested OIG to determine whether the agreements had been fulfilled expeditiously and completely and whether all forms of compensatory damages and program relief had been implemented.

We reviewed 17 settlement agreements and 84 conciliation agreements negotiated since January 1, 1994 (settlement agreements can contain terms for compensatory damages, while conciliation agreements typically contain terms for program relief). The Department had fully implemented 8 of the 17 settlement agreements and partially implemented most of the terms for the remaining 9. Compensatory damages settled by CR had been paid timely. Most of the terms of the conciliation agreements calling for program relief had been granted with the remainder containing terms that do not expire for 6 years.

Even though there was a high probability that discrimination occurred in the 17 cases, no disciplinary actions were taken. CR has provided agencies with no formal guidance on how to proceed with these cases. In addition, several agreements contained terms that were inappropriately or vaguely worded or provided monetary damages that may not be allowed by law.

We recommended that CR track all agreements and report to the Secretary twice a year the terms that have not been implemented. We also recommended that CR assemble and chair a team of OGC attorneys and program officials to meet before each agreement negotiation to analyze the proposed terms of the agreement for legal sufficiency.

Currently, at the Secretary's request, we are reviewing the Department's system for processing employee complaints. Because many of our previous recommendations have not been implemented fully, we are meeting continuously with agency officials to resolve recommendations without management decision.

Hazardous Materials Management Group (HMMG)

Hazardous Materials Management Program Organizes for a Long-Term Environmental Effort

Formerly known as the Hazardous Waste Management Group, HMMG was reorganized under Departmental Administration in March 1999, at the direction of the Secretary, to provide "an appropriate organizational base" and coordination for the facilities environmental compliance activities of USDA agencies.

Since 1990, OIG has monitored the Department's implementation of the Federal Facilities Compliance Act, reviewing agency efforts to meet environmental requirements and standards. This past year, we completed a survey of the Hazardous Materials Management Program (HMMP) to identify audit needs over the next several years. We reviewed the agencies' use of these funds for pollution cleanup and abatement and the actions they have taken to prevent further liabilities from the properties they manage. We worked closely with the Department's newly organized Hazardous Materials Policy Council to effect better coordination among the agencies in anticipation of a long-term commitment to solving environmental problems. We are currently in the process of evaluating the HMMP accomplishments

and the use of its funds by individual agencies. In the near future, we will initiate a multiagency review of policies and procedures for the acquisition and disposition of facilities and lands and the prevention of environmental liabilities.

RESEARCH, EDUCATION, AND ECONOMICS

Cooperative State Research, Education, and Extension Service (CSREES)

Funding Management and Oversight Needs Improvement

We reviewed the adequacy of agency controls over the use of research funds through its various delivery systems and the adequacy of agency procedures to provide reasonable assurance that these funds are protected against waste, fraud, and mismanagement. We have conducted audits of research, education, and extension awards made through direct administration, formula, competitive, and specified research funding. Our reviews of individual institutions and specific projects indicate that the controls over these systems are insufficient to provide reasonable assurance that funds are being expended as intended or in compliance with Federal guidelines. Among the causes for these deficiencies, are insufficient resources allocated by CSREES to post awards management, inadequate coverage of CSREES programs under the single audit process, deficient reporting requirements, and funding decisions that favor institutional development over research productivity.

Recently, we reported on inadequate controls over facilities construction grants that allowed $2,576,926 to be expended by recipients after their grants had expired; $542,677 of unused funds that had not been timely deobligated; and $567,132 that had been improperly approved by CSREES for operating and maintenance expenses. In FY 1999, we reviewed two 1890 Land Grant recipients to report agency approval of unallowed expenditures, delinquent reporting on matching funds, incomplete closeout of expired projects, and a general deficiency in the monitoring of progress and expenditures. From these two audits, we recommended the recovery of $1.2 million and $1.9 million, respectively. We are also concerned that FY 2000 formula funds are being distributed without regulatory support (and, therefore, with questionable enforceability) for the new eligibility and performance criteria of the Agricultural Research, Education, and Extension Reform Act that became effective on October 1, 1999.

We have intensified our systematic coverage of the five delivery systems to determine the extent and materiality of these losses. We have begun a review of the effectiveness of CSREES controls over formula funds and will soon begin a survey on management controls over special research grants. We will analyze these findings, as well as the recommendations of A-133 audits, to provide the Department with recommendations on improving the reporting and oversight processes for post-awards management.

ACCOUNTING AND FINANCIAL MANAGEMENT

As required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act, we completed seven financial statement audits. We issued unqualified (clean) opinions on the FY 1998 financial statements of the Federal Crop Insurance Corporation and FNS. The RD mission area, including the Rural Telephone Bank, received a qualified opinion because we were unable to assess the reasonableness of its credit program receivables and estimated losses on loan guarantees. In addition, we were unable to assess line items shown by the mission area's Statement of Financing. We issued a disclaimer of opinion on the FY 1998 financial statements of FS, CCC, and the USDA consolidated statements, plus a disclaimer of opinion on the FY 1997 financial statements of the Alternative Agricultural Research and Commercialization Corporation (AARCC).

Disclaimer of Opinion: FS

FS received a disclaimer of opinion due to significant financial system weaknesses including the lack of an integrated general ledger and supporting subsidiary records. Because of these conditions, we were unable to obtain assurances that various material line items on its financial statements were fairly presented. To illustrate, (1) due to inadequate procedures and internal controls, the agency did not have reliable account balances for its real property, (2) significant adjustments made to the general ledger could not be justified or supported, and (3) a proper methodology was not used to allocate costs among the different responsibility segments and programs.

These and other financial system weaknesses have been a continuing problem within FS. An adverse opinion was received by the agency for FY 1995 due to pervasive errors, material misstatements, and departures from applicable accounting principles. For FY 1996, corrective actions were not in place to improve the financial data, and, as a result, the agency was unable to produce timely, auditable financial statements for the fiscal year. FS produced financial statements for FY's 1997 and 1998, but many of the significant weaknesses from previous years continued.

FS was not prepared to address the significant changes brought about by new Federal accounting standards effective for the first time in FY 1998. We found that (1) methodologies for compiling the financial statements were not timely prepared, (2) general ledgers were not timely closed to establish accurate trial balances, and (3) internal controls were bypassed when preparing the statements. We are working with FS officials in a coordinated effort to correct these and other weaknesses addressed by our prior audit reports. Significant progress has been achieved towards cleaning up invalid accounting data and reducing system weaknesses; however, much work remains to be done. Through consulting and advisory services and our annual financial statement audits, we will continue to help FS personnel implement applicable accounting standards and improve accountability.

Disclaimer of Opinion: CCC

CCC received a disclaimer of opinion for FY 1998 because the agency was unable to support its financial statements as of March 1, 1999, the due date specified by the Government Management Reform Act. For FY 1997, little attempt was made to meet the due date, and the agency received an unqualified opinion for financial statements that were submitted substantially late. By issuing its FY 1998 financial statements by the March 1 deadline, the agency was unable to complete the degree of effort achieved during the previous year and, as a result, could not provide sufficient and competent evidential matter to substantiate certain line items related to the agency's direct and guaranteed credits to foreign countries and related activities. In addition, the agency was unable to prepare its Statement of Financing.

We recommended that CCC reorganize its financial accounting and reporting functions and improve the timeliness and accuracy of its financial information. The agency recognizes the need to improve its accounting operations and, through our annual financial statement audits, we will continue to assist the agency in these efforts.

Disclaimer of Opinion: AARCC

We were unable to express an opinion on financial statements prepared by AARCC because there was an absence of an effective internal control structure within the agency, compounded by the lack of reliable financial information on the agency's investees. As a result of this disclaimer of opinion, departmental and agency officials, Congress, and the public do not know how well or poorly the agency performed. The financial management system established by the agency was not sufficiently designed to enable it to either meet current Federal accounting standards or provide reliable financial

information for managing its operations. This significantly impacted the agency's ability to provide reasonable assurance that it could (1) properly record and account for transactions that permit the preparation of reliable financial statements, (2) maintain appropriate accountability over assets, and (3) properly safeguard Government funds from loss and/or unauthorized use.

Officials within AARCC acknowledged the need for improved financial management and agreed to obtain assistance in revising its financial operations and improving its internal control structure. Recent actions by the agency indicate an intent to privatize its activity and no longer exist as a Government entity. We will continue to monitor actions by the agency and assist where appropriate.

Disclaimer of Opinion: Consolidated Statements

The USDA consolidated financial statements received a disclaimer of opinion for FY 1998 because the Department could not provide assurance that its financial systems provided information that is relevant, timely, consistently reported, and in conformance with Federal accounting standards. In addition to financial system problems, numerous internal control weaknesses exist that materially impacted the Department's ability to report accurate and reliable financial information. For example, (1) we were unable to substantiate the fund balances with Treasury due to insufficient reconciliation procedures used within the Department, (2) weaknesses in processes and procedures used by the Department's lending agencies have not resulted in reliable and sufficiently supported estimates for loan subsidy costs, (3) procedures were not in place to ensure that sufficient and competent evidential matter is available to support the Department's Statement of Financing, and (4) controls were not sufficient to ensure the amount reported as property, plant, and equipment was valid and supportable.

A disclaimer of opinion has been issued to the Department for each of the last 5 years. This means that the Department, as a whole, does not know whether it correctly reported how much revenue was received, the cost of its operations, or any other meaningful measure of financial performance. The Department and its agencies have recognized the weaknesses and have put considerable effort into improving their financial systems and reporting processes, including the development of a new accounting system at the National Finance Center (NFC). While plans have been made to fix these problems and actions have been taken to address some of the weaknesses, more must be done. The Department is committed to a departmentwide strategy that will reduce and consolidate existing financial management systems into an integrated financial system architecture that meets all Treasury and the Office of Management and Budget (OMB) requirements and fulfills the needs of USDA. We will continue to monitor and assist departmental and agency officials in these efforts.

The Office of the Chief Financial Officer's (OCFO)/NFC Needs to Further Improve Management Controls

Our review of the internal control structure at the OCFO/NFC in effect as of September 30, 1997, resulted in an adverse opinion due to the pervasiveness and materiality of weaknesses noted. During FY 1998, in response to our audit, OCFO began implementing comprehensive, time-phased corrective actions at NFC, which we assisted with and actively monitored. These actions included improving security and initiating actions to reconcile NFC's accounts with the Department of Treasury's accounts. Based on improvements, we issued a qualified opinion as of September 30, 1998. Material weaknesses remained in the areas of accounting adjustments, reconciliations, systems documentation, and conformance with the standard general ledger. In addition, the General Accounting Office noted that serious access control weaknesses affected NFC's ability to (1) prevent and/or detect unauthorized changes to payroll and other payment data or computer software, (2) control electronic access to Thrift Savings Program account information, and (3) restrict physical access to sensitive computing areas.

OCFO generally concurred with our recommendations to improve NFC's controls related to

previously reported weaknesses in identifying, monitoring, and testing data exchanges with the partners. One notable exception was at NFC, where we concluded that additional efforts were needed to obtain formal data exchange agreements and carry out end-to-end testing with the Center's data exchange partners.

To ensure continuation of operations in the Year 2000, firmware (permanently loaded software) on embedded chips in vulnerable systems, such as personal property, buildings and facilities, telecommunications, scientific equipment, aircraft, and motor vehicles must also be addressed. We found the Department had not fully assessed vulnerable systems and processes because a formal review process was not been established.

We recommended that the Office of the Chief Information Officer provide additional guidance on identifying and assessing vulnerable systems and processes, instruct the agencies that all testing activities must be appropriately documented; clarify to each agency the requirement that, at a minimum, agencies are to conduct an IV&V review for each of their Departmental Priority Systems; and direct NFC to obtain formal data exchange agreements with its data exchange partners.

WEDNESDAY, FEBRUARY 16, 2000.

U.S. DEPARTMENT OF AGRICULTURE

WITNESSES

HON. DAN GLICKMAN, SECRETARY OF AGRICULTURE

RICHARD ROMINGER, DEPUTY SECRETARY KEITH COLLINS, CHIEF ECONOMIST

STEPHEN B. DEWHURST, BUDGET OFFICER

OPENING REMARKS

Mr. SKEEN. First of all, I want to say good afternoon. This is the first of 11 hearings on the Administration's budget request for fiscal year 2001 and for the Department of Agriculture and the Food and Drug Administration.

As is customary, we are beginning with the Secretary of Agriculture, the Honorable Dan Glickman. Dan, good to see you here. When I first came to this place, he was my next-door neighbor, and you have been a true friend ever since. Thank you.

Mr. Secretary, we are all looking forward to your testimony, but before you begin with your statement, I would like to ask my good friend, the distinguished young lady from Ohio, Ms. Kaptur, if she has any opening remarks.

Ms. KAPTUR. Mr. Chairman, I just wanted to echo your warm welcome to this able Secretary and to thank him for being a voice for rural America when she has really needed you. It has been a pleasure to work with you and your entire team that you brought with you today, and I will reserve most of my comments until after your formal testimony. But I think that the farm communities of this country could not have a better friend than Secretary Glickman, and we receive you openly here today.

Mr. SKEEN. Thank you.

Chairman Young, do you have remarks that you would like to make?

Mr. YOUNG. Mr. Chairman, thank you very much. I would just like to welcome the Secretary. I think this is probably the first time we have been officially together since I chaired the Intelligence Committee. He did such an excellent job there, and I look forward to your testimony. I am not going to be able to stay for the entire hearing. I am trying to get the supplemental ready quickly. But anyway, Dan, welcome. It is good to see you.

Secretary GLICKMAN. Thank you.

Mr. SKEEN. Mr. Secretary, we will let you have the whole floor. We are delighted to have you here again. Agriculture is going to be better off when we get through with this meeting because I am sure we have all of the answers.

STATEMENT OF THE SECRETARY

Secretary GLICKMAN. Thank you. Mr. Chairman, thank you very much. It is a great honor to appear before you and Chairman Young and the Ranking Member Kaptur and the rest of the members of this committee who have been friends of mine for a very long time. This may be the last time I will appear, certainly at this kind of hearing, and I have enjoyed the last five years. I will have been in this job five years this coming March. Of course, my days in the House are still the highlight of my professional life and always will be, but this has been a great opportunity. I think that we have established a relationship between this committee, and your staff and the people at USDA that, hopefully, my successors, whoever they may be, will be able to preserve and continue the great cooperation and partnership that we have had.

I am joined here by Deputy Secretary Rominger, who is, of course, distinguished in his own right, as head of the California Department of Agriculture before he came here, and our perennial expert, Steve Dewhurst, who may be the longest running budget officer of any agency in Government and certainly the most respected, and our long-term chief economist, Keith Collins. I think it is fitting to note that here we have the two political leaders of the Government, not of the Government, of the Department——

[Laughter.]

Secretary GLICKMAN. I am not running for anything. Trust me. [Laughter.]

And then we have two key dedicated career employees of USDA who have served in Republican and in Democratic administrations, and we are really honored that they are here because they offer, I think, a help to us to try to implement our policy in the best way possible.

Of course, we have, in addition to that, our under secretary for Farm and Foreign Agricultural Services, Mr. Schumacher, and his team who are here to talk about a lot of program issues.

I would ask that my entire statement appear in the record, and I will make just some summary comments.

AMERICA'S FARM ECONOMY

It is clear that America's farmers and ranchers are facing difficult economic conditions. I do not have to tell you that in terms of farm prices, exports, and net farm income, these numbers do not look very good. While I think they will turn, I am not telling you that it will happen any time in the near future, and I think there will need to be continued help from the Congress. The trade numbers have come down. I suspect they will go back up again. But the fact is you need a strong domestic farm safety net, in addition to overseas trade to deal with these issues.

I must tell you that the Administration is strongly committed to the approval of permanent normal trade relations with China. When it comes to agriculture, this issue is an absolute win-win. Virtually every agricultural product that we would sell to China would have its tariffs reduced significantly. In fact, agricultural tariffs, by and large, would be at rates equal to or lower than those currently charged by our allies in Europe and in other parts of the

world. So normal trade with China offers a significant opportunity for the future of world trade.

But the fact of the matter is that things have been difficult for farmers. Government payments totalled nearly $23 billion in calendar year 1999 and are projected at over $17 billion in 2000 and that, to some extent, reflects the emergency appropriations, which Congress provided when things got very, very bad.

FARM SAFETY NET

As the President said in the State of the Union message, we need to work in a bipartisan way to strengthen the safety net until a new farm bill is enacted in 2002. The 1996 farm bill will continue to provide assistance, but it is likely not to be enough. As you know, the Agricultural Marketing Transition Act (AMTA) payments drop a half billion dollars this year and another billion in 2001 under the 1996 farm bill.

In the last two years, Congress has responded near the end of each fiscal year by enacting an emergency aid package, usually led by natural disasters. This has been the tail that has wagged the dog for obtaining a total emergency package to strengthen the farm safety net. For FY 2001, we have proposed in the President's budget an $11.5 billion package to begin the debate on what the add-ons should be to the 1996 farm bill to help strengthen that safety net package. It is fully paid for in the context of a balanced budget. This is not emergency spending; therefore, it is not off budget. The plan provides three basic parts:

One, there would be countercyclical supplementary income assistance over and above the current farm bill payments to help farmers deal with low prices and revenues, dairy price supports would be extended, loan rates would be frozen and a new on-farm storage program would be started.

The second part of this $11.5 billion package would be increasing environmental benefits by treating land as a valuable commodity and not just the commodities grown on the land. A new conservation security payment, a direct payment, would be established. Payments to farmers would not have to be cost shared. In addition a whole group of other conservation programs would be enhanced.

Third, we would provide improved risk management by reforming the crop insurance program to develop new insurance policies, expanding coverage to livestock and specialty crops and replacing the areawide trigger for assistance for noninsured crops with normal disaster declarations. We would also extend the premium buydown so as to provide about a 30-percent reduction in premiums for next year's crops.

EMPOWERMENT ZONES/ENTERPRISES COMMUNITIES

Finally, we would expand the number of Empowerment Zones and Enterprise Communities, we would provide financing to cooperatives for livestock processing and other value-added facilities and we would implement a new bio-fuels program.

What we are trying to do with this program is to say the following: We know there is going to be some form of supplemental plan for farmers beyond the 1996 farm bill. We hope it is just not doubling AMTA payments again at the last minute of the fiscal

year. We recognize that we have an obligation, too, to do more than just complain, but to come up with some specific proposal. We have done that here. It is a targeted proposal, it is national in scope and provides a bridge to a new farm bill. I recognize that because it is on budget and not emergency spending, some people have said it is not enough. But I would point out it is on budget, and it is done in the context of all of the President's budget priorities, and we want to work with Congress on ways to implement this in its form as much as possible, and we will work with you on these issues.

TRADE

Let me move on to the issue of exports. Last year, the Department programmed nearly 8 million metric tons of food aid for countries around the world, the highest level in 25 years. Sales under our Commodity Credit Corporation (CCC) export credit guarantee programs exceeded $3 billion. It is clear that trade and export growth is an essential component of our farm safety net. As I mentioned, strong efforts will continue to be made on the trade policy front. Last year's agreement with China on bringing China into the World Trade Organization (WTO) should have a significant impact on trade. We estimate, within four or five years, about $2 billion a year in additional exports could go to China.

The budget provides nearly $5.8 billion for international programs, including $3.8 billion for the CCC export credit guarantee programs, which can be increased, if necessary.

We are also requesting, for the third year in a row, authority to use unspent Export Enhancement Program (EEP) funds for food assistance and market development purposes. Rather than have these funds lapse, we would like them to be used in other export programs. The budget also supports three new agricultural trade offices.

FARM CREDIT

In the area of farm credit, as you know, emergency supplemental appropriations have been provided the last two years through the good work of your committee. For the year 2001, a continued need for additional farm credit is expected. While the 2001 budget includes a $4.6 billion number for farm credit, we will have to closely monitor the farm credit needs to ensure that adequate credit is available until the farm crisis situation abates.

MARKETING AND INSPECTION

In the area of marketing and inspection, I hear more and more that these issues are front and center out in the country, and I hear it for myself in my own visits. Let me talk about two issues: One is the issue of concentration in agriculture, particularly in livestock and poultry. That continues to be a top priority and requires additional funding.

The Congress passed authority for us to move ahead on mandatory price reporting for livestock. That was begun in the year 2000 with emergency funding and will be continued through the use of appropriated funding. That is a high priority of Congress. It is a high priority for us as well.

I must tell you the whole issue of concentration and agriculture is one that requires, I think, additional resources both within USDA, as well as within the Justice Department. You may be interested to know that they have hired a full-time person at Justice in the Antitrust Division to deal with agricultural issues, and that person just came on board within the last couple of months.

A couple of other issues: One has to do with the inspection of plant and animal species coming in to the country that are affected by citrus canker, Asian long-horned beetle, Med-fly, Mex-fly, hog cholera, etc. We have added about 300 additional persons in our budget to Animal Plant Health Inspection Service (APHIS) on the quarantine and inspection side of the picture. We have been using CCC emergency spending to deal with these programs but, we have asked to convert this emergency spending to appropriated spending in the budget for 2001.

I think this is an issue which requires a lot more attention, both from USDA, as well as from the Congress, to figure out how we can deal with this very large and growing problem of pests and invasive species coming in to the country.

We also have to deal with the issue of biotechnology. We have proposals in our budget for developing testing methods for biotech crops, as well as dealing with threats to agriculture from bioterrorism.

RURAL DEVELOPMENT

In the area of Rural Development, obviously, there is more to agriculture than just the farm programs themselves. We have to make sure that the rural infrastructure is kept up-to-date so that jobs can be created, there is adequate housing and access to water, electricity, telecommunications and the Internet. The Rural Development budget will support over $12 billion in loans, loan guarantees, grants and assistance, which is $1.3 billion more than the year 2000. That includes $5 billion in direct and guaranteed loans for single-family housing, which is $650 million more than the year 2000, as well as increased funding for multi-family housing and rental assistance. There is increased funding for water and waste disposal programs, continued support for rural electric, telecommunication, distance learning and telemedicine to help close the "digital divide," and nearly $1.3 billion in guaranteed loans and $50 million in direct loans to help rural businesses.

RESEARCH, EDUCATION, AND ECONOMICS

Obviously, the research budget is critical. It has been critical for you, Mr. Chairman. The budget proposes an increase of 3 percent for research, education, and economics. The entire mission area is funded at over $2 billion.

In the area of food safety, the budget provides increases aimed at reducing microbial contamination of foods. Safe food sells. Public confidence is the key to all of that, and the purpose of these programs is to ensure that people have confidence that our food supply is safe, which I believe it is. The increases in this part of the budget are dedicated to the President's Food Safety Initiative and enhanced implementation of the Hazard Analysis Critical Control Point (HACCP) program. Additional inspectors are being hired in

2000 to ensure that the demand for inspection services can be met without disruption to the industry.

HACCP has been fully implemented in all meat and poultry establishments, with a 96-percent compliance rate. You should be interested to know that the prevalence of salmonella on broilers has been reduced by 50 percent since the HACCP program has come into effect.

One thing that will give the public more confidence that their food supply is safe is that there has been the dramatic reduction of salmonella on poultry, largely as the result of implementing a science-based system. The rate of illnesses caused by campylobactor has also declined as well.

NUTRITION

In the area of nutrition, despite unprecedented national prosperity, there are still too many families, particularly with children, who do not know where their next meal is coming from. The budget provides for full funding for food stamps, child nutrition and Women, Infant and Children (WIC). Based on proposed legislation, which we have or will be sending up, food stamp eligibility would be restored to over 200,000 eligibles, and there would be better access to reliable transportation for the working poor. As you may know, the automobile allowance under the Food Stamp Program has basically been at the same level for over 25 years, with just a very minor increase. We propose raising that allowance for eligibility because the working poor need to have a vehicle at reasonable value to go to work. We think that is very important.

Additional funds are requested to improve and protect program integrity and efficiency, evaluate the effects of a universal free school breakfast program, increase nutrition education and expand Farmers' Markets program.

NATURAL RESOURCES

In the area of natural resources, as you know, the largest part of the Department of Agriculture in this area is the Forest Service, which is not part of this particular budget request. The part of the budget under jurisdiction of this committee basically private lands conservation in the Natural Resource Conservation Service (NRCS). This part of the budget supports the Administration's farm safety net through the Conservation Security Program, enhancements to the Conservation Reserve Program (CRP), the Wetland Reserve Program (WRP) and other programs that are mentioned in my statement. It also provides for a 50-percent increase in funding to promote bio-based products and bio energy.

CIVIL RIGHTS

In addition, if I might just end with some other issues on customer service and program integrity. We have been dealing with the problems of civil rights in the Department of Agriculture for some time. Sometimes it feels like two steps forward and one step back, sometimes like two steps back and one step forward. But the fact is we are currently paying out significant compensation to farmers under the Pickford decision, the Federal court decision. We

are also working to help socially disadvantaged farmers. We have asked for $10 million for the 2501 outreach program. We are trying to improve the administration of our customer service by streamlining and restructuring the county offices to provide one-stop USDA service centers.

CENTRALIZED COUNTY OFFICE ADMINISTRATION

Mr. Chairman, in last year's appropriations bill there was language which prevented us from setting up a centralized administration of our county office system through the Support Services Bureau. I can tell you, after having run this Department for five years, this is the most uncorporate structure probably in the history of our Government. It was set up to be run as separate and almost sovereign units, each agency within the Department. Whether it is the Farm Service Agency, the NRCS, Rural Development, APHIS, it is very difficult to manage a bunch of different agencies who really do not operate within a corporate system for personnel, for information technology for travel.

One of the reasons we ask for the Support Services Bureau is to have some competent corporate management over the programs that serve our farmers. Because farmers really do not care so much about the acronym of the agency they go to rather they care more about service provided.

I would ask you to take a look at the restrictive language that was put in last year on the Supports Services Bureau and help us as we try to move the Department's management into the modern world. We will talk to you more about this. I know that most of you and your staffs are familiar with a lot of the management problems within USDA. For a lot of historical reasons, we do not have the corporate management that other departments of our Government have in a lot of different areas, and I think we need some help. We have made some progress, by the way, but I think we need some continual help to try to meet some of those challenges.

So, again, I thank you for allowing me to come here today. I realize I have talked in a summary form, but I would be glad to answer any of the questions that you have.

[The prepared statement of Dan Glickman, Secretary of Agriculture, follows:]

For Release Only by the
House Committee on Appropriations

Statement by
Dan Glickman
Secretary of Agriculture
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives
February 16, 2000

Mr. Chairman, Members of the Committee, it is a privilege to appear before you to discuss the 2001 budget for the Department of Agriculture (USDA).

The President's budget proposes $66.4 billion in budget authority for 2001 for USDA compared to a current estimate of $72.3 billion for 2000 and $67.8 billion for 1999. Budget authority for discretionary spending, which accounts for about 25 percent of USDA total budget authority, increases slightly from $16.3 billion in 2000 to $16.7 billion in 2001. The request before this Committee for discretionary spending is $14.4 billion.

The Department's 2001 budget request provides the necessary resources that will enable USDA to meet its ongoing program responsibilities as well as focusing on some key Presidential initiatives. These key initiatives include:

- A new Farm Safety Net Initiative that will provide over $11 billion in additional assistance to the rural economy from 2000 through 2002. The initiative includes proposals for new legislation to provide supplementary countercyclical income assistance payments targeted to producers actually facing reduced prices and revenues and to reform the crop insurance program to provide better protection from production losses. Other legislative proposals include a new Conservation Security Program, expansion of the Conservation Reserve and Wetlands Reserve Programs

and other conservation programs. This will strengthen farm income support for those producers most in need of assistance due to depressed prices and natural disasters while also stimulating achievement of major environmental benefits through better management of farmland.

- A continuing Food Safety Initiative for improving the Federal food inspection system from farm-to-table through better surveillance of foodborne illnesses and ways to combat them, strengthened Federal-State partnerships, and expanded research and consumer education. The budget includes increases of $27.5 million in five USDA agencies to support the Initiative.

- A Biobased Products/Bioenergy Initiative to expand markets for agricultural and forestry products to reduce U.S. dependence on oil imports, expand rural business opportunities, and cut our pollution and greenhouse gas emissions. The budget includes increases totaling nearly $90 million to support these activities.

- A continuing Lands Legacy Initiative that proposes $1.4 billion for a national program to protect great places and provide the tools for localities and States to plan for smart growth and open space presentation. Of this total program, $300 million would be allocated to USDA to carry out work by the Forest Service and the Natural Resources Conservation Service.

The budget also focuses resources on the following other high priority areas:

- Providing adequate funding for Food Stamp, Child Nutrition, and WIC programs, increased funding for Farmers' Market Nutrition program, new assistance for the Colonias, and legislation to improve child care food

program management as well as make it easier for Food Stamp families to own a car and restore Food Stamp benefits to certain groups of legal immigrants.

- Meeting the urgent needs for water, housing and jobs in rural communities.

- Supporting research, education, technical assistance and inspection activities to improve agricultural productivity, competitiveness, and small farm viability; help solve pest and disease as well as environmental problems; and provide a safe and nutritious food supply.

- Expanding domestic and overseas markets through aggressive promotion and a reduction in trade barriers.

- Continuing an aggressive civil rights policy, providing for quality customer service and efficient program delivery particularly by county-based agency service centers, and effectively managing financial, human, information and other resources.

The Department also will propose legislation that could affect the appropriations process because of the discipline imposed on the 2001 budget. User fees for the Food Safety and Inspection Service, the Animal and Plant Health Inspection Service, and the Grain Inspection, Packers and Stockyards Administration are again included in the budget. Legislation is also proposed for a number of mandatory programs, including farm safety net legislation, which also provides for crop insurance reform, legislation to expand eligibility for the Food Stamp Program, and improve Child and Adult Care Food Program management, as previously mentioned.

I would now like to discuss the President's budget proposals, as they relate to each of the Department's mission areas.

FARM AND FOREIGN AGRICULTURAL SERVICES

The mission of the Farm and Foreign Agricultural Services area to secure the long-term vitality and global competitiveness of American agriculture has surely been tested by the tough times farmers and ranchers have been encountering over the past couple of years. While planting flexibility provisions of the Federal Agriculture Improvement and Reform Act of 1996 (the 1996 Act), strong export and trade policy programs, and other program initiatives already underway have helped many crop and livestock producers, it is clear, as the President indicated, that the farm safety net still needs to be reinforced.

The Administration and the Congress worked together over the past 2 years to provide emergency support for farmers in areas hit hard by declining prices and production losses. However, this emergency assistance has been expensive and not well targeted to those producers who need it the most.

The budget includes several legislative proposals for farm, conservation, and crop insurance programs, coupled with new initiatives to be undertaken using current authorities, which will provide $11.5 billion in additional assistance to farmers, ranchers and rural communities from 2000 through 2002. These initiatives to improve the farm safety net would provide about $7 billion in additional direct farm income assistance over this period. This includes proposed legislation for the 2000 and 2001 crop years to provide $5.6 billion in supplementary, crop-specific income assistance to producers of wheat, feed grain, rice, upland cotton and oilseeds suffering from low prices and revenue. The proposed legislation also includes an extension of the dairy price support program and a new program to fund livestock processing cooperatives to improve income opportunities for producers. The Administration's initiatives under current

authorities will also include maintenance of maximum levels for marketing assistance loan rates for the 2000 crops, a new program of incentives to encourage increased use of farm commodities for biofuels production, and a new farm storage facility loan program to aid producers to expand on farm storage capacity to be better positioned to effectively market their crops.

Continued efforts to expand and improve programs which help producers manage risk will also be emphasized, and it will be necessary to work with Congress to further reform the insurance programs for crop and livestock producers. Over $1 billion is included for crop insurance and related reforms. This includes a proposal to make noninsured crop disaster assistance more accessible to producers by replacing the requirements for an area-wide loss before assistance can be made available to producers with a less restrictive disaster declaration.

Enhanced conservation initiatives totaling nearly $3 billion, a $1.3 billion increase over authorized levels for 2001 and 2002, including a new Conservation Security Program at $600 million per year for 2001 and 2002 are proposed. The conservation proposals are also a critical component of our farm safety net improvements to assist producers in maintaining environmentally sound practices during these economically troubling times. The budget proposes legislation to increase the Conservation Reserve Program (CRP) acreage cap to 40 million acres. It also promotes the continuous, non-competitive signup that has been underway to enroll land in filter strips, riparian buffers, and similar special conservation practices to enhance achievement of water quality objectives by providing additional incentives under current authority to enhance participation. The proposal also would expand other conservation programs funded by the Commodity Credit Corporation (CCC) but administered by the National Resources Conservation Service (NRCS) including the Wetlands Reserve Program (WRP), the Environmental Quality Incentives Program (EQIP), the Wildlife Habitat Incentives Program (WHIP), and the Farmland Protection Program (FPP).

These initiatives will serve as the basis for more permanent and effective assistance to help producers cope with continuing economic stress at less cost to the taxpayer. Unlike previous *Ad Hoc* (off-budget) emergency assistance enacted late in the year, the proposal is fully paid for in the context of a balanced budget. It is presented as a part of the regular budget process so that Congress can take action early in the year allowing farmers and their creditors to plan ahead. This proposal will enhance and improve the safety net during the remaining 2 years of the 1996 Farm Bill and provide a bridge to a new farm program. There also will be continuing efforts by the Department to work to expand opportunities for small farmers and others who traditionally have been under served in our farm programs.

Commodity Credit Corporation

Changes over the last decade in commodity, disaster, and conservation programs have dramatically changed the level, mix, and variability of CCC outlays. CCC outlays increased from $10 billion in 1998, to $19 billion in 1999, and are projected to increase to a new record high of about $27 billion in 2000. The increase in CCC spending for 2000 is accounted for by higher marketing assistance loan program outlays, expenditures related to various Administration initiatives, and emergency spending authorized by the 2000 Appropriations Act that provided about $9 billion in emergency assistance.

Projected CCC outlays for 2001 under current law are estimated at over $15 billion, including nearly $800 million for initiatives planned under current authority. Approximately $4 billion in additional CCC outlays would occur in 2001 based on the proposed safety net legislation.

Conservation program outlays account for a significant portion of CCC expenditures as well. The 1996 Act authorized direct CCC funding for CRP administered by FSA and several new conservation programs administered by NRCS.

CRP provides landowners annual payments and half the cost of establishing a conserving cover in exchange for retiring environmentally sensitive land from production for 10 to 15 years. The 1996 Act authorized the program through 2002 and set maximum enrollment in the program at 36.4 million acres. About 34.6 million acres in total will be enrolled in the program in 2001 up from an estimated 32.3 million acres in 2000.

Finally, the budget addresses problems with section 4 of the Commodity Credit Corporation Charter Act which caps CCC expenditures for computer equipment and section 11 which limits total allotments and transfers to State and Federal agencies for administrative support services to the 1995 expenditures level. The latter provisions impose significant restrictions on the availability of CCC funds for transfers and reimbursable agreements used to fund conservation technical assistance and other support services for the conservation, commodity, and export programs. The budget proposes an adjustment to these limitations to permit additional funds for the technical assistance needed to carry out the conservation programs authorized in 1996 as well as newly proposed programs.

By 2001, the amount available under the section 4 computer cap will be fully exhausted, preventing CCC funding of data processing and related activities needed to support efficient and timely delivery of FSA programs. If the cap is not raised, a portion of the appropriated funds for salaries and other expenses will likely have to be diverted to maintaining legacy systems thereby impacting staffing levels. The loss of CCC funds for information technology and data processing also will impede needed investment in streamlining and Service Center modernization initiatives, restricting the Department's investment in much-needed technology to implement ongoing business process reengineering efforts. USDA needs these investments to improve service to its customers and reduce program delivery costs, but the high cost of operating and

maintaining the current legacy systems that serve our customers precludes investment in modernization without additional funding.

The budget for 2001 includes a legislative proposal to raise the limit on CCC expenditures for computer equipment by $35 million per year for the period 2001 through 2002. The increase in the multi-year cap is essential if CCC is going to meet its most basic ongoing computer operations and maintenance costs for the farm programs.

Farm Loan Programs

Traditionally, USDA's role in the farm credit market has been to provide a safety net for farmers who are unable to qualify for credit from private lenders. The Department supplies about 4 percent of farm credit. Private lenders, including the federally-chartered Farm Credit System, supply the rest. Although the amount of farm debt has been rising, the portion supplied by the Department is about half of what it was in 1994. The Department's farm loan programs help farmers who are experiencing financial difficulties due to adverse market and production conditions, as well as socially disadvantaged, beginning, and limited resource farmers.

Changes in market conditions impact the willingness of private lenders to make new loans. Thus, the number of applicants seeking USDA program assistance increases dramatically during an economic downturn. This occurred in 1999 and is expected to continue through 2000 and 2001. As long as commodity prices remain low, farmers will have difficulty presenting positive cash-flow scenarios to their lenders, and many will not be able to qualify for credit.

The trend in recent years has been a shift to more guaranteed loans, as opposed to direct loans. Especially during an economic downturn like this one, loan guarantees play an important role. Loan guarantees provide private lenders with a way in which they can minimize their exposure to risk while continuing to provide credit to

their borrowers who are experiencing temporary financial difficulties. A loan guarantee with interest assistance allows borrowers who temporarily cannot meet cash flow requirements to continue to be served by their current lenders. USDA has streamlined its guaranteed loan making regulations in order to encourage more private lenders to participate in the program. Guaranteed loans have lower subsidy costs, and lower administrative costs since much of the loan making and servicing actions are handled by private lenders.

The 2001 budget request for farm loans is based on the assumption that the farm economy will begin to recover in 2001 and that the supplemental funding provided in 2000 will reduce the backlog of loan applications. Specifically, the 2001 budget request includes about $1.1 billion in direct farm loans and $3.5 billion in loan guarantees – a total of $4.6 billion. This is $1.2 billion less than the $5.8 billion that will be available in 2000, but the 2000 total includes over $2 billion provided through emergency funds. Because interest rates have been rising, subsidy costs for the direct loan programs are higher this year. This means each dollar of direct loans made in 2001 will cost more than in 2000. Overall, subsidy costs for 2001 total $186 million, $83 million less than in 2000.

For farm operating loans, the 2001 budget includes $700 million in direct loans, $2 billion in unsubsidized guarantees, and $478 million in subsidized guarantees – a total of $3.2 billion. The availability of farm operating loans provides farmers with short-term credit to finance the costs of continuing or improving their farming operations, such as purchasing seed, fertilizer, livestock feed, and equipment.

For farm ownership loans, the 2001 budget includes $128 million in direct loans and $1 billion for guaranteed loans. The availability of farm ownership loans provides farmers with long-term credit to finance the costs of enlarging, improving, or purchasing a family farm. In addition, the guaranteed farm ownership loan program allows farmers

to use real estate equity to restructure debts. The direct farm ownership loan program cannot be used for this purpose.

In addition, the 2001 budget includes funding for the boll weevil eradication program, Indian tribal land acquisition loans, and emergency loans. Due to numerous natural disasters in recent years, demand for emergency disaster loans has been very high and supplemental appropriations have been needed in order to adequately fund the program. The request for emergency loans for 2001 is $150 million, which includes loans that would be made to larger-sized farms at higher interest rates, under our proposal to close the "eligibility gap" between USDA and the Small Business Administration emergency loans.

Farm Program Delivery

The weakened farm economy has challenged our efforts to improve customer service while improving efficiency in the Farm Service Agency (FSA) and the other county-based conservation and rural development agencies. The increasing demand for CCC marketing assistance loan programs and disaster assistance has dramatically increased workload and placed new burdens on county office staff. The higher workload, particularly for the marketing assistance loan programs, is projected to continue into 2001.

FSA Federal and county staffing since 1993 has declined by about 6,000 staff years, from over 22,500 staff years at the end of 1993 to about 17,200 staff years at the end of 1999. Additional funds appropriated in 1999 and 2000 have allowed the agency to avoid reductions-in-force and to hire and maintain additional temporary staff to meet pressing workload needs. The proposed program level in 2001 for salaries and expenses of $1.1 billion is estimated to support a ceiling of 5,901 Federal staff years, and 10,766 non-Federal county staff years, assuming proposed legislation is enacted allowing for CCC to cover a portion of FSA's computer operations and maintenance

costs for the farm programs. The workload requirements to deliver projected current programs and proposed new programs in 2001 is expected to require over 16,600 staff years as well as continued investment in modernization of the delivery system. The current high level of costs of operating and maintaining current legacy computer system will continue to be incurred in the short run until the common computing environment is operational, if FSA and the other field service center based agencies are to provide necessary and adequate customer service. As recommended in the Civil Rights Action Team report, legislation will be submitted to convert all FSA employees to Federal status this year.

Crop Insurance

Crop Insurance is fast becoming a primary source of risk protection for our Nation's farmers. Participation has increased to about 70 percent of the insurable acres – more than half of which is insured at higher levels of coverage that producers select, and the rest at the premium-free catastrophic coverage level of 50 percent of approved yield and 55 percent of expected market price. The program is operating on an actuarially sound basis, and the concern that farmers had about the high cost of premiums has been addressed by providing approximately a 30 percent discount in premiums in 1999 and about a 25 percent discount in premiums in 2000 as part of the emergency assistance package that was enacted for those years.

More work needs to be done in this area and the Administration is prepared to work with the Congress toward this end. Based on the response received for discounting premiums, the budget includes a proposal to increase the premium subsidy on buy-up coverage for the 2001 crop. This new legislative authority would also address the problem of multi-year coverage and establish a pilot program for livestock. In addition, the proposed legislation would expand the risk management education program and provide incentives, such as royalties, to developers of new insurance products. The legislative proposal also includes a provision for replacing the area-wide

trigger on eligibility for the non-insured crop disaster assistance program with disaster declarations, beginning with the 2000 crop, so that producers with individual losses on crops for which crop insurance is not offered will be better positioned to receive assistance.

The 2001 budget requests that "such sums as necessary" be appropriated for all costs of the crop insurance programs, except for Federal salaries and expenses. This is consistent with prior year appropriations and offers the flexibility necessary to meet increases in the demand for insurance. The budgetary impact of our legislative changes will be reflected on the mandatory side of the ledger.

As for Federal salaries and expenses in the Risk Management Agency, the 2001 budget includes $67.7 million in discretionary spending, compared to the $64 million that was appropriated for 2000. About $1.6 million of the $3.7 million increase is necessary to cover pay costs and $0.4 million is for information technology investments. The remaining $1.7 million would be used to establish a pilot program for insuring bio-based value added products, and to enhance our civil rights activities.

International Trade and Export Programs

Strong export markets remain an essential component of the farm safety net, and the aggressive pursuit of overseas markets for our farmers and ranchers is one of the Department's highest priorities. For 2000, the value of U.S. agricultural exports is projected at $49 billion, unchanged from last year. While export growth remains sluggish, export levels should improve as the economies of Asia, Latin America, Russia, and elsewhere recover from the financial disruptions of recent years. However, a more solid recovery in U.S. exports is unlikely until global commodity stocks are reduced from their present high levels.

In view of the current export situation, a number of steps have been taken during the past year to bolster our export performance, while assisting other countries to meet their food and agricultural import needs. For example, the Department programmed nearly 8 million metric tons of food assistance under various program authorities last year, the highest tonnage level in 25 years. This included over 5 million tons of wheat programmed under the President's Food Aid Initiative and additional assistance provided to Russia. The Department also continued to make available sizeable levels of CCC export credit guarantees to facilitate sales to buyers in the countries in Asia and elsewhere, which required the guarantees in order to secure financing to purchase needed imports. Sales registrations under the programs exceeded $3 billion last year.

Progress has also been made in our efforts to expand market access through trade policy. Noteworthy among these accomplishments are the U.S.-China Agricultural Cooperation Agreement reached last April, and the broader bilateral agreement on China's entry into the World Trade Organization (WTO) reached last November. These agreements are important as the first will remove longstanding technical barriers related to imports of U.S. grains, citrus, and meat and, upon China's accession to the WTO, the second will result in reduced tariffs and enhanced access to Chinese markets for many of our products. Moreover, the WTO agreement will place disciplines on Chinese agricultural policies, which would reduce the possibility of disruptions in world trade stemming from their policies as has occurred in the past. In order for United States to benefit fully from the agreement on WTO accession, however, it will be necessary for permanent Normal Trade Relations (NTR) status to be approved for China. The Administration will be working closely with the Congress this year to ensure a positive outcome on the NTR matter.

Another important trade policy activity is the new round of multilateral negotiations on agricultural trade. The objectives we have established for the negotiations – elimination of export subsidies, improved market access by reducing

tariffs and increasing quotas, reform of state trading enterprises, tighter rules on trade distorting domestic support, and facilitation of trade in products of new technologies -- are crucial for the achievement of our long-term export expansion objectives. Although full agreement on the framework for a new round of negotiations was not achieved at the Seattle Ministerial, the Seattle meeting is not the end to further negotiations on agricultural trade. Because of the "built-in agenda" for agricultural reform in the Uruguay Round Agreement, work on the new agricultural negotiations will continue, and the Administration will be working vigorously to ensure that U.S. objectives are advanced as we move forward.

The President's budget for 2001 is designed to ensure that the work of the Department on these important trade policy and export promotion activities can continue. The budget provides an overall program level of nearly $5.8 billion for the Department's international programs. For the CCC export credit guarantee programs, the largest of our export programs, the budget includes a projected program level of $3.8 billion, unchanged from this year's level. These are current estimates of the level of sales that will be facilitated by the programs; however, the actual level of programming will be determined by market conditions and program demand. As export markets recover, the level of export credit guarantee activity should pick up and the level of guarantee programming can be increased in order to meet demand and maximize export sales.

For the Department's market development programs, the budget provides funding of $120 million for 2001. This includes $90 million for the Market Access Program (MAP), the maximum level authorized by law. MAP is the largest market development program and is a key component in the Department's efforts to increase sales of high value products. The program has also served an important role in assisting small and new-to-export companies build new overseas markets.

For the Foreign Market Development Program, commonly referred to as the Cooperator Program, the budget continues funding for the program at this year's level of $27.5 million. As proposed in last year's budget, the Cooperator Program is now funded through CCC rather than funds appropriated to the Foreign Agricultural Service (FAS). This change will provide increased stability in the level of annual program funding and, thereby, will enhance long-term planning by program participants.

The budget also includes funding for the Quality Samples Program, which was first proposed in last year's budget and is being implemented by CCC this year. Under the program, samples of U.S. agricultural products will be provided to foreign importers in order to promote a better understanding and appreciation of their high quality. The program will be carried out through private sector organizations and agricultural trade associations. For 2001, the budget provides funding of $2.5 million for the Quality Samples Program, the same as this year's level.

The budget includes funding for both of the Department's export subsidy programs – the Export Enhancement Program (EEP) and the Dairy Export Incentive Program (DEIP). In the case of EEP, the budget provides funding of $478 million, the maximum level authorized by law and the level which is consistent with the U.S. export subsidy reductions agreed to in conjunction with the Uruguay Round Agreement on Agriculture. Although EEP programming has been limited in recent years due to world supply and demand conditions, the awarding of EEP bonuses can be resumed whenever market conditions warrant. Again this year, proposed legislation will be submitted which would allow unobligated balances in EEP funds to be transferred toward the end of the year to help support increased programming under the Department's foreign food assistance authorities. This would be a very useful tool for ensuring that EEP funds do not go unused, while helping to maximize agricultural exports and assisting other countries meet their food import requirements.

For DEIP, the budget assumes a program level of $66 million for 2001. This is a reduction from the levels of recent years and reflects two primary factors. The first is full implementation of the Uruguay Round export subsidy reduction commitments. The second is the phaseout this June of the so-called "rollover" provision which allows countries under certain circumstances to exceed their annual export subsidy reduction commitments by drawing on unused subsidy quantities from previous years. In view of the constrained level of DEIP programming, the Department will need to work with the domestic industry to determine how it can continue to facilitate U.S. dairy exports and maintain efforts to develop long-term markets overseas.

The budget provides an overall program level of just over $1 billion for P.L. 480 food assistance in 2001, which is expected to provide approximately 2.9 million metric tons of commodity assistance to recipient countries. As in recent years, P.L. 480 programming is likely to be supplemented by food assistance made available under other authorities, including the Food for Progress Act of 1985 and section 416(b) of the Agricultural Act of 1949.

For FAS, the budget provides appropriated funding of $118 million, an increase of more than $4 million over this year's level. Included in the increase is funding to support the opening of three new Agricultural Trade Offices in Canada, Mexico, and the Philippines. These countries have been identified by FAS as priority markets which offer significant market growth potential over the next 5 to 10 years. These offices, working in conjunction with U.S. market development organizations, private exporters, State trade officials, and others, will help to ensure that U.S. agricultural products benefit from the projected growth.

Increased funding is also included to enhance FAS' market access compliance and negotiation activities. The workload associated with these activities has increased substantially with implementation of the Uruguay Round Agreement, and it is expected

to increase even further with the onset of new multilateral negotiations on agriculture. The increased funding will help to ensure that resources are available to monitor implementation and compliance with existing agreements and to ensure that U.S. agricultural interests are fully represented as new agreements are negotiated.

Additional funding is also provided for the increased costs associated with maintaining an FAS presence at the American Institute in Taiwan and for a portion of projected pay cost increases in 2001. The FAS request also includes $3.5 million for the Cochran Fellowship Program, which maintains appropriated funding for the program at this year's level.

RURAL DEVELOPMENT

Rural America is tremendously diverse in terms of its dependence on farming and other sources of jobs and income, and its ability to reap the benefits of the Nation's economic prosperity. Likewise, there is a substantial range in the wealth and economic well-being of rural residents. Homeownership is higher in rural America than in the Nation as a whole. Yet, many rural residents lack the resources to qualify for mortgage credit, and rental housing is often unavailable or unaffordable, particularly for the elderly. Even the basic amenities of clean running water and waste disposal are lacking in many rural communities.

USDA's rural development programs are designed to provide loan, grant and payment assistance for a variety of needs – rural housing, community facilities, water and waste disposal, electric and telephone service, and rural businesses. These programs represent a substantial investment of public funds – nearly $13 billion for 2001. The returns on this investment include jobs – an estimated 200,000 for 2001 – as well as decent, safe and sanitary housing, improved community services, and more opportunities for rural areas to compete successfully in the high-tech, global economy.

Through initiatives, such as Empowerment Zones and Enterprise Communities (EZ/EC), USDA helps rural communities with strategic planning and implementation. The Department works with other Federal agencies, State and local governments, and other rural development partners to ensure a coordinated effort in meeting local priorities.

The 2001 budget provides more than $2.5 billion in budget authority. This is an increase of over $300 million in budget authority over the $2.2 billion provided in 2000, and reflects higher subsidy costs due primarily to a projected increase in the Government's cost of borrowing.

Almost $3.5 billion in loans and grants is budgeted under the Rural Community Advancement Program (RCAP) that was enacted as part of the 1996 Act. RCAP funding would be provided in three funding streams, with States having the full flexibility to transfer up to 10 percent of the funds within the funding streams, and up to 25 percent between the three funding streams. This is consistent with the 1996 Act, and would ensure better coordination in meeting State and local priorities. Within RCAP's three funding streams, $24 million would be earmarked for Federally recognized Indian tribes. There are several other earmarks, including $42.6 million for EZ/EC communities, and other initiatives.

The 2001 budget provides mandatory funding of $15 million annually for the communities that were selected in Round II of the EZ/EC Initiative. This will assist these communities, which have a 10-year designation, in meeting the goals of their strategic plans to create jobs and economic growth. The budget also provides for targeting of about $200 million in loans and grants under USDA's rural development programs to projects in EZ/EC communities.

The 2001 budget includes $581 million for salaries and expenses, which is approximately $47 million over the 2000 level. The increase will allow the mission area to increase staffing and to fund a limited number of information technology initiatives.

Rural Utilities

The Rural Utilities Service (RUS) finances rural electric, telephone and water and waste disposal services. Although most rural Americans now have access to these basic necessities, there is still a need to maintain and upgrade these facilities to ensure that rural America does not fall further behind in the fast-paced world of high-tech communications, and to address the increasing risks of unsafe or poor quality water.

The 2001 budget would support over $2.2 billion in electric and telephone loans, down from $2.8 billion. Guaranteed loans would be reduced from $1.7 billion to $1.2 billion. Direct 5 percent electric loans would be reduced and municipal rate loans would be maintained at about the current level.

The Distance Learning and Telemedicine Program offers rural communities an opportunity to receive enhanced learning and medical services and to connect to the information-based economy. In 1997, the program was expanded to include loan as well as grant assistance. RUS expects to see continued progress in loan activity. Therefore, the 2001 budget proposes an increase in direct loans from $200 million in 2000 to $300 million, and an increase in grants, from $20 million in 2000 to $25 million. This program will also fund $100 million in loans and $2 million in grants as part of the Administration's initiative to close the "digital divide."

The Water and Waste Disposal Program provides financing for rural communities to establish, expand, or modernize water treatment and waste disposal facilities. Eligibility is limited to communities of 10,000 or less in population that cannot obtain credit elsewhere. The program supports the Administration's Water 2000 initiative,

which targets a portion of the funding to serve those rural communities with the Nation's most serious water quality problems, including even the lack of a dependable supply of drinking water.

The program level for 2001 includes $502 million in grants, $1,032 million in direct loans and $75 million in guaranteed loans for water and waste disposal projects. This level will provide financing for new or improved water systems that will serve about 1.7 million rural residents. In addition, about 700,000 rural residents will be served through new or improved waste disposal systems. The 2001 budget includes $648 million in budget authority to support the program, which is an increase over the $606 million appropriated for 2000.

Rural Housing

USDA rural housing programs, managed by the Rural Housing Service (RHS), have played a key role in providing affordable homeownership and rental opportunities for rural residents since the 1960s. The programs serve very low to moderate income families who cannot obtain conventional credit and cannot otherwise afford decent, safe and sanitary housing. Interest and rental payment assistance reduce the cost of such housing to the families' ability to pay, based on income and other factors. The direct loan program serves low income families with incomes less than 80 percent of the area median. The average borrower's income is $17,500. The 2001 budget would support $1.3 billion in direct (single-family) homeownership loans – compared to $1.16 billion in 2000.

The 2001 budget would also support $3.7 billion in guarantees – $500 million more than in 2000. The program offers no interest payment assistance, so borrowers must be able to pay commercial rates of interest. This keeps the subsidy cost of the program less than 1 percent per dollar of loan guaranteed, allowing it to fill gaps in the commercial credit market where lenders are reluctant to make loans on their own. The

Administration will propose legislation to increase the fee on guaranteed loans, which will further reduce the subsidy cost.

The combined total of $5.0 billion in homeownership loans and guarantees reflects the Administration's strong commitment to improving homeownership opportunities in rural areas and is expected to serve almost 70,000 rural families.

The 2001 budget provides for $120 million in direct loans and $200 million in guarantees for rental housing. The guaranteed program for rental housing differs from the direct loan program in that it serves families with incomes up to 115 percent of the area median income, rather than those below 80 percent of the area median. The guaranteed program is proposed to operate without interest payment assistance. Currently 20 percent of loans have interest payment assistance. The program will continue to use other sources of funds and financial incentives, such as tax credits. This combination of the guaranteed loan with other incentives keeps rents affordable for low income families.

In the direct rental housing program, RHS currently has a portfolio of about 18,000 projects with approximately 245,000 units receiving rental assistance payments. About 42,800 of these units will require renewal at a cost of $634 million. The budget of $680 million also provides for some additional units in existing projects for servicing purposes, as well as a small number of units provided in new projects, including farm labor housing.

RHS administers several housing programs that serve specific needs, including farm labor housing, self-help housing for families who trade their sweat equity for a chance to own their own home, and repair loans and grants for very low income households. The 2001 budget recommends $30 million in loans and $15 million in grants for farm labor housing. It also includes $5 million for emergency assistance for

migrant farm workers. The budget also recommends an increase in Self-Help grants from $29 million available for 2000 to $40 million for 2001.

The community facilities program provides direct loans, guarantees and grants to finance essential community facilities, with priority given to health and safety facilities. In recent years, the priority has been to serve children and the elderly through child care centers and health facilities; however, a wide range of projects have received this assistance, reflecting the diversity of State and local priorities. The 2001 budget provides $250 million in direct loans, $210 million in guarantees, and $24 million in grants, including $5 million for early warning system grants that would allow rural areas to reduce the loss of life resulting from inadequate warnings of hazardous weather. The total program level of $484 million is about $75 million more than 2000, and will support over 200 new or improved health care facilities and other facilities which will improve the standard of living in rural America.

Rural Business

In order to create thriving local economies that provide good paying jobs and withstand the challenges of a high-tech global marketplace, many rural communities need a more diversified economic base. In response to the EZ/EC initiative, many communities have prepared strategic plans for their development. Implementing these plans, however, requires significant sources of private-sector capital. Within USDA, the Rural Business-Cooperative Service (RBS) administers several programs, including loan guarantees, direct loans, and technical assistance, that encourage private lenders to be more responsive to unmet needs and opportunities in rural communities.

RBS' largest program is the business and industry (B&I) loan guarantee program, which has been operating at a level of about $1 billion for the last few years. The 2001 budget provides $1.25 billion in B&I guarantees and $50 million in direct loans, which are targeted to areas that have traditionally been under-served by

commercial lenders. This level of funding reflects the Administration's strong commitment to expanding the rural economy, and is expected to create or save more than 40,000 jobs in rural America.

The 2001 budget provides $64 million for the Intermediary Relending Program with $4 million of this amount earmarked for the Administration's Native American Initiative. This program provides loans at 1 percent interest to intermediaries who relend those funds to local businesses and other organizations to improve the local economic base.

The rural business enterprise grant program would be funded at $41 million, a small increase over the 2000 level. These grants help rural entities, including public bodies, nonprofit corporations and federally recognized Indian tribes, finance and facilitate development of small and emerging businesses. The budget provides $8 million for rural business opportunity grants, which help rural communities develop comprehensive strategies for revitalization and to better coordinate Federal assistance. The budget also includes $5 million for the National Sheep Industry Improvement Center, which is expected to use up most of the $20 million in mandatory funding authority that the Center was provided in the 1996 Act.

The 2001 budget also provides $6 million for rural cooperative development grants and $2 million for cooperative research agreements, compared to 2000 levels of $3 million and $500 thousand, respectively. The increase will be used to provide technical assistance to small-scale farmers to assist them in developing ways to add value to their product in processing and marketing through the cooperative form of business organization.

FOOD, NUTRITION AND CONSUMER SERVICES

America has the most affordable, safest food supply in the world, thanks to its hard-working farmers and ranchers, not to mention the world's most sophisticated food distribution system. Despite the strongest economy in a generation and the continued strength of the Nutrition Assistance Programs, the problem of hunger persists, and too many people have an inadequate diet. The Food Stamp Program, WIC, the Child Nutrition Programs, and commodity programs provide nutrition assistance to meet this need, as part of the national safety net. By improving nutritional status, these programs are contributing to a healthier and more productive America.

The budget includes $35.8 billion to fully fund the Food Stamps, Child Nutrition, and WIC Programs, the Nation's primary means for carrying out nutrition assistance policy. Over two-thirds of this money directly helps low-income children, school age or under.

The Food Stamp Program is budgeted at $22.2 billion, including a $1.0 billion contingency fund for unforeseen needs, on participation of about 18.8 million people. The request is $1.1 billion higher than the 2000 level, and the participation estimate is 0.5 million higher. Food Stamp participation peaked in March 1994 at 28 million participants but has declined over 10 million participants since then. This trend began before welfare reform was enacted, intensified in 1997 and 1998, and has since slowed somewhat. The strongest economy in a generation, increased support from absent parents and the success of welfare reform in moving people into work are helping vulnerable households reduce their dependency on food stamps. However, too many people eligible for the Food Stamp Program are not applying for these benefits, often because they do not realize they are eligible for food stamps or have difficulty obtaining them. This trend is problematic because food stamps can be the difference that brings working poor families above the poverty line. Several initiatives have been launched to help make sure that those who are still eligible for food stamps know that they can

participate. To facilitate participation, funding to promote knowledge of the program among likely eligibles has been included in the budget.

Several Food Stamp legislative proposals and initiatives are also included in this budget. Eligibility would be restored to legal immigrant adults whose children are eligible for food stamps and legal immigrants living in the U.S. at the time of welfare reform, who have since turned 65. The budget would allow States the option of conforming food stamp rules on the treatment of vehicles with more generous Temporary Assistance for Needy Families (TANF) program procedures. The change will simplify administration of both programs, and help program participants own a reliable automobile so that they will have the transportation they are likely to need to take advantage of training and job opportunities. Using current authorities, efforts will be increased to reduce program error rates.

For the Child Nutrition Programs, the budget requests $9.5 billion, slightly below the 2000 enacted level. This includes Team Nutrition funding of $10 million and $2 million for the Nutrition Education and Training program. A request of $6 million, the final increment needed to complete the evaluation of the universal free breakfast pilot is also included. Legislation is being proposed that would improve administration and program integrity for the Child and Adult Care Food Program, and also to reduce barriers for eligible children without health insurance to enroll in the Child Health Insurance Program (CHIP) or Medicaid by allowing health departments to use National School Lunch Program free meal application data to target insurance outreach efforts.

The WIC request includes an increase of $116 million, which will support a monthly average of about 7.4 million participants with a gradual increase so that 7.5 million participants could be served by the end of the fiscal year. A sum of $20 million, a $5 million increase, is requested separately under the Commodity Assistance Program for the Farmers' Market Nutrition Program. The Food and Nutrition

Service and WIC State agencies are working to improve vendor management and tighten program targeting and integrity. Among the initiatives in this regard, $6 million is requested to further State implementation of WIC Electronic Benefit Transfer (EBT) technology already under development. WIC EBT will improve efficiency and integrity in benefit redemption, and it will increase operational efficiency in WIC clinics.

The budget provides $145 million for the Emergency Food Assistance Program (TEFAP), including $100 million in food purchases (from Food Stamp Program funds) and $45 million for State and local administration, not including bonus commodities. The Commodity Supplemental Food Program is funded at $93 million, while funding for the Nutrition Program for the Elderly (NPE) is increased by $10 million, to $150 million, to allow for increases in participation.

Finally, USDA also would increase its efforts to manage the nutrition programs effectively and to promote good nutrition. Through well managed programs with effective targeting and increased payment accuracy, program dollars can be stretched and the benefits magnified. The budget includes $129 million for the Food and Nutrition Service nutrition program administration, an increase of $14 million from the 2000 level. This includes $5 million for *Partnership for Change,* promoting coordination of Federal, State, local and private efforts in specific target areas, primarily the Colonias along the Mexican border from Texas to California. Also included is $2 million to effectively promote the Dietary Guidelines to nutritionally at risk individuals and low income households, as well as $8 million to improve program integrity. Federal resources needed to effectively manage the nutrition programs have dwindled significantly over the years, now down to less then one half of one percent of program funding. Resources to oversee States and to implement program improvements, such as EBT for WIC, are extremely limited. Therefore, it is very important to the recipients of these programs that this request be fully funded.

FOOD SAFETY

Over the last 5 years, USDA has pursued a course to reduce the incidence of foodborne illness associated with meat and poultry products. The backbone of this effort has been the planning, development, and implementation of a new inspection system to achieve pathogen reduction through the implementation of hazard analysis and critical control points (HACCP) systems. With the phased-in implementation of HACCP three years ago, steps were taken to introduce science-based inspection practices into a system that had not changed in nearly 100 years. Under HACCP, the industry has taken the responsibility for identifying and addressing food safety hazards that may occur during production and improving the sanitation of their facilities. To coincide with these changes, the inspection program has refocused its efforts on ensuring that production systems are producing products that meet sound, science-based microbiological performance standards; as well as preventing transmission of diseases from animals to humans.

In January 1998, approximately 300 large establishments entered the program and the following year over 2,800 small plants implemented the new requirements. Recently, on January 25, 2000, the program was fully implemented when the remaining very small establishments entered the program. At this time, all meat and poultry establishments have in place standard operating procedures for sanitation and HACCP systems for controlling food safety processes. All slaughter establishments are testing product for generic *E. coli* contamination to ensure that they are preventing fecal contamination, and all establishments producing raw product must achieve *Salmonella* performance standards. Compliance with the new requirements, by the large and small establishments, is very high and it is expected that the first year experience for the very small establishments will also be successful.

Now that this system is fully implemented, there is evidence that improvements made by the industry and inspectors are providing valuable benefits for

consumers. Data from the first 2 years of implementation of the Pathogen Reduction/HACCP rule in large and small establishments indicates that the prevalence of *Salmonella* in meat and poultry products was reduced by nearly 50 percent in chicken carcasses. In addition, data released from the FoodNet disease surveillance system indicates that during 1998, the rate of *Campylobactor* and *Salmonella* infections declined nationwide.

For 2001, the budget for inspection of meat, poultry, and processed egg products is based on a program level under current law of $688 million, a net increase of $18 million over the 2000 level. The 2001 budget includes an increase for pay and benefits to meet statutory obligations to provide inspection services without disruption. The 2001 budget reproposes legislation to recover the full cost of providing Federal meat, poultry, and egg inspection. The user fee proposal excludes Grants to States and Special Assistance for State Programs. Requiring the payment of user fees for Federal inspection services would not only result in savings to the taxpayer, but would also ensure that sufficient resources are available to provide the mandatory inspection services needed to meet increasing industry demand, while representing less than one cent per pound inspected to consumers.

The 2001 budget includes increases to enhance the implementation of HACCP and science-based inspection procedures. Currently, the Food Safety and Inspection Service (FSIS) is examining how to redefine the functions of inspection personnel under a HACCP-based food safety system. The inspection reforms being evaluated are expected to have a substantial impact on the deployment and compensation of FSIS in-plant personnel. The overall complexity of inspection work will increase as will the inspector's responsibility. Offsetting increased costs for implementing the reforms will be savings resulting from an anticipated reduction of part-time and temporary personnel not needed to conduct certain inspection functions. In addition, FSIS will also implement daily randomized inspection in processing establishments, rather than

conducting inspection during each shift. Implementation of randomized processing inspection practices in 2001 will lead to better utilization of inspection personnel and eliminate the need for inspection services on an overtime basis, saving the industry overtime charges.

In order to ensure that all establishments producing meat and poultry products for U.S. consumers are meeting HACCP requirements, the budget includes funding to increase the number and intensity of comprehensive reviews of State and foreign inspection programs to assure that they are equivalent with Federal requirements. In addition, the implementation of HACCP and other regulatory reforms has placed increased demands on supervisors and inspectors for learning new processes that have increased the complexity of inspection activities. In order to ensure that these new functions are uniformly and effectively applied, FSIS needs to enable its inspection workforce to hold periodic meetings to address concerns and questions inspectors may have regarding verification of HACCP systems, process control systems, and pathogen testing. The budget also provides the resources needed to accelerate regulatory reform through the elimination of regulations not compatible with HACCP. The budget provides additional funding for Codex Alimentarius, which will be used to prepare U.S. delegates to Codex for leadership in international food safety issues through technical training seminars.

The USDA strategy for improving food safety has been multi-faceted and broad, involving not only Federally inspected establishments, but also the entire farm-to-table continuum. Under the President's Food Safety Initiative for 2001, eight USDA agencies are requesting a total of $163.7 million, an increase of $27.4 million over the 2000 level. Research and data collection on food safety hazards and developing means to control them continue to be a high priority activity for USDA. In order to continue USDA's success in reducing microbial contamination of meat, poultry, and eggs, the budget includes funding to implement proposed legislation to permit the

interstate shipment of State inspected products, and implement the Shell Egg Action Plan.

NATURAL RESOURCES AND ENVIRONMENT

At a national conservation summit that USDA hosted late last year, the Department released the latest Natural Resources Inventory (NRI) demonstrating that American agriculture will be facing a mounting array of conservation challenges in the 21st century. Many of these challenges, which appear to be growing faster than we can solve them, are all too familiar and include the need to conserve and protect our Nation's valuable private land, reduce soil erosion, improve water quality, limit the loss of prime agricultural land to development, protect and restore wetlands, and enhance fish and wildlife habitat. The 2001 budget recognizes the importance that the public has placed on these natural resource concerns and a number of proposals are included in the budget to help the Department address them.

Overall the budget for 2001 includes a funding level for the Natural Resources Conservation Service (NRCS) that totals about $2.3 billion, including $877 million in appropriated funding and $1.4 billion in funding from the CCC. This also includes $654 million for conservation technical assistance, a 13 percent increase, which represents the foundation of the Department's partnership with conservation districts and farmers, as well as the primary means by which the Department addresses many of the conservation priorities mentioned above.

The budget recognizes the important contribution that agriculture can make in addressing water quality and implementing the Administration's Clean Water Action Plan. Polluted runoff resulting from animal feeding operations (AFO's) are one of Agriculture's most critical challenges in preventing water pollution in the Nation and meeting this challenge continues to be a high priority within the Department. To help AFO's develop and implement nutrient management plans, NRCS will direct a total of

$87 million in technical assistance funding in 2001 which represents an increase of $20 million and a redirection of $11 million. Financial assistance that AFO's might need to implement the plans will come from the EQIP which is funded through CCC and for which we are seeking an increase of $151 million. The budget also supports actions to strengthen local leadership capacity in the area of watershed restoration planning. NRCS will direct $10 million to competitive partnership grants to enable locally-led institutions, such as conservation districts or watershed councils, to hire non-Federal watershed coordinators who will take an active role in problem identification and goal setting. An additional $3 million is provided for monitoring work to help target resources and document baseline conditions and performance.

Last month the Vice President announced an ambitious new plan to support the farm safety net while at the same time promoting conservation, preserving farmland, and protecting soil and water quality. This plan recognizes the fact that soil and water are vital resources, and that producers should be compensated for their husbandry of these resources, just as they are for crop and livestock commodities. A cornerstone of this proposal is the new $600 million Conservation Security Program which will be targeted to family farmers and ranchers who meet certain income-related criteria but who still want to practice environmentally sound land management practices. Through this program, the Department will make direct payments to producers to keep their agricultural operations economically and environmentally sustainable by compensating them for voluntary land stewardship. It will also be a significant new incentive for farmers to install important additional conservation practices such as nutrient and residue management and environmentally sound grazing. In further support of this farm safety net proposal, the Department will seek to reauthorize and fund the Farmland Protection Program and the Wildlife Habitat Incentives Program and to expand the Wetlands Reserve and Conservation Reserve Programs.

In support of the Administration's Global Climate Change Initiative, the budget includes an additional $12 million for the conservation technical assistance program to develop accurate baseline soil carbon data and to determine the impacts of Federal programs on soil carbon stocks at the national, regional and field levels. In addition, NRCS will devote $3 million to fund demonstration and research pilot projects to test various carbon sequestration and greenhouse gas mitigation strategies and monitoring mechanisms.

Other budget increases include $5 million to enable NRCS to help communities plan, develop and implement conservation based biomass production systems and $5 million for financial and technical assistance for the Community/Federal Information Partnerships in support of the Administration's Livability initiative, which will allow communities to develop and use geospatial data for land-use planning and decisions.

Funds will again be limited in the watershed planning and construction area where allocations will be made only to those projects that demonstrate cost effectiveness and clear environmental need. Watershed plans will continue to be closely examined to eliminate those projects that have become infeasible in order to reduce the backlog of unfunded work. The budget request also includes the use of $4 million in subsidy budget authority for a new $60 million loan program that will provide loans to State and local governments for the rehabilitation of the more than 10,000 project dams that have been installed with USDA funding over the past 50 years. Many of these older projects are now approaching the end of their projected life span.

Finally, the Department's 2001 budget will continue to support the 315 authorized Resource Conservation and Development areas. While budget constraints preclude any new area authorizations this year, the ongoing program will continue to

improve State and local leadership capabilities in planning, developing and carrying out resource conservation programs.

RESEARCH, EDUCATION, AND ECONOMICS

The Research, Education, and Economics (REE) programs aim to address increasingly complex issues faced by producers as we enter the 21st century by: (1) warding off any potential threats to agricultural productivity posed by deadly pests and diseases of U.S. and foreign origin; (2) helping the farming community to produce affordable high quality foods that are safe and nutritious by taking advantage of cutting edge tools such as biotechnology; and (3) creating a future workforce that is capable of addressing emerging issues in agriculture.

For the REE mission area increases are provided for developing novel methods to prevent and control exotic diseases, pests, and invasive species that threaten U.S. productivity; accelerating the development and commercialization of biofuels and other valuable biobased products made from agricultural and forestry resources; promoting agricultural production practices that are environmentally-sound; expanding higher education capacity in agricultural and food sciences; enhancing nutrition education and food recovery efforts to fight hunger; and providing important economic and statistical information for decision-makers to better address key issues in agriculture.

Agricultural Research

The 2001 budget provides $894 million for the research programs carried out by the Agricultural Research Service (ARS), reflecting an increase of about $64 million, or 7.7 percent above the 2000 enacted level. Within the total, the budget provides increases totaling nearly $98 million, for top Administration initiatives and priorities, such as biobased fuels and products and the counter-terrorism initiative aiming to prevent and control acts of chemical and biological terrorism against U.S. agriculture.

The initiatives will be funded in part through the savings achieved from the termination of lower priority projects, totaling more than $42 million. An increase of $2 million is also provided for the National Agricultural Library to rapidly respond to information requests in print and electronic form, increase digital publishing, and expand access to key agriculture-related information.

To identify, prevent, and control exotic and invasive diseases and pests, an increase of $23.2 million is included in the ARS budget. The increase includes $14.4 million for expanding the diagnostic capabilities to prevent acts of biological terrorism against U.S. agriculture, and preventing and controlling infectious zoonotic diseases afflicting livestock and aquaculture. The increase also includes $4.3 million for invasive species, and $4.5 million for Food Quality Protection Act (FQPA) related activities. An increase of $21 million is also provided to the Cooperative State Research Education, and Extension Service (CSREES) for competitive grants to develop intermediate- and longer- term pest control alternatives in response to FQPA.

Additional investments in genetic research can potentially increase agricultural productivity and lessen the impact of agricultural practices on the environment by generating economically desirable crops and animal products that are naturally resistant to deadly diseases and pests. The ARS budget contains an increase of $12 million for genetic research. Additional funding, totaling $12 million, is also available under the National Research Initiative (NRI) competitive grants for constructing genomic maps, conducting map-based cloning of select genes, and manipulating microbial genomes to increase agricultural productivity.

Scientific and technological advances in biobased products research make it possible to enhance farm income, strengthen U.S. energy security, and protect the environment. An increase of $14 million for research to improve the conversion of agricultural materials and feedstocks into biofuels, and enhance the development of

valuable biobased products. An additional $9.6 million is also included in the CSREES budget for competitive grants to generate new information and tools for producers to grow and harvest alternative crops, and for manufacturers to convert the raw materials into valuable products for use by industry and consumers.

Other continuing ARS budget proposals include:

- An increase of $5.7 million for food safety research in support of the President's Food Safety Initiative. The increase will support both pre-harvest and post-harvest research. Additional funding, totaling $7.7 million, is available under the NRI to better identify risk factors in food production from farm-to-table.

- An increase of $17.3 million for research in support of the President's Human Nutrition Initiative, aimed at increasing the understanding of how certain nutrients impact human health and weight-loss in individuals.

- An increase of $23.7 million is provided to promote environmentally sound production practices, enhance the understanding of the adverse impacts of global climate change on food production, and develop methods to improve air quality.

The ARS budget also includes an additional $39.3 million for facility construction and modernization projects at five ARS locations, including planning and design of a new Biosafety Level-3 facility at the National Animal Disease Center at Ames, Iowa, improvements to support new facilities at Beltsville, Maryland; continued modernization and construction at the Plum Island facility in New York, continued modernization of the Western Regional Research Center at Albany, California; and to upgrade the U.S. National Arboretum and the National Agricultural Library.

Research, Education, and Extension

The 2001 discretionary budget request for CSREES over $972 million, an increase of $22 million above the 2000 enacted level, with a shift within the total for several integrated research, education, and extension activities, targeting important programs such as water quality, food safety, and the economic viability of small farm producers. In addition to research programs financed with discretionary funding provided in appropriation bills, the Department has launched the $120 million initiative for Future Agriculture and Food Systems and will also use funding available under the Fund for Rural America for various research and extension initiatives. These initiatives will be continued in 2001. An increase of $31 million is also provided for the NRI, funding it at $150 million. NRI supports cutting edge research aimed at addressing critical issues in agriculture by allowing the Nation's best scientists to compete for grant funds. The research funded under the NRI targets key areas, such as plant and animal genetics, human nutrition, global climate change, animal waste management, and pest control.

Specific budget proposals for CSREES include:

- An increase of over $9 million for higher education programs through expanding Institution Challenge Grants, Graduate Fellowship Grants, and the Multicultural Scholars program, as well as enhancing the educational capacity at the Hispanic Serving Institutions, and the 1890 institutions. The increase also adds to the balance of the Native American Institutions Endowment Fund to enhance educational capacity and support facility renovation and construction at Tribal colleges.

- Over $5 million in new funding for nonprofit groups and faith-based organizations to expand community-based efforts to fight hunger, improve

nutrition, strengthen local food systems, and help low-income families move from poverty to self-sufficiency.

- $5 million in new funding for a new Youth Farm Safety Education and Certification program to deliver safety training and certification to youth and migrant workers who may have limited access to formal education.

Economics and Statistics

The 2001 budget for the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS), in total, is $156 million, down $9 million from the 2000 enacted level. The proposed increases of $5.2 million are provided to support economic analysis that improves public and private decisionmaking and meet the statistical data needs of our customers, are offset by a decrease of $14.2 million, resulting in part from the proposal to transfer food program studies from ERS to the Food and Nutrition Service.

Funding proposals include:

- An increase of $1 million for ERS for continuing analysis of market concentration, focusing on identifying where concentration is occurring in the marketing chain and who is affected. Assistance would also be provided to the Department of Justice for monitoring merger activity.

- An increase of $0.7 million for ERS to assess the economic potential for domestic carbon sequestration in agricultural soils and identify the appropriate economic incentives for such activity.

- An increase of $0.5 million for ERS to expand research and collaboration with appropriate institutions in developing countries to find solutions for global food insecurity.

- Increases of $3.2 million for NASS to expand the monitoring of pesticide use, expand the current hog survey, develop computer security for confidential and market sensitive information and statistics, and begin preparations for the 2002 Census of Agriculture.

MARKETING AND REGULATORY PROGRAMS

The Marketing and Regulatory Programs facilitate domestic and international marketing of U.S. agricultural products by: (1) reducing international trade barriers and assuring that all sanitary and phytosanitary requirements are based on sound science; (2) protecting domestic producers from animal and plant pests and diseases; (3) monitoring markets to assure fair trading practices; (4) promoting competition and efficient marketing; (5) reducing the effects of destructive wildlife; and (6) assuring the well-being of research, exhibition, and pet animals. Consumers, as well as farmers, ranchers, handlers, processors, and other marketers in the agricultural sector, benefit from these activities.

The budget includes an increase of $15 million for the Agricultural Marketing Service (AMS) for a number of important activities. It would be used to (1) continue the Mandatory Price Reporting for livestock begun in 2000; (2) expand voluntary market news reporting to include international and organic markets data; (3) finalize the National Organic Standards; (4) enhance the rapid response capability of the Pesticide Data Program (PDP) necessary to support the Department's responsibilities to meet the Environmental Protection Agency's data requirements for agricultural pesticide residues for drinking water under the Food Quality Protection Act; and (5) conduct

microbiological testing of fruits and vegetables to support the President's Food Safety initiative.

For the Animal and Plant Health Inspection Service (APHIS), the budget includes an increase in current law appropriated funding of $74.3 million. The increase for 2001 reflects a decision to fund, through appropriations, several programs that had been started with funds transferred from CCC. These continuing activities can no longer be considered "emergencies." These programs address the detection and exclusion of pests and diseases, including Mediterranean fruit fly, Citrus Canker, Asian Long-horned Beetle, and Hog Colera. The budget also improves APHIS' Emergency Management System and implements a new Invasive Species program. These efforts will address demands to protect American agriculture from deliberate or accidental introductions of animal and plant pests and diseases from abroad. Other priority increases are requested in the following areas: (1) Agricultural Quarantine Inspection services will be improved along U.S. borders and ports of entry to match the greater demands for these services, by using additional point-of-entry inspectors, expansion of canine teams, and state-of-the art high-definition x-ray machines; (2) Animal Health Monitoring and Surveillance will continue to assure our trading partners of the highest quality products, by maintaining epidemiological and statistical principles of critical animal disease control and diagnostic testing methods; and (3) Animal care activities will increase the number of inspections to assure violations are corrected, expand public outreach, and encourage stakeholder and industry participation. Also, legislation will be proposed to increase license fees on the entities regulated under the Animal Welfare Act to recover the field level costs of administering the Act and to increase biotechnology permit fees to recover the costs of providing such services.

The budget requests an increase for the Grain Inspection, Packers and Stockyards Administration (GIPSA) in current law appropriations of $7.1 million so that grain inspection activities for standardization, compliance, methods development, and

all activities under the Packers and Stockyards Program are achieved. GIPSA needs to address the complex quality information needs emerging as a result of today's biotechnological advances, in order to meet market and consumer demands with respect to genetically engineered grains and grain products. New testing methods will permit greater transparency from grain inspection, adding value to grain products so producers can continue to compete in the global economy. Specifically, $2 million would be used to develop new biotechnology testing methods, analytical tests, and greater quality assurance procedures, and $150,000 will be used to address emerging sanitary and phytosanitary standards required by the WTO and NAFTA. Under the Packers and Stockyards Programs, $5 million would be used to: (1) develop models which could be used to verify the existence of anti-competitive behavior; (2) expand the Rapid Response Teams used to investigate time-sensitive financial, trade, and anti-competitive behavior issues; (3) examine the competitive structure of the poultry industry; (4) establish a swine contract library, and (5) enhance civil rights activities and establish an information staff. This funding will allow GIPSA to promote competition and improve market performance, which is vital to increasing confidence in the livestock and poultry sectors. Legislation will again be proposed to charge user fees for grain standardization activities and license fees for packers and stockyards activities.

DEPARTMENTAL MANAGEMENT ACTIVITIES

The Departmental offices provide leadership, coordination and support for all administrative and policy functions of the Department. These offices are vital to USDA's success in providing effective customer service and efficient program delivery. The 2001 budget proposes targeted increases for USDA's central offices and management functions to strengthen Departmentwide management oversight, leadership, coordination, and administrative support in keeping with the Department's Strategic Plan Management Initiatives to:

- Ensure that all customers and employees are treated fairly and equitably, with dignity and respect;

- Create a unified system of information technology management;

- Improve customer service by streamlining and restructuring the county offices; and

- Improve financial management and reporting.

The budget request reflects a continuing commitment to improving civil rights enforcement throughout USDA. In recent years, the Congress has provided funding for key civil rights initiatives in the Department, which is greatly appreciated. This budget includes further increases to ensure the achievement of the Department's civil rights goals. For example, an increase of $1 million is included to enhance the Department's capability to more efficiently and effectively resolve workplace conflicts, including equal employment opportunity complaints, through an expanded Alternative Dispute Resolution program that will be jointly administered by the Office of Civil Rights and the Conflict Prevention and Resolution Center. An increase of $7 million is included for the Department's Socially Disadvantaged Farmers Outreach Program. In 2000, this program was provided with an additional $5.2 million form the Fund for Rural America. Authorized by Section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990, this program provides grants to organizations to help increase socially disadvantaged farmers' and ranchers' participation in USDA programs and to help enhance the success of their operations by providing outreach and technical assistance. The budget also includes $500,000 for a Small Business Education and Development Pilot Program that will: (1) demonstrate strategies for the growth and stability of small businesses in rural America; (2) identify new markets for agricultural

products of small, limited-resource farmers; and (3) deliver educational and technical resources to sustain economic growth and development.

The Office of the Chief Information Officer (OCIO) provides policy guidance, leadership, and coordination in USDA's information management and technology investment activities. The budget includes an increase of $6.6 million to implement a comprehensive USDA Cyber-Security Program and $2 million to support electronic commerce and information management and collection initiatives. The cyber-security program will ensure that the Department's information technology (IT) systems are protected from unlawful and malicious intrusions. Activities include establishing a department-level IT risk management program to provide means to identify vulnerabilities in USDA's information assets and mitigate security risks; further the development of an information and telecommunications security architecture; and conduct security awareness and training programs to educate our employees about security risks as well as their role in protecting USDA's information resources. As USDA agencies increasingly provide customers access to programs and services on the Internet, Department-wide electronic commerce initiatives will facilitate the development of unified and more resource efficient approaches to common issues such as electronic signatures, information security, and rapidly evolving technical standards. Information management and collection initiatives will also provide a quick and easy way for customers to conduct business with the Department, reduce customer reporting burdens, and help the Department meet the requirements of the Government Paperwork and Elimination Act.

OCIO also has oversight of the Common Computing Environment (CCE) that is part of the Service Center Modernization Initiative (SCMI). CCE is a critical component of our plan to reengineer the Department in a way that improves customer service while reducing the long-term costs of providing those services. In recent years, the Department has collocated field offices of the Farm Service Agency, Natural Resources

Conservation Service and Rural Development to create about 2,500 one-stop USDA service centers. A key ingredient in providing seamless, quality service at service centers is the replacement of these agencies' separate, incompatible, and aging information technology systems with a single, integrated, and modern information system. CCE will allow these agencies to share common information, will reengineer business processes to reduce the redundant requests, office visits, and paperwork burden faced by customers participating in multiple programs, and will save customers time and money by making Internet-based services available. Significant progress on SCMI has already been achieved. Business processes are being reengineered to streamline administrative functions and improve program delivery; modern telecommunications systems have been installed; and 30,000 computer workstations are being deployed that can be used interchangeably among the agencies. Significant efficiencies will be achieved when the service centers are allowed to integrate their administrative functions. A comprehensive Service Center Modernization Plan has recently been completed and adopted by the Department. It lays out the next steps and implementation timeframe for attaining the goal of one-stop service for USDA customers at the county level.

Until such time as the CCE is fully operational, the service center agencies will continue to rely on outmoded legacy computer systems, many of which have been in place since the early 1980's. These systems are becoming increasingly unreliable and are expensive to operate and maintain, costing an estimated $250 million to operate in 1999. While spending on existing legacy systems will be held to minimum levels, there are operational and maintenance requirements of these systems that must be met to provide ongoing customer service. It is just not possible to finance the new CCE solely with funds diverted from the legacy systems. Additional investments will be needed in the current and upcoming years to reach the goal of bringing the CCE into full operational status during 2002. Failure to develop a modern IT infrastructure poses high risks for the continued ability of USDA to meet its basic customer service

responsibilities. Thus, consistent with the Service Center Modernization Plan, this 2001 budget includes $75 million for IT investments under the Office of the Chief Information Officer that will help achieve a fully operational common computing environment during 2002. Additional funds from the Service Center agencies' 2001 budgets will support the reengineering of business processes, additional equipment for the common computing environment, data acquisition to support geographic information systems, and training needed to maximize the benefits of this technology.

USDA's Office of the Chief Financial Officer (OCFO) provides overall direction and leadership in the development of modern financial systems in the Department. The budget includes an increase of $1.5 million for a variety of strategies needed to strengthen the Department's financial credibility and accountability. These efforts include expanding departmental use of a new, integrated financial management system (the Foundation Financial Information System) and ensuring that all USDA agencies, including OCFO, develop and retain a level of expertise to ensure the effective and efficient use of financial management information. This funding will be used to effectively implement legislative mandates such as the Government Performance and Results Act, debt collection and cost accounting that are aimed at promoting sound business practices and making valid and reliable data and financial expertise available to support decision-making processes, and to help USDA achieve a clean audit report on its financial statements.

The budget also reflects a number of increases to strengthen departmentwide management oversight and leadership in support of USDA programs. An increase of $800,000 is proposed to support the Department's Biobased Products and Bioenergy Coordination Council. Funds will be used to develop standards for and a list of biobased products as part of departmental and governmentwide initiatives to further the use of environmentally preferable products.

The Department's Office of Communications (OC) plays a critical role in disseminating information about USDA's programs to the public. The budget includes increases of $0.9 million to enable OC to utilize new technology to reach audiences in a more timely and effective manner, and to lead departmentwide communications efforts to reach underserved populations.

Legal oversight, counsel, and support for the Department's programs is provided by the Office of the General Counsel (OGC). The budget provides an additional $3.7 million to strengthen OGC's ability to provide timely response to increasing requests for legal assistance from the program agencies, especially in the areas of civil rights, natural resources, food safety, concentration, and general law. Funds are also included to provide IT improvements to further enhance the efficiency of the office.

The National Appeals Division is responsible for all administrative appeals of adverse decisions issued by certain agencies within the Department and conducts administrative hearings in a fair and impartial manner. The 2001 budget includes an increase of almost $900,000 to maintain current activities while providing training to its employees that will enhance their required knowledge and skills regarding adjudication procedures and USDA regulations and policies.

The Chief Economist advises the Secretary on policies and programs related to U.S. agriculture and rural areas, provides objective analysis on the impacts of policy options on the agricultural and rural economy, and participates in planning and developing programs to improve the Department's forecasts, projections, and policy analysis capabilities, including the collection and dissemination of weather data to the agricultural community. The budget includes an increase of $400,000 to continue the modernization of USDA's weather and economic data systems, including the installation of a second automated weather station to better cover prime agricultural areas and Internet-based dissemination of economic and weather data. An increase of $1 million

is requested to provide analysis and evaluation needed to support the Department's and governmentwide efforts to use more biomass energy and biobased industrial feedstocks and products. This proposal includes $700,000 to address increasing concern about the effects of agricultural operations on the environment and food safety by enhancing USDA's ability to assess these risks and reduce them.

The budget also includes funding to continue ongoing implementation of the USDA Washington Area Strategic Space Plan, which seeks to reduce facilities' costs by moving headquarters employees into efficient and safe government-owned workspace. In 2001, the Department is requesting an increase of $46 million for:

- required increases in rental payments to GSA;
- renovation of the nearly 70-year old South Building to address serious fire and health hazards and electrical malfunctions;
- maintaining and operating our buildings; and
- addressing the increasing threats of terrorism and intrusion to USDA's employees and systems.

The Hazardous Materials Management Program provides for Departmental compliance with legislation requiring the cleanup of sites and facilities contaminated by hazardous wastes and the responsible management of hazardous materials. An increase of $14.4 million is requested to accelerate investigative and cleanup activities in order to protect public health and stay on track to meet the goal of cleaning up all sites under our jurisdiction by 2045. Along with protecting public health and the environment, funding will reduce the likelihood of costly enforcement actions and lawsuits against the Department. It also will contribute to a proactive effort to seek out

and reach agreements with outside parties responsible for contamination of sites under USDA's jurisdiction. Getting these groups to pay their fair share of cleanup efforts contributes significantly to ensuring activities in this area are completed as quickly and comprehensively as possible.

OFFICE OF INSPECTOR GENERAL

The Office of Inspector General (OIG) conducts and supervises audits and investigations relating to programs and operations of the Department, and as such, is the principal law enforcement provider in the Department; reviews and makes recommendations on existing and proposed legislation and regulations; and recommends policies and activities to promote economy and efficiency and to prevent and detect fraud and mismanagement in USDA operations. The request provides an increase of $5.1 million to conduct additional audits aimed at ensuring the safety of agricultural products and protecting the integrity of USDA's information systems. The proposal will also support the acquisition of specialized law enforcement equipment to enhance the safety and security of OIG law enforcement activities, and increase criminal investigations in USDA public integrity vulnerabilities.

That concludes my statement. I am looking forward to working closely with the Committee on the 2001 budget so that we can better serve those people who are in need of USDA programs and services.

Mr. SKEEN. Mr. Secretary, we appreciate your being here. You did a fine job, as usual.

I am going to start off with this: We are going to try hard to use the five-minute rule in this hearing, and in all of the hearings henceforth. But we will also continue as many rounds as members like, but try to limit it to five minutes. And I will start and obey my own ruling.

1996 FARM BILL LEGISLATION

Mr. Secretary, have you submitted the legislation for enhancement of the 1996 farm bill to Congress and what are its impacts on fiscal year 2001?

Secretary GLICKMAN. It has not been submitted yet. We are trying to get it done by the end of the month. It is not there yet.

Mr. SKEEN. Very good. So it has not been submitted.

Secretary GLICKMAN. No.

FY 2000 SUPPLEMENTAL REQUEST

Mr. SKEEN. Let me talk about the supplemental request for fiscal year 2000. The President's budget request for fiscal year 2001 made no supplemental request for USDA for fiscal year 2000, but we have been told that something is in the works, and we would appreciate any light that you might shed on this.

Secretary GLICKMAN. Mr. Dewhurst.

Mr. DEWHURST. The Administration is preparing a supplemental for further assistance to the victims of Hurricane Floyd. I understand it involves more than just the Department of Agriculture. It involves a number of departments. There will be agricultural items in that proposal. The Office of Management and Budget (OMB) told me that they expect to submit to the Congress within the next two weeks.

Mr. SKEEN. Well, last November there was considerable pressure on us from OMB to add $81 million for agricultural cooperatives in North Carolina for losses related to Hurricane Floyd, as well as funding for replacements of destroyed farm structures. Hurricane Floyd was quite some time ago, and surely better information is now available. We would appreciate any information that you can provide as justification of any funding for these purposes.

Mr. DEWHURST. We will do that. The Administration's proposal will renew that request.

Mr. SKEEN. Thank you.

Ms. Kaptur.

Ms. KAPTUR. Mr. Chairman, I do not think you used your five minutes.

Mr. SKEEN. I tried not to. I set a good example. [Laughter.]

For me, that is hard to do.

STATEMENT OF MS. KAPTUR

Ms. KAPTUR. Let me thank the Secretary very much for your testimony and to say that I am deeply interested in your proposals that would target agricultural assistance better to losses that have actually been experienced, rather than using formulas that have no relationship to anything, except that maybe you registered at your

Farm Service Agency five years ago or six years ago. So I will welcome those.

FARM CREDIT SYSTEM

There are studies that are coming out now that are showing how the AMTA payments have been distributed. I suppose the best thing you can say about what has been done is that we were able to hold the Farm Credit System together as a result. We have pushed up real estate prices all over the country with this system. But I really welcome your fresh look at that.

TRADE/FOOD ASSISTANCE

I also wanted to compliment you. At the same time as we try to hold our rural sector here together at home, one of the key components in doing that is moving product. And the Commodity Credit Corporation, the work that you have put into moving product around the world, I cannot compliment you enough. And one of my concerns, however, is that USDA, in some way, seems to be hampered in its efforts to do that and to actually achieve some of our foreign policy objectives abroad by USDA being caught up in some of these interagency working groups. And one of them I wanted to ask you about is something called the Food Assistance Policy Council. And, apparently, many times our ability to use our storehouse of grain as a vital tool in our Nation's foreign policy interests have been held up.

Back in 1990, in the farm bill, the other body actually was very critical of such interagency working groups. And I am curious as to whether this new group is merely a follow-on on the old one. Can you tell us who the members of that group are and who chairs the committee?

Secretary GLICKMAN. Well, I would ask Under Secretary Schumacher to comment on the specific workings. Let me just say this: I suppose it would be nice if I had complete power and control of deciding all of the issues as to where food assistance should go. But it does involve a lot of issues. For example, it involves the purchase of commodities in the open market, which becomes a budget question. It used to be we had large surpluses in storage. CCC owned the commodities. Now, we do not. So we have to go out and buy them. So that has budget implications to it.

I sometimes get frustrated with this process myself, that it does not work fast enough. But we did announce a 3-million ton allocation just last week. I hope the country-by-country allocations can be announced soon. I would say it works reasonably well. In fact, it is interesting. The head of OMB, Jack Lew, when he worked for Tip O'Neill, helped to write some of the CCC provisions dealing with food assistance. So I think he is sympathetic to these ideas. The process does sometimes get bogged down, but I cannot tell you that it does not work. I think it does work. It is slower than I would like, but it does work.

Mr. Schumacher, you might want to comment.

Ms. KAPTUR. Mr. Schumacher, who are the members and who chairs the committee?

Mr. SCHUMACHER. I chair the Food Assistance Policy Council that is meeting very regularly, especially the last 15 months. Mem-

bers of that are the Office of Management and Budget, AID, State, and USDA. We do invite other members to advise us from the National Security Council, National Economic Council, and Treasury. We meet regularly. It is under that arrangement that we worked out the 3-million tons of additional food aid.

Ms. KAPTUR. Mr. Secretary, on the shipments abroad, do you expect the level this year to equal last year's level?

Secretary GLICKMAN. I think it will be close to last year's level. I think some of it depends on additional needs during the year. Right now I think we are a little short of last year's level, but we may reach it if the needs are there. My theory is that we have a lot of food in this world and a lot of food in this country, and there is a tremendous amount of need out there. So we should not be stingy with providing food to needy people.

Ms. KAPTUR. I just will say, Mr. Chairman, in my last 30 seconds in closing here, I hope, Mr. Secretary, that in follow-up questions that I will ask and documentation from the Agency, often what happens when our food commodities go abroad and they are used for different purposes, they do not contribute to infrastructure development in agriculture, whether it be Russia, whether it be the Middle East or whatever. And I have been very disappointed that USDA has been cut out, with AID many times handling these programs ineffectively in many places in the world.

And I would look to work with you, if we could, to reestablish USDA's role in extension and technical assistance and development in some of these far corners of the globe. For whatever reason, I do not quite understand what happens with interagency transfers of money, but I wanted to highlight that issue. And I know my time is up, and I thank you.

Mr. SKEEN. Mr. Walsh.

Mr. WALSH. Thank you, Mr. Chairman. Welcome back.

Mr. SKEEN. Thank you.

STATEMENT OF MR. WALSH

Mr. WALSH. Mr. Secretary and all of your staff. Coming from the Northeast, as I do, we are always looking for harbingers of spring. With two feet of snow in my front yard, clearly, the Secretary appearing before the Ag Subcommittee is a harbinger of spring.

[Laughter.]

DAIRY PRICING

Mr. WALSH. It is the only one I have seen so far.

Also, coming from the Northeast, as I do, I am reminded of last fall's battle over dairy pricing. I could never really understand why the Administration and USDA supported a policy that was really punitive to most of the country. Fortunately, it was resolved, I think, to the benefit of the vast majority of dairy farmers in the country, at least the pricing portion of it.

The other portion of that discussion, as you probably remember, was the compact. This is an idea that has gained broad support throughout the East, the Southeast and in many other regions in the country. So that is an issue that remains a high priority for my farmers. You couple that with the supplemental package that was provided last year for agriculture, $9-billion-plus dollars—with only

$125 million for dairy market loss payment out of $9 billion for agriculture around the country. And I said in the supplemental that I have a great deal to learn from my Midwestern colleagues and their ability to help their farmers because, clearly, we were not successful. We are losing hundreds, if not thousands, of dairy farmers every year all across the country, and the Northeast is especially hard hit because of land prices, taxes and so forth.

But the compact is one of the few areas of hope that our dairy farmers have. And when you compare what the Federal Government did with the market loss payments of about $125 million, that came, on the average size dairy farm in the Northeast, it came to about just a little under $2,000 of relief. Whereas, in the six New England states and the portion of my state that borders New England that sells into the New England compact, their compact payments amounted to $18,000 to $20,000 per farm. Now, that is a dramatic difference over what dairy farmers received from between the dairy market loss payments. This is something that consumers, producers, processors and governments within that area have agreed to. The consumers support it. It helps the industry. It is probably the only life buoy out there for them, given the fact that prices, again, are at a 22-year low.

So I would just like to get your thoughts on why the Agriculture Department has continued to oppose this and what would be your position. It might save you some money, in the long term.

Secretary GLICKMAN. Well, first of all, I approved the Northeast Dairy Compact. So the only step I have taken since I have been Secretary has been to authorize the compact.

Now, the compact was to expire last fall when the milk marketing order system went into effect. Obviously, we went through a battle on that. I would, by the way, point out that Mr. Collins' office produced a document last fall which indicates that virtually every region of the country would have actually benefitted by our milk marketing order reform, but I do not think anybody believed what he said, not because of him, but it was too late in the game. But in any event, that battle has passed us now, and we are implementing the order changes that Congress has put into effect.

I would like to just mention one other thing before I get to that.

Mr. WALSH. Sure.

Secretary GLICKMAN. You do make an interesting point, however. The fact of the matter is last year's disaster assistance program was started because of the drought that occurred in the Northeast in the Mid-Atlantic Region. It was the tail that wagged the dog that produced the $9 billion.

Mr. WALSH. We got the drought; North Carolina got the money.

Secretary GLICKMAN. Well, they also had a big problem too.

DAIRY PRICING

Mr. WALSH. They do. They do. They will be back.

Secretary GLICKMAN. It is an interesting perspective to note that we have calculated almost 220,000 farmers from Virginia up through the northeast states to Maine. Those states have almost as many farmers as you have in the central heartland region of the country. While agriculture is different all over the country, the fact of the matter is that our agricultural programs have tended to be

very, very regional over the years, since the second World War, and we ought to look at ways where we can deal with farmers on a national basis.

It is one of the reasons why we proposed some changes in our crop insurance program. Getting rid of the areawide trigger in the non-insured assistance program will help specialty crops. Direct conservation payments will be paid to farmers all over the country, and they will not be limited just to program crops. These are things to make the program more available to your farmers rather than focused on what you call traditional row crops. I am not prejudicing those crops. I am just saying that our policies tend not to be national in scope.

Now, on the compact issue, we have not taken a position on the compact as an Administration. There is no question the compact has produced some positive results for producers in the Northeast. It is a cartel, however. It is a regional cartel, where dairy producers get together and basically fix the price of a certain type of milk in a certain region of the country. So you would not necessarily call it a market-oriented reform to agriculture. However, not everything in agriculture is done in a pure market. Dairy policy has not been one, historically, that has been pure-market-oriented over the years.

I am willing to have an open mind. I will have to tell you there are a couple of issues. These compacts can tend to produce price fluctuations which can disproportionately hurt the poor and programs that serve the poor. For example, the compact has had to make payments to USDA under the WIC program because it has raised the price of milk. So you have got to make sure that the compacts are designed in a way that do not hurt the lower income folks.

If you produce too much milk in one region of the country as a result of a compact, the Government either has to buy the milk or it goes to other regions, where it can have a negative effect on the pricing of milk.

Mr. WALSH. If I can interrupt just for a second.

Secretary GLICKMAN. Yes.

Mr. WALSH. The situation now is that the West is producing so much milk for so few customers that it is driving up stores of cheese and nonfat dry, and it has deflated the price. So it is happening to us.

Secretary GLICKMAN. I understand the effect on milk production. I was just out in the Central Valley of California, and one company is talking about operating a dairy farm with 47,000 cows. I do not know how many you have in your district, but that is a lot of cows.

Mr. WALSH. More than that.

Secretary GLICKMAN. The third thing is that, in order to have a national policy, I think the Secretary, whoever is occupying this job, ought to have some powers to modify or revise or oversee the compact while it is in effect. These are just some of the thoughts that I have on the matter.

Mr. SKEEN. I appreciate that. That brings me to this point.

Secretary GLICKMAN. Yes.

Mr. SKEEN. Mr. Dickey.

Secretary GLICKMAN. Okay. But, anyway, what I am saying is——

[Laughter.]

Mr. WALSH. To be continued.

Secretary GLICKMAN. To be continued. It is something to talk about.

Mr. SKEEN. Go ahead and finish your thought.

Secretary GLICKMAN. Sorry about my long answer.

Mr. SKEEN. Good answer.

Mr. Dickey.

Mr. DICKEY. Hello, Mr. Secretary. How are you?

Secretary GLICKMAN. Fine, sir.

STATEMENT OF MR. DICKEY

Mr. DICKEY. Four things, all have to do with Arkansas. Do you know how to pronounce that?

Secretary GLICKMAN. I know how to pronounce the last six letters of Arkansas, not the first two letters.

[Laughter.]

Mr. DICKEY. I would like to restore my time.

[Laughter.]

Mr. DICKEY. Chicken farmers, black farmers, civil rights discrimination and something called TMDL. On January 27th, we had an ice and snowstorm that collapsed hundreds of chicken farm houses. Chickens were let loose everywhere, millions of them. They died because of the weather. They could not be fed. The buildings were collapsed that were there on-site. Nothing could happen. Folks who have not had——

Are you listening to me, Mr. Secretary?

I am just kidding you. Keep talking. I know you can do two things at once.

[Laughter.]

CHICKEN FARMERS

Mr. DICKEY. The chicken farmers, the contract growers are working on a slim margin anyway, and all of these things started coming down. They do not have money to bury the chickens, they do not have money to get rid of the debris, they do not have money to even borrow the money back to start again, and even if they do, the specifications now are going up on them. It is just a collision of bad events for them. And it is hurting our economy. It is going to have a great deal of effect on land values, and taxes and everything else.

The President, as I understand, has been doing something in this regard. The regulations are woefully inapplicable. What is being done to help them and how soon can help come?

Secretary GLICKMAN. I have a couple of comments. One is that NRCS, our soil conservation people, are making some payments in this area, but not to compensate for buildings, I do not think, but for disposal purposes, they are involved.

We have got an assessment team looking at this. We had the same problem in North Carolina, where the emergency loan authority would not go for construction of facilities. And what we are doing is is that if, in fact, because this is a big problem everywhere,

we are trying to see if there is a way to deal with it under our Emergency Farm Loan Program. If there is not, and you need to change the law to give us that authority, we need to give you that information as quickly as possible. I would like to do it if I have the legal authority.

BLACK FARMERS

Mr. DICKEY. Good. The black farmers, they are caught between the court with a consent decree, the adjudicator, the monitor, the facilitator, the inspector general and allegations of fraud, and abuse. And the net result is they are not getting any help. They feel like that justice is being denied by delay. And I have experienced some of it myself, as I have tried to help in their circumstance.

It is intolerable what is being done since the Court has issued its decree. Is there anything that you can offer today that will help, in that regard, these black farmers?

Secretary GLICKMAN. Well, first of all, I think it is important to note that we have issued checks, as of today, to 1,839 farmers, for a total of $92 million in payments under the settlement agreement. In fact, 200 people will soon receive checks for about $10 million. I am going to try to expedite the process. But there have been over 20,000 claims filed, about half have been reviewed. Sixty percent have been approved to date. Of those that have been reviewed, 40 percent have been disapproved.

I will tell you this is a third-party process. We do not adjudicate the claims. As you know, under the consent agreement, there is an adjudicator who reviews these claims, and then a monitor who reviews them to make sure that they are fair. That is very important for me because some people have gone through a lot of history in being denied the claims.

But I also would point out this is not an entitlement for producers. Producers must come in and prove their claims to get the money. Otherwise I am not in a position to pay the claim.

Mr. DICKEY. But the consent decree, the problem—excuse me, Mr. Secretary—is that everybody is pointing to everybody else and saying, "If you cannot do this, and you have got to go do this, and go back to court," but the procedure is pretty well set out in the consent decree, as I understand it.

Secretary GLICKMAN. That is correct.

Mr. DICKEY. It says, "Attempting to farm," and if you have written to a member of Congress or if you have got any kind of justification for that——

Secretary GLICKMAN. That is right.

Mr. DICKEY. But they have been told time and time again that somebody else was going to make the decision.

Secretary GLICKMAN. Let me tell you that I cannot decide that question. Under the consent decree, the adjudicator has to decide the question because we are the "offending party," historically—the Department of Agriculture. What I am saying is that, as of today, we have paid over $90 million to about 1,850 farmers, and only about half the claims have been reviewed. Tomorrow, there is another conference with Judge Friedman, who is the judge who is

handling this case, and we are committed to try to move things along as quickly as possible.

Mr. DICKEY. Let us talk some more about that.

Secretary GLICKMAN. Yes.

CIVIL RIGHTS DISCRIMINATION

Mr. DICKEY. Civil rights discrimination, I sent you a list of over 1,000 petitioners saying that a particular office in my district was discriminating, and we cannot get the—you all have had an investigator down there, and we cannot get a report. Can you tell me—

Secretary GLICKMAN. I will have to get back to you on that one, Jay.

Mr. SKEEN. That is the end of the time.

Ms. DeLauro.

Mr. DICKEY. Thank you, sir.

STATEMENT OF MS. DELAURO

Ms. DELAURO. Thank you, Mr. Chairman. And welcome, Mr. Secretary.

Secretary GLICKMAN. Thank you.

Ms. DELAURO. It is a delight to see you here. If you are not going to come back in this capacity, I hope you will think of coming back and joining us in the House again. It would be terrific.

Secretary GLICKMAN. Thank you.

DAIRY COMPACT

Ms. DELAURO. Let me first associate quickly with the comments of my colleague from New York, Mr. Walsh, in support of the dairy compact.

In terms of the Food Safety Initiative, I am delighted to see that we are looking at efforts to promote the adoption of National Uniform Laboratory Standards by Federal, State and local Governments for testing meat and poultry.

FEDERAL FOOD SAFETY AGENCY

As you know, Congressman Latham and myself last year introduced the Safe Food Act, which would create one, single Federal Food Safety Agency to try to streamline and make effective this process. As the Administration is taking more and more steps to streamline the food safety responsibilities, what obstacles do you see in the way of creating one agency that deals with all of this—with our food safety?

Secretary GLICKMAN. Well, right now, we are trying to deal with this problem by breaking down turf battles and bureaucracy between USDA, Food and Drug Administration, Centers for Disease Control.

Ms. DELAURO. Like Commerce does for shell fish.

Secretary GLICKMAN. Yes. I think it is working reasonably well. The President established a Food Safety Council that deals with all of the issues from new regulations, to impediments to enforcement, to making sure that the research budgets are being properly coordinated. There is a very significant enhancement of the research budget here.

As of today, the Administration has not endorsed a single Food Safety Agency. It may be something at some point in time that may be looked at. I really do not think right now, however, that moving boxes around in the Government will have a profound effect on providing safe food for consumers; certainly, not in the short term because we have got to work on these issues of epidemics of disease, pathogen reduction, all of the other kinds of things.

But at some point, it may be worthwhile looking at a more fundamental structural change. But right now, I think we have our hands full just to deal with the problems of making sure that people do not get food-borne illnesses. The HACCP program is working. It is, by and large, working pretty well.

Ms. DELAURO. A comment on that, and I know that there has not been an endorsement of one agency. There are a number of us who are going to continue to pursue that.

Secretary GLICKMAN. Right.

Ms. DELAURO. I think you are correct in talking about breaking down some of the barriers. But I think that ought to be the direction in which we go so that this is in one place, and so that we can try to deal with this in an efficient and an effective manner.

FOOD SAFETY

The salmonella threat, how big is the threat? You talked about the 50 percent that we have, 50 percent in chickens. Is this, in your sense, where we are in this process of cutting down on the threat?

Secretary GLICKMAN. Well, salmonella, I think is the most common food-borne illness, if I am not mistaken. It is prevalent, I do not know about all meat products, but it is more prevalent in poultry products, If you follow the proper HACCP procedures and there is proper cooking, and proper food handling, you are able to contain the problem. That is what we are trying to do. It need not be a problem, if the processes and procedures are followed correctly.

Ms. DELAURO. A quick question. If closing, the plants where we discovered the outbreaks was mandatory instead of voluntary, would this move us in a direction of better and more efficient handling of the problem?

Secretary GLICKMAN. Well, perhaps, but let me make a couple of points here.

I think the more critical problem, to be honest with you, is that I do not have recall authority under current law. I cannot recall a product. Now, I can ask a company to recall a product, and they will do it, under most circumstances, because I have the authority to withdraw the stamp of the inspection, the USDA stamp. But I do not have the authority to recall a meat product, which I think is—by the way, a major shortcoming in the law given that the Consumer Product Safety Commission has authority to recall defective consumer products.

Ms. DELAURO. Right. Exactly.

Secretary GLICKMAN. But I cannot recall defective meat or poultry. I can only hope that I get the cooperation of industry, and by and large, they give it. So I think that is a more pressing issue, however, for us to deal with.

The one thing about salmonella, is that it is a pretty good indicator. If you find salmonella in a plant, it may be indicative of

other problems. That is why the salmonella standard has been so important to us.

FREE SCHOOL BREAKFAST PROGRAM

Ms. DELAURO. I would like to talk about the Administration's $5 million to complete the Universal Free School Breakfast Demonstration Program—8.7 million breakfasts are served in my state of Connecticut. What are the plans after the research is completed?

Secretary GLICKMAN. Well, I think the idea is to look at these pilot programs and to see how well they work and then decide whether we want to develop more comprehensive legislation is that correct?

Mr. DEWHURST. That is correct. There will be an evaluation, which will be submitted to the Congress, and then the decisions will have to be made.

Secretary GLICKMAN. We will have to make a decision.

Ms. DELAURO. Timing on?

Mr. DEWHURST. As I recall, the pilot program is a three-year program so the evaluation would proceed after the pilot is done.

Ms. DELAURO. Mr. Chairman, I just have one comment. I saw the red peppers there, hanging. And if they are available for members to take, there is a great Italian dish. It is spaghetti al olio, garlic and oil, con peperoncini. That is the peperoncini. I would like to take some home with me, if I can. [Laughter.]

I will be happy to make the pasta for the committee.

Mr. SKEEN. Let me tell you this: Those have been varnished. [Laughter.]

Ms. DELAURO. Thank you. Thank you.

Mr. SKEEN. They are very gummy. Would you excuse us, Mr. Secretary, and we will go and have this vote, get it out of the way and be right back.

Secretary GLICKMAN. Sure.

Mr. SKEEN. Thank you for your patience.

[Recess.]

Mr. SKEEN. Before we start, I just want to warn everybody that we have changed the timing device so that it will be beep when the five minutes have expired. I did not want anybody to be startled.

Mr. Kingston?

STATEMENT OF MR. KINGSTON

Mr. KINGSTON. Thank you, Mr. Chairman. I think you may have also rigged it to three minutes for mine.

Mr. Secretary, it is always a great pleasure to have you and your professional staff with us.

FOOD SAFETY INSPECTION

Let me ask, first off, I had a very good, a very satisfactory meeting with the Food Safety Inspection people the other day, Katherine Wotecki, and the issue of inspectors came up. And I know last year you requested I think $545 million, or thereabouts, and got it, and hired 70 new inspectors I believe she told me. You have something like 7,000, including veterinarians right now. The numbers are less relevant than——

She said one of the problems you are experiencing is a 5-percent growth in the industry, and it is hard for the Food Safety Inspection Service to keep up with it. And so realizing that it is a problem for you all, it is a problem for the consumers, it is a problem for the industries, how are we going to adequately address that in this year's budget?

Secretary GLICKMAN. How many additional inspectors are we talking about in this year's budget?

Mr. KINGSTON. I think 70.

Mr. DEWHURST. I think we are hiring about 170 additional inspectors in FY 2000.

Mr. KINGSTON. But I do not get the impression that that is going to handle it. I might be wrong.

Secretary GLICKMAN. We also asked for a supplemental, I think, did we not, for more inspectors for this year?

Mr. DEWHURST. No.

Mr. DEWHURST. The problem is that the growth in the industry tends to outstrip our estimates. At the time we do the budget, the number is right because it is based on the best estimates we have, and then the industry growth is bigger than we anticipate. These dollars, of course, come out of the budget, and it is very hard to foresee in advance.

And the Agency, of course, has a rigorous training program for inspectors, and they cannot just bring them online.

Mr. KINGSTON. It is also hard recruiting them, too, though——

Mr. DEWHURST. Yes.

Mr. KINGSTON [continuing]. In this economy, particularly. And then you also had somewhat of a problem with the union. And yet you won in court a battle in one plant, right? Did that kind of free you up to move faster or did that have any impact?

Mr. DEWHURST. I just would have to say I do not know. I am not familiar with the court battle.

[Additional information follows:]

On April 8, 1998, the American Federation of Government Employees, AFL–CIO (AFGE) filed a lawsuit on behalf of the meat and poultry inspectors "to halt USDA's implementation of its HACCP regulations in so far as it promises to replace federal meat inspection with an industry 'honor system'." The judge ruled in favor of FSIS during the summer of 1999. FSIS was engaged in negotiations with the National Joint Council (NJC) of the AFGE over initiating the models project. A Memorandum of Understanding (MOU) was signed with the union May 19, 1999. In the MOU model inspection activities were agreed upon, including: numbers, types, and grades of inspection personnel; training; duration of the pilot; and impact on redeveloped personnel, and the number of plants in the initial stages of the pilot (30).

Mr. KINGSTON. I guess, let me just leave it like this. Our office, and many of the offices in this panel are interested in this issue. If we can help you, whatever we can do, let us know.

Another issue is, of course, the annual fee request in your budget, and that has been a bipartisan thing. But one of the issues that I talked to Ms. Wotecki about is that here we have states that have an aggregate of about $35 billion in surpluses right now, and my State, Georgia, has nearly a billion dollars, and yet we reimburse them for some of the inspection fees. And it may be time to look at that; you know, what are we doing? And I know with the interstate inspection legislation that you are working on, maybe this fits into it.

I think we are all great optimists, but the fee is going to fall by the wayside, I am sure, during the process, as it historically always has. So what are we going to do when that happens to kind of make up for it?

Secretary GLICKMAN. You are correct. We are working on legislation for the interstate shipment of state-inspected meat. And perhaps we can get that done this year. You are also correct that we do reimburse the states, and perhaps that is something that we ought to be looking at, either legislatively or through some other methods.

I will tell you that I think Under Secretary Wotecki is right. The volume is that growth, in certain aspects of the meat and poultry industry, exceeds our ability to meet the inspection needs, even with the new HACCP system, without having substantial additional inspectors.

FOOD QUALITY PROTECTION ACT

Mr. KINGSTON. Now, switching gears a little bit on the Food Quality Protection Act, the Environmental Protection Agency (EPA) seems to be a little bit more activist, in terms of an environmental slant, than I think the original authors of this legislation had in mind. And one of the problems is that I think USDA is more "let us make the decisions for pesticides on sound science," EPA is "let us do it according to environmental polls and constituencies." This is being critical of them, but that—

Do you talk to your, not a cabinet secretary, but your counterpart, Ms. Browner, on a one-on-one basis about this? And where do you go on those conversations?

Secretary GLICKMAN. We have many issues with EPA, from this issue to issues under the Clean Water Act. There are proposed rules under that act, as well. We are engaged in constant dialogue. For a lot of these statutes, EPA has the prime legislative authority, and USDA's role is as much advisory as anything. Some statutes have some equal legislative jurisdiction.

I might ask Deputy Secretary Rominger to comment because he has been more engaged on this issue.

Mr. ROMINGER. I have been meeting, over the last several years, regularly with the deputy administrator at EPA. And as you may know, they have a new deputy administrator, just confirmed a couple of weeks ago, and I have a meeting scheduled with him tomorrow for our first sit-down, get-together to talk about some of the issues where we are working together and where we do have concerns.

But, yes, we continue to look at ways to implement whether it is the Clean Water Act or FQPA in a manner that farmers can continue to make a living, and continue to have their pest protection methods that they need.

Mr. KINGSTON. Was that the time bell?

Mr. SKEEN. That was the time bell.

Mr. KINGSTON. Thank you.

Mr. SKEEN. Mr. Farr.

STATEMENT OF MR. FARR

Mr. FARR. Thank you very much, Mr. Chairman. I have a whole bunch of questions. So rather than getting a long response, perhaps if we could get some responses in writing.

SPECIALTY CROPS

The first question is that the discussion in the field with the farmers this year is all about what is happening in specialty crop with market consolidation, market contraction, just a few buyers left. And I know you said that the Justice Department and your Department is looking at some of this. Could you put it in writing so that we could send it out to them and tell them what we are doing?

Secretary GLICKMAN. Sure.

[The information follows:]

The Department of Justice has recently established a Special Counsel for Agriculture in its Antitrust Division. The person appointed to the position is Mr. Douglas Ross. The Justice Department together with USDA and the Federal Trade Commission have recently signed a memorandum of understanding to increase cooperation among the three agencies to monitor competitive conditions in the agricultural marketplace, to share information, and confer regularly to discuss enforcement and regulatory matters.

AG LAND PROTECTION

Mr. FARR. In your nine-point program that you were outlining in your testimony, you indicated that the ag land protection is going to be a big push this year. I want to congratulate and compliment you on that. We got zero money for it last year.

Where is the money going to come from this year?

Secretary GLICKMAN. Well, of course, we have asked for $65 million in the farmland preservation program efforts.

Mr. FARR. Last year, you asked for it from a committee that had no jurisdiction, which was the Land and Water Conservation Fund, which is Interior. Can't this committee put some money into that?

Secretary GLICKMAN. Is it this subcommittee that would deal with it?

Mr. DEWHURST. It is kind of complicated because of jurisdiction.

You are right. The proposal in the safety net package is for authorizing legislation, which would be funded by the Agriculture Committees. In the safety net proposal, there is a very large $65-million-a-year farmland protection program. There is nothing to prevent this committee from funding the farmland protection program, but I am not aware that there is an authority for an appropriation for that program. It could raise an authority problem.

Mr. FARR. Well, we will work on that because I think that this committee would like to control that and have some ability to help you with that. It is a big issue, and I applaud you for your support of it.

ORGANIC RULES

Organic rules. Last year, you were here, and you told us that the rules would be out by the end of this year, last year.

Secretary GLICKMAN. Did I say last year?

Mr. FARR. When will they be out?

Secretary GLICKMAN. The rules are in the OMB clearance process. So I hope to get them out as fast as possible.

Mr. FARR. How long does that take?

Secretary GLICKMAN. It is taking longer than I would like, but that is where they are. So, perhaps, you might want to make a phone call.

[Laughter.]

Mr. FARR. Well, it has taken a decade——

Secretary GLICKMAN. I know.

Mr. FARR. I mean, it is interesting, from the time that you passed the legislation, when you were in Congress——

Secretary GLICKMAN. That is right.

Mr. FARR [continuing]. To the time the regulations have been written, it has been over ten years.

Secretary GLICKMAN. I hope to get them out before I leave this job.

SCHOOL LUNCH PROGRAM

Mr. FARR. A question on school lunch, school breakfast. We have legislation in both the House and the Senate that would reverse the cut in the school lunch commodity assistance. The legislation would restore approximately $500 million of commodity assistance to schools in the next nine years. This equals nearly 760 million pounds of food that would be purchased from American farmers. I am a big supporter of it. Could you comment on the bill.

Secretary GLICKMAN. I would just say we are looking at the legislation. I cannot give you a formal position just yet. But the subject matter is something that I am very interested in, personally.

Mr. FARR. When do you think you might have a position on that?

Secretary GLICKMAN. We will respond to your question when we have a position for you.

SCHOOL BREAKFAST PROGRAM

Mr. FARR. Also, the USDA budget includes a request for $6 million to fully fund the school breakfast program that Rosa DeLauro mentioned. Then you are asking for another $7 million. Why do you need another $7 million?

Mr. DEWHURST. The total cost of the pilot program, the school breakfast pilot, was estimated at $13 million. Congress gave us part of that money in the current fiscal year 2000 bill, $7 million, as I recall. So we are asking for the remaining $6 million in order to be able to run the program and do the evaluation.

NRCS WATER RESOURCES

Mr. FARR. Okay. Last year, the appropriation bill included some language in NRCS to provide financial assistance to Monterey County, which I represent, for their water resources agency, and now that we are applying for those funds, we are getting resistance from people in that agency. Could you make sure that they are less resistant?

[Laughter.]

Secretary GLICKMAN. I will find out the cause of their resistance.

COMMODITY PURCHASES

Mr. FARR. And, lastly, one thing that I am very keen on, Mr. Chairman—and I would hope that our—I think it would be very interesting for this committee and for all of Congress if we could get a list from the Department of all of the commodities that the United States Government buys, or maybe if we could even go further, all governments in the United States buy.

One of the things that I was shocked to find out is how much food and specialty crops the United States military buys, and, you know, we keep the commodity programs on here. But if we could really get a thorough laundry list of all of the food that is purchased by Government by commodity, it would be very interesting.

Secretary GLICKMAN. We can clearly give you that from USDA.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Listing of Commodities Purchased

The Farm Service Agency's Commodity Operations (FSA/CO) is involved in purchasing and/or contract management for all commodities listed below. However, the Agricultural Marketing Service (AMS) is the proper point of contact for the Group "A" commodities.

Group "A" Commodities (AMS)

ALMONDS, SLIVERED
APPLE JUICE, CANNED
APPLES, DELICIOUS
APPLES, EMPIRE
APPLES, FRESH
APPLES, GOLDEN DELICIOUS
APPLES, GRANNY SMITH
APPLES, IDA RED
APPLES, JONATHAN
APPLES, MCINTOSH
APPLES, RED DELICIOUS
APPLES, ROME BEAUTY
APPLES, SLICES, CANNED
APPLES, STAYMAN
APPLES, WINESAP
APPLESAUCE, CANNED
APRICOTS, CANNED
APRICOTS, HALVES, UNPLD, CND
ASPARAGUS, CANNED
ASPARAGUS, FROZEN
BEANS, BABY LIMA, CANNED
BEANS, BABY LIMA, DRY
BEANS, BLACK TURTLE, CANNED
BEANS, BLACKEYE, CANNED
BEANS, BLACKEYE, DRY
BEANS, DARK RED KIDNEY, DRY
BEANS, GARBANZO, CANNED
BEANS, GARBANZO, DRY
BEANS, GREAT NORTHERN, CANNED
BEANS, GREAT NORTHERN, DRY
BEANS, GREEN, CANNED
BEANS, GREEN, FROZEN
BEANS, LIGHT RED KIDNEY, DRY
BEANS, PEA, DRY
BEANS, PINK, CANNED
BEANS, PINK, DRY
BEANS, PINTO, CANNED
BEANS, PINTO, DRY
BEANS, RED KIDNEY, CANNED
BEANS, RED KIDNEY, DRY
BEANS, REFRIED, CANNED
BEANS, SMALL RED, CANNED
BEANS, SMALL RED, DRY
BEANS, SMALL WHITE, DRY
BEANS, VEGETARIAN, CANNED
BEEF PATTY, 100%, STND,SEL,CH
BEEF ROASTS, SELECT/CHOICE
BEEF-FROZEN FINE GROUND
BEEF, CANNED, W/NATURAL JUICES
BEEF,COARSE GROUND, REPROCESS

Group "B" Commodities (CCC)

ADULT NUTRITIONAL SUPPLEMENT
BABY FOOD-ORANGE JUICE
BAKERY MIX SOC
BAKERY MIX, BISCUIT TYPE
BEANS, BLACK TURTLE, DRY
BEANS, DARK RED KIDNEY, DRY
BEANS, DRY, PINTO
BEANS, GREAT NORTHERN, DRY
BEANS, LIGHT RED KIDNEY, DRY
BEANS, PEA, DRY
BEANS, PINK, DRY
BEANS, PINTO, DRY
BEANS, SMALL RED, DRY
BEANS, SMALL WHITE, DRY
BULGUR
BULGUR, SOY FORTIFIED
BULK GRAINS, SOYBEAN MEAL
BUTTER, LITE, SALTED PRINT
BUTTER, SALTED BULK
BUTTER, SALTED PRINT
BUTTER, UNSALTED
BUTTEROIL
CEREAL-INST MIXED GRAIN ENR
CEREAL-INSTANT OATMEAL ENR
CEREAL, FORTIFIED RTE CORN
CEREAL, FORTIFIED RTE OATS
CEREAL, FORTIFIED RTE RICE
CEREAL, FORTIFIED RTE WHEAT
CEREAL, INSTANT RICE ENRICHED
CHEDDAR, REDUCED FAT
CHEDDAR, REDUCED-FAT, YELLOW
CHEESE, CHEDDAR
CHEESE, CHEDDAR, WHITE
CHEESE, CHEDDAR, YELLOW
CHEESE, MOZZ, LITE, SHRED,FRZN
CHEESE, MOZZARELLA, LM
CHEESE, MOZZARELLA, LM, FROZEN
CHEESE, MOZZARELLA, LMPS
CHEESE, MOZZARELLA, LMPS, FRZN
CHEESE, NATURAL AMERICAN
CHEESE, PAST PROCESS AMERICAN
CHEESE,MOZZARELLA,LITE,FROZEN
CHICKEN, LEG QUARTERS, FROZEN
CORN SOY BLEND
CORN-SOY BLEND
CORN-SOYA MILK
CORN, YELLOW
CORNMEAL, DEGERMED YELLOW
CORNMEAL, SOY FORTIFIED
COTTON - 3134

BLACKBERRIES-MARION-PUREE-FZN
BLACKBERRIES, FROZEN
BLKBERRIES-EVERGREEN-PUREE-FZN
BLUEBERRIES, CULTIVATED, FRZN
BLUEBERRIES, NATIVE FROZEN
CANNED SALSA
CARROT, STICKS, FRESH
CARROTS, CANNED
CARROTS, FROZEN
CARROTS, PRE-CUT, FRESH
CHERRIES, RED TART PITTED, CND
CHERRIES, RED TART PITTED, IQF
CHERRIES, RTP, 5+1, FRZ
CHERRIES, RTP, 7+1, FRZ
CHICKEN NUGGETS, FROZEN
CHICKEN NUGGETS, FROZEN, SOC
CHICKEN PATTIES, FROZEN
CHICKEN PATTIES, FROZEN, SOC
CHICKEN, BREADED COOKED FZN CP
CHICKEN, CANNED, BONED
CHICKEN, CUT-UP, FROZEN
CHICKEN, DICED, FROZEN
CHICKEN, DRUMSTICKS, FROZEN
CHICKEN, FRESH/FROZEN BULK LG
CHICKEN, FRESH/FROZEN BULK SM
CHICKEN, LEG QUARTERS, FROZEN
CHICKEN, QUARTERS, FROZEN
CHICKEN, THIGHS, FROZEN
CHICKEN,FRZ,THIGHS W/BACK
CORN, COB, FROZEN
CORN, CREAM STYLE, CANNED
CORN, FROZEN
CORN, WHOLE KERNEL (LIQ), CND
CORN, WHOLE KERNEL (VAC), CND
CORN, WHOLE KERNEL, CANNED
CORN, YELLOW, FRESH
CURRANTS, DRIED
DATE PIECES
EGG MIX, DRIED
EGGS, WHOLE, FROZEN
EGGS, WHOLE, LIQUID, BULK
FCOJ-MANUFACTURING
FROZEN BEEF PATTIES, LEAN
FROZEN BEEF PATTIES, W/VPP
FROZEN BEEF PATTIES, 100% BEEF
FRUIT COCKTAIL, CANNED
FRZ BEEF PATY,100% BF,COOK-SOC
FRZ BEEF VPP PATTY-COOKED-SOC
GRAPE JUICE, CANNED
GRAPEFRUIT JUICE, CANNED
GRAPEFRUIT, FRESH
HAM, FRZN, SMOKED-FULLY COOKED
LENTILS, DRY
LUNCHEON MEAT, CANNED, PORK
MEATBALL STEW, CANNED
MIXED FRUIT, CANNED
ORANGE JUICE CONC., FROZEN
ORANGE JUICE, CANNED
ORANGES, FRESH
PEACHES, CLINGSTONE, CANNED
PEACHES, CLNGSTN, CAN, DIC
PEACHES, CLNGSTN, CAN, HLV
PEACHES, CLNGSTN, CAN, SLC
COTTON - 3135
COTTON - 3136
COTTON - 3137
DRY ALL VEGETABLE BURGER MIX
EVAPORATED MILK
FARINA
FARINA, WHEAT PRODUCT
FLOUR, ALL PURPOSE ENRCH BLCH
FLOUR, ALL PURPOSE ENRCH UNBL
FLOUR, BAKER HARD WHEAT BRD BL
FLOUR, BAKER HARD WHT BRD UNBL
FLOUR, BAKER HARD WHT UNBL
FLOUR, BAKERS HARD HEARTH BLCH
FLOUR, BAKERS HARD HEARTH UNBL
FLOUR, BAKERS SOFT WHEAT BLCH
FLOUR, BAKERS SOFT WHEAT UNBL
FLOUR, BREAD ENRICHED BLEACHED
FLOUR, BREAD ENRICHED UNBLCH
FLOUR, CORN MASA INSTANT WHT
FLOUR, CORN MASA INSTANT YEL
FLOUR, DURUM
FLOUR, MASA INSTANT, CORN SOYA
FLOUR, WHOLE WHEAT
GRITS, CORN, WHITE
GRITS, FINE YELLOW
GRITS, SORGHUM, SOY-FORITIFIED
HONEY, PROCESSED
HONEY, UNPROCESSED
INFANT FORMULA MILK BASED DRY
INFANT FORMULA MILK BASED LIQ
INFANT FORMULA SOY BASED DRY
INFANT FORMULA SOY BASED LIQ
INFANT FORMULA, MILK, DRY-EXP
INSTANT NONFAT DRY MILK
LENTILS, DRY
MACARONI & CHEESE
MILK, DRY WHOLE
MISC. JARRED BABY FOOD
MISCELLANEOUS BABY FOOD
NONFORTIFIED NONFAT DRY MILK
NUTRITIONAL POWDERED BEVERAGE
OATS, ROLLED
OIL-VEGETABLE
OIL, SOYBEAN, CRUDE DEGUMMED
OIL, VEGETABLE
PASTA, MACARONI PLAIN ELBOW
PASTA, ROTINI MACARONI
PASTA, SPAGHETTI
PEANUT BUTTER SMOOTH
PEANUT BUTTER, CHUNKY
PEANUT GRANULES
PEANUTS, ROASTED RUNNER
PEANUTS, ROASTED, REGULAR
PEAS, SPLIT YELLOW, DRY
PEAS, WHOLE GREEN, DRY
PEAS, WHOLE YELLOW, DRY
PORK CARCASSES, WHOLE, FROZEN
RAW REDSKIN PEANUTS, UNBLN-SHL
RICE, BROWN
RICE, CLEANED, MILLED
RICE, CLND, MILLED US #2 LONG
RICE, CLND, MILLED US #2 MED
RICE,CLND,MILLED

PEACHES, FREESTONE, CAN, SLC
PEACHES, FREESTONE, DICED, FRZ
PEACHES, FREESTONE, SLICED,FRZ
PEARS, BOSC, FRESH
PEARS, CANNED
PEARS, CANNED, DICED
PEARS, CANNED, HALVES
PEARS, CANNED, SLC
PEARS, D'ANJOU, FRESH
PEAS, CANNED
PEAS, FROZEN
PEAS, SPLIT GREEN, DRY
PIGEON PEAS, GREEN, CANNED
PINEAPPLE JUICE, CANNED
PINEAPPLE, CANNED
PINEAPPLE, CHUNKS, CANNED
PINEAPPLE, CRUSHED, CANNED
PINEAPPLE, TIDBITS, CANNED
PLUMS, PURPLE, CANNED
PLUMS, PURPLE, PITTED, CANNED
PORK HAM ROAST,FROZEN
PORK RIB SHP PATTY, FROZEN-SOC
PORK SAUSAGE BULK, FROZEN
PORK SAUSAGE PATTY,3-OZ FROZEN
PORK SAUSAGE PATY,1.5-OZ FROZEN
PORK-FROZEN FINE GROUND
PORK, CANNED, W/NATURAL JUICES
PORK, COARSE GROUND, REPROC
PORK, RIB-SHAPE PATTY, CKD-FRZ
POTATOES, FLAKES, DEHYDRATED
POTATOES, FRESH
POTATOES, FRESH, ROUND, WHITE
POTATOES, FRIES, OVEN, FROZEN
POTATOES, GRANULES, DEHYDRATED
POTATOES, ROUNDS, FROZEN
POTATOES, WEDGES, FROZEN
POTATOES, WHOLE WHITE, CANNED
PRUNES, DRIED
PUMPKIN, CANNED
RAISINS
RASPBERRIES, RED, PUREE, FRZN
SALMON MINC NUG-FRZ FR BRD
SALMON, PINK, CANNED
SPAGHETTI SAUCE, MEATLESS, CND
SPINACH, CANNED
STRAWBERRIES, IQF, FROZEN
STRAWBERRIES, SLICED, FRZN
SWEET POTATOES, MASHED, CANNED
SWEET POTATOES, SYRUP, CANNED
SYRUP, CORN
TOMATO JUICE, CANNED
TOMATO PASTE
TOMATO SAUCE, CANNED
TOMATOES, CANNED
TOMATOES, CANNED, DICED
TOMATOES, CRUSHED, CANNED
TOMATOES, FRESH
TUNA, CHUNK LIGHT/WATER, CND
TURKEY BURGERS, FROZEN
TURKEY HAMS,SMOKED,FRZ
TURKEY SAUSAGE, CHUBS
TURKEY SAUSAGE, LINKS - SOC
TURKEY SAUSAGE, PATTIES - SOC
SALAD DRESSING
SALAD DRESSING-REDUCED CALORIE
SHORTENING, HYDR VEGETABLE OIL
SHORTENING, LIQ VEGETABLE OIL
SOFT WHITE WHEAT
SORGHUM
SORGHUM, YELLOW
SUNFLOWERSEED OIL, BULK
TALLOW, BLEACHABLE FANCY
TALLOW, EXTRA FANCY
TALLOW, FANCY
WHEAT-SOY BLEND
WHEAT-SOY MILK
WHEAT, GENERIC
WHEAT, HARD RED WINTER
WHEAT, HARD RED WINTER, FEED
WHEAT, MIXED, FEED
WHEAT, NORTHERN SPRING
WHEAT, ROLLED
WHEAT, SOFT RED WINTER
WHEAT, SOFT RED WINTER, FEED
WHEAT, SOFT WHITE, FEED
WHEAT, WHITE, FEED
WHITE CANE REFINED SUGAR

TURKEY, FRESH/FROZEN, BULK
TURKEY, GROUND, FROZEN
TURKEY, ROAST, FROZEN
TURKEY, WHOLE, FROZEN
WALNUTS, ENGLISH, PIECES

Mr. FARR. Thank you.
Mr. SKEEN. Mr. Nethercutt.

STATEMENT OF MR. NETHERCUTT

Mr. NETHERCUTT. Thank you, Mr. Chairman. Mr. Secretary, welcome, gentlemen.

Mr. Secretary, you have always been a gentleman before the committee, and even though you and I disagree on some things, I appreciate your tenure as Secretary and wish you well at the—presumably there is going to be a Republican President.

Secretary GLICKMAN. You are not sure, though, are you?

Mr. NETHERCUTT. The silence is deafening. [Laughter.]

No, I am not sure.

Mr. FARR. There is always a lot of false presumption.

Mr. NETHERCUTT. In any event, thank you for your service.

SANCTIONS

I have strongly been interested in the concept that our country should lift sanctions on food and medicine with other countries with whom we disagree. I think the embargo policy is wrong-headed as it relates to food and medicine that we have had in this country for years, and I think it particularly hurts our farmers. I won't ask you for your support for our bill that we have put in. We have got a lot of Democrats and Republicans who feel this is a good thing. But I will suggest to you that it would be a good thing for this administration to embrace, along with the thought that it might be wise in either this administration or the next, whoever commands the White House, to think about a consolidated effort in USDA to have a single-desk mentality, such that Canada and Australia do, and get our State Department and our Treasury Department and our USDA on one page as it relates to exports of agricultural commodities and capturing markets that we are now losing. On soft white wheat, we have lost the last two sales—I have forgotten how many millions of dollars, but several hundred million—that mean something to our farmers.

So I would be interested, number one, in your endorsement of the idea that we ought to lift sanctions on food and medicine, and, second of all, whether you see restructuring within USDA to more aggressively try to capture markets that we seem to be losing. We need to help our farmers have some hope that this world market concept that we employed back in 1996 is a good thing.

Secretary GLICKMAN. Well, you know, both the President and I have said that, by and large, we should not use food and medicine as a tool of foreign policy. There are some countries that we have made the judgment that sanctions are needed although, again, there is virtually no place where there are absolute prohibitions anymore. But there are relative levels of prohibitions for a variety of foreign policy reasons.

You know, we have made an effort to try to reduce the impact of sanctions. We estimate that the effect of sanctions on worldwide U.S. agricultural exports is roughly $500 million a year, about 1 percent of our export volume, but any amount can have an impact, particularly regionally and crop-wise.

I have talked to the President about this personally, and, you know, we continue to look at and work at sanctions particularly on agriculture and food products, to see if there are ways to minimize their impacts. Wheat is the commodity most affected by sanctions. It is a big commodity in your district.

Mr. NETHERCUTT. Yes, sir.

Secretary GLICKMAN. It is a big commodity in my State as well. So I understand your concerns there.

I don't have a particular view on the single desk, but I do think that it is important that in the turf battles in some of these issues, we do our best to try to minimize them as much as possible.

P.L. 480 FUNDING

Mr. NETHERCUTT. And I appreciate your views. I am concerned, while on the one hand your Department talks about expanded trade, yet we reduce in the budget P.L. 480 funding. I am advised that there is a proposed removal by the Department of the foreign agricultural officer from Singapore, the United States' tenth largest customer with over $15 billion in sales in 1998. That is a signal for retreat, it seems to me, of an aggressive sales policy.

Secretary GLICKMAN. Can I ask Mr. Schumacher or Mr. Fritz to respond to that?

Mr. NETHERCUTT. Sure.

Secretary GLICKMAN. Because, actually, we are adding three FAS offices in—I don't now what the countries are, but Gus might want to comment just quickly, and also address the Singapore and the P.L. 480.

Mr. SCHUMACHER. First, P.L. 480, as you recall, the President announced a major initiative last year on wheat in July, and we have some carryover into this year. That was in the section 416(b) problem. We have some funding carryover in P.L. 480 because of that major initiative. We are now working that, but that is why there is somewhat less in the P.L. 480 request. As I indicated earlier, we also are doing 3 million tons under section 416(b) that was just recently announced.

Concerning Singapore, we are opening a new office in Manila. We felt that this office could well serve the region at a third of the cost that we have been spending in Singapore. It is a very, very expensive place to have offices, and so we are shifting that responsibility to where it is cheaper to operate and which has good transportation.

Secretary GLICKMAN. Where are we adding offices?

Mr. SCHUMACHER. In the Philippines, Canada, and, of course, Mexico, the two NAFTA partners where we are doing $13 billion in sales. We felt that was the right place. Exports are expanding very rapidly in Mexico, especially for crops.

Mr. NETHERCUTT. Thank you, Mr. Chairman.

Mr. SKEEN. Mr. Bonilla?

STATEMENT OF MR. BONILLA

Mr. BONILLA. Thank you, Chairman.

Secretary, I also want to commend you for your fine services over the years. I can't believe you have been doing this 5 years now. It just seems like yesterday I was running into you in the hallway

around here. But good luck in whatever you wind up doing the next year or so.

PENDING SUPPLEMENTAL

I have a lot of territory to cover this morning, so I will go ahead and start. I want to start with the pending supplemental request that we are hearing is out there for about $8 million to cover the FSIS for 2 consecutive years of overspending the budget. Do you know when we will be receiving that request? And, Secretary, what measures are you taking to prevent that overspending from occurring again?

Secretary GLICKMAN. Do you want to talk about the request?

Mr. DEWHURST. We are working with the OMB on that, but I can't tell you when it will be submitted, other than that we are working with them on it. Those over-obligations, as you say, occurred in 2 years, 1997 and 1998. It is clear that the FSIS needs a much stronger accounting system and much stronger internal controls on their spending. They have been a very decentralized agency in terms of who in the agency gets to authorize spending.

Our chief financial officer is looking into the matter. There is a new accounting system that has just been installed at the National Finance Center in New Orleans. The FSIS was just brought up on that new system, and FSIS has made some organizational changes to insert some additional discipline in how it controls money.

So we are hopeful that those things in total will prevent this from happening again.

Mr. BONILLA. And, I am sorry, you said the supplemental request is where, exactly?

Secretary GLICKMAN. At the Office of Management and Budget.

Mr. BONILLA. And so the timetable?

Secretary GLICKMAN. Well, you are going to have to work on this fairly quickly, and, you know, since it is not out of the administration yet, I can't tell you exactly what is in it. But I think it is fair to say that I have some concerns about FSIS. That may be in the supplemental request.

Mr. BONILLA. I think we are doing a supplemental bill early March, is my understanding.

PIMA COTTON

I will move now to a different subject. Secretary, you have been authorized to establish and operate a competitiveness program for pima cotton effective October 1 of last year and for the remainder of the 1996 farm law. When do you expect to announce the details and implementation of the pima competitiveness provision?

Mr. COLLINS. I can only tell you that we are working on that proposal right now. We have earmarked $10 million for a program that would be analogous to the step 2 program that is used for upland cotton. I can't give you a specific date on when that will come out.

Mr. BONILLA. Next week?

Mr. COLLINS. We will do it as soon as possible.

Mr. BONILLA. Next 6 months? Next year? I mean, give me something.

Mr. COLLINS. All I can tell you is soon. I don't have a specific date. I will get back to you as soon as I can with a timetable, if that will help.

Mr. BONILLA. I would appreciate that.

BOLL WEEVIL ERADICATION PROGRAM

Secretary, the appropriations bill for this year included over $17 million for the national boll weevil eradication program. This is a big deal, as you know, with a lot of my producers back home. The funding level represented a slight increase over the 1999 levels, and I am disappointed that your Department chose to reduce funding for this program by about $2.6 million, a full 15 percent, thereby actually reducing the fiscal year 2000 funding below the fiscal year 1999 funding, even though the program is expanding.

I was also disappointed to learn the administration's 2001 budget proposal recommends that only $3 million be made available for APHIS for the fiscal year 2001 boll weevil eradication program. Apparently, the Department is minimizing the value of the significant environmental benefits that successful completion of this program will provide communities across the cotton belt, benefits which have been documented and recognized by APHIS and the EPA.

So my question is: The funding now available will provide less than 5 percent cost share for the program. Your budget proposal for fiscal year 2001 would essentially eliminate any Federal cost share for the program. Do you see that?

Secretary GLICKMAN. Well, first of all, this is an important program. I know there has been an effort to convert much of this from a grant to a loan program, but I think Mr. Dewhurst may have more specific answers for you.

Mr. DEWHURST. That is correct. The administration's position has been that the program should move from a cost share program to a loan program, and there is $100 million in loan authority in the Farm Service Agency for the boll weevil loan program. I understand that that is not a unanimously accepted position, but that has been the position, and that is the reason——

Mr. BONILLA. Well, we appreciate the support of the loan program. That is important. But we also feel that spending this money, frankly, generates a lot of benefits out there as well.

Secretary GLICKMAN. We hear you. It is just something we will have to work on during the appropriations process.

APHIS ERADICATION AND CONTROL PROGRAMS

Mr. BONILLA. How are these priorities determined when you have significant increases for other APHIS and eradication and control programs, but yet this one is slighted? You have time to answer.

Secretary GLICKMAN. All I can tell you is that APHIS sends their budget priorities up to us based upon where they consider the nature of the pressing problems. The boll weevil program has been in effect for a long time, and I think their belief is that it has been extremely successful and it is time to see it converted into a loan program rather than a grant program. The crisis areas that aphis is dealing with include pest infestation, citrus canker and a variety

of other issues. So they have made some priority judgments based upon the dollars that they have got.

Mr. BONILLA. I have a couple other questions I will send you, if that is all right, for an answer on the record. I would appreciate that.

Thank you.

Secretary GLICKMAN. Thank you.

Mr. SKEEN. Mr. Hinchey?

STATEMENT OF MR. HINCHEY

Mr. HINCHEY. Thank you very much, Mr. Chairman.

Mr. Secretary, I want to take this opportunity to thank you for your service to our country. The President made an excellent choice when he appointed you the Secretary of Agriculture.

Secretary GLICKMAN. Thank you.

RURAL DEVELOPMENT

Mr. HINCHEY. And I want to thank you especially for your attention to rural development issues in New York. I would also observe that during your tenure you have had to deal with a number of interesting and challenging problems: problems of low prices due to the economic crisis in East Asia and elsewhere around the world, problems associated with the Freedom-to-Farm bill, problems of weather and things of that nature, and also bad luck that might be attributed to the infestation of exotic pests, which I might add parenthetically is a reason to be a little bit wary about these trade agreements. But that is just another aspect of the problem that we have to deal with.

SUPPLEMENTARY INCOME ASSISTANCE

The supplementary income assistance program is one that I want to focus a little bit of attention on in the couple minutes that I have. In your testimony, you say that emergency assistance has been expensive and not well targeted to those producers who need it most. And no one could argue with that. It is a difficult program to administer, and it is hard to target those producers sometimes. Nevertheless, it is a very important program and needs to continue.

My concern in this regard is that of the $7 billion that you propose in supplementary income assistance—$5.6 billion of that is going to go to traditional row crops. As a representative of New York, where we grow specialty crops—fruits, fresh market corn, things of that nature—there is no real program to deal with the problems of fruits and vegetables. And when fruits and vegetables are hit by bad weather, for example, it is not often that they are wiped out, but that the quality is reduced substantially as a result of that experience. And there is no program to deal with that.

I would like to bring this to your attention in the hopes that the Department would make adjustments in this program so that needed help would continue to flow to those farmers in the midwestern part of the country who produce the wheat and the grains, the rice and sorghum, and all the other products, but also that we would

be able to devote a little bit of attention, appropriately, to these specialty crops that are grown mostly in the North.

Secretary GLICKMAN. I think you raise an excellent point, and let me make a couple points. One is that we are trying to make our risk management programs more suitable in areas of the country that have not traditionally been row crop agriculture. While a lot of people have criticized the crop insurance program, it is true that where you have long histories of established yields, it is easier to set up a risk management system than for crops that haven't historically been covered. That has really been the problem with dealing with fresh fruits and vegetables.

We are really trying our best under Mr. Schumacher's leadership, who comes from Massachusetts and was the Ag Commissioner of Massachusetts, to try to make this program suitable for farmers who do not grow traditional row crops as well as those who grow specialty crops.

One of the things we are getting rid of is the area-wide trigger under the non-insured assistance program. A strawberry farmer or a fruit and vegetable farmer will be able to get some coverage for individual loss based on only a natural disaster declaration. That also helps Mr. Farr's district and other places as well.

We are offering whole-farm crop insurance which ought to help people who are not necessarily in traditional areas as well.

Mr. HINCHEY. Could you suffer an interruption on that?

Secretary GLICKMAN. Yes.

SUPPLEMENTAL INCOME ASSISTANCE

Mr. HINCHEY. I appreciate that and I wanted to get into the issue of crop insurance as well. But what I would like to talk about now is the issue of supplementary income assistance. That is the issue that I am concerned about at the moment. The supplementary income assistance, the $7 billion in additional direct farm income assistance during the next 2 years, $5.6 billion is to provide, and I quote, "supplementary crop-specific income assistance to producers of wheat, feedgrain, rice, upland cotton, and oilseed suffering from low prices and revenues."

I have no argument with that. My concern is that there is no supplementary income assistance to farmers who grow vegetables, apples, other fruits, and have their crops damaged.

Secretary GLICKMAN. You are absolutely correct. Because of the logistics of administering the program, we based it on the crops that are covered under the existing proposal. But philosophically, I happen to agree with you. I think we need to take farm policy, which is heavily regionalized, and do our best to make it much more national. One of the ideas is to have farm programs based upon income and perhaps help farmers in the countercyclical way rather than focus strictly on specific crops that are grown.

We presented this idea as an alternative to just doubling AMTA payments that has been done in previous emergency bills. This was not meant to be necessarily the formula for the new farm bill. But you are correct. Because of the histories and the yields and everything that has been established, it is largely based upon the crops that have been covered historically.

Mr. HINCHEY. Well, can you give me some direction here? Would this be a problem that would benefit more appropriately from actions taken by your agency? Or should that action come from the Congress?

Secretary GLICKMAN. No, I think it has got to come from the Congress. This is a fundamental issue in the rewrite of the 1996 farm bill. You need to decide, how to cover crops other than traditional crops? Our proposal has to be run through the Congress, anyway. This was just the initial proposal.

Mr. HINCHEY. Would you be kind enough to have the appropriate person on your staff contact my office so that we can benefit from their knowledge in this particular area and derive some direction from their knowledge so that we could get some assistance for these specialty crops.

Secretary GLICKMAN. Yes. For example, there is no philosophical reason why you couldn't develop a farm bill based upon a total farm income of every farm, regardless of what you produce, whether it is livestock or crops, whether it is specialty crops or row crops. And then you could have some sort of countercyclical assistance based on some percentage of farm income. It could provide people with some kind of insurance, whether it is traditional insurance or more of a direct payment.

It is difficult for us to do that on crops other than row crops because we don't have a lot of experience. But it is philosophically possible.

SUPPLEMENTAL INCOME ASSISTANCE

Mr. HINCHEY. I don't want to in any way detract from the row crops, and I don't want to in any way add to the problems that they have. God knows that the Freedom-to-Farm bill has inflicted enough misery on them. But I do want to provide some assistance to the people who grow these specialty crops, like apples, like fresh market corn, vines, things of that nature.

Who would be the person in your office who might contact us on that?

Secretary GLICKMAN. I would say somebody in Mr. Schumacher's office.

Mr. HINCHEY. Mr. Schumacher?

Secretary GLICKMAN. He or somebody in his office.

Mr. HINCHEY. Okay. Thank you.

Mr. SKEEN. Mr. Latham?

STATEMENT OF MR. LATHAM

Mr. LATHAM. Thank you very much, Mr. Chairman and Mr. Secretary. Someone said, what, in a couple months you will be the longest-serving Secretary in like 30 years or something like that.

Secretary GLICKMAN. Notice my hairline.

Mr. LATHAM. It is beginning to show. [Laughter.]

Anyway, I wish very much that you could come here with a budget proposal that you actually could write yourself and not have to come from OMB. I think it would appear quite different.

MANDATORY PRICE REPORTING

A couple things. This committee last year with the appropriations bill put in mandatory price reporting. Could you just give us an update where we are, when we can expect that to be in place and operational? And the money, is that——

Secretary GLICKMAN. Money is not a problem now. You have provided the money, at least initially.

Mr. DEWHURST. Yes, sir, you have provided $4.7 million, which we have allocated to the Agricultural Marketing Service. They are working on rules. My understanding is that they are going to try to have the process going by this summer. We have $5.9 million in the 2001 budget to continue the program on a permanent basis.

Mr. LATHAM. Okay. Very good. We will look forward to it.

We have been getting a lot of calls from farmers and some bin manufacturers about bin storage loans. And, you know, what is the estimated date for the final rules for the grain storage loans? And, will they be available for grain only or will feed and other commodities be eligible for storage?

Secretary GLICKMAN. I think the final rules will be out in the next 4 to 6 weeks.

Mr. LATHAM. Is it grain only?

Mr. SCHUMACHER. Mr. Latham, I was expecting this question. I did check the charter act or legislation. It does say specifically grains.

Mr. LATHAM. Grains, okay.

Mr. SCHUMACHER. Just specifically grains. I can get that language for you.

FARM SAFETY NET PROPOSAL

Mr. LATHAM. Okay. The proposal that you have had as far as changes or adjustments in the farm bill or countercyclical payments, I guess, as you well know, was kind of met with resounding bipartisan—saying it is probably not going to work or not have enough money. And I guess as an example, if you had two farmers, one of them had a pretty good year and had 150-bushel corn, and the other one had a drought, had 50-bushel corn, who would your proposal help? Who needs the help the most, and who would your proposal help?

Secretary GLICKMAN. Well, I can't answer that without looking at the financial statements and, you know, the total incomes.

Mr. LATHAM. But the proposal is based on bushels, and——

Secretary GLICKMAN. But let me just say, the income security would help both. You also have crop insurance as well. You have got to put those things together.

Mr. LATHAM. But that is not in your proposal.

Secretary GLICKMAN. No, other than that we have tried to improve crop insurance.

Mr. LATHAM. I mean, my point is the person who has a very, very—maybe exceptionally large yield is going to benefit the most, and the person who has a near disaster or a disaster is going to get little or no benefit from your proposal. Isn't that correct?

Secretary GLICKMAN. I would ask Mr. Collins to respond.

Mr. COLLINS. When the legislation was proposed, we said we would like to make the payments based on essentially current production. But we didn't really define current production. We intend to do that in the statutory language that we send to Congress. I think what we have talked about most recently is defining a concept of current production that would use current planted acreage and a historical average yield, which would deal with that problem so that a producer would have an average yield.

Mr. LATHAM. In essence, then, you are doing an AMTA payment.

Mr. COLLINS. No. An AMTA payment is based on historical acreage and yields going back to 1981. And, this would be based on current planted acreage. An AMTA payment can go to people who are not necessarily even planting a crop. You would have to plant the crop to get this payment, so it would be current planted acreage and historical yield. So, it would be different than an AMTA payment.

Mr. LATHAM. Technically, but it is going to tie to—the person that produces the most is going to benefit the most. And, historically, going back every—and I am a farmer, so I am somewhat aware of this. We have been paying people not to produce for how many years?

Mr. COLLINS. We stopped acreage programs in 1996.

Mr. LATHAM. Well, okay, but you just—a lot of people are saying that we are paying people and it doesn't matter whether they plant anything or not. Right?

Mr. COLLINS. That is what we are doing.

Mr. LATHAM. And then how long have we been doing that?

Mr. COLLINS. Since 1996.

Mr. LATHAM. Since the first farm bill we haven't been paying people not to produce?

Mr. COLLINS. Oh, it depends what you mean.

FARM SAFETY NET PROPOSAL

Mr. LATHAM. I mean, to me it is just a bogus argument. We have been paying people to take land out of production for, you know, 30 years.

Mr. COLLINS. We have through set-aside and paid diversions. But the AMTA payment is a little different. They don't have to take land out of production or they can leave it in production and get the payment either way.

Mr. LATHAM. With the idea that the farmer, and his being an intelligent individual himself, can make a determination as to what the best crop on his farm is to plant.

Mr. COLLINS. Right.

Mr. LATHAM. And that is the idea, the flexibility. So if you want to take that away and go back to the idea of paying people not to plant——

Mr. COLLINS. The Secretary is not proposing taking that away. He is proposing leaving the AMTA payment exactly as it is, and this would be a rider on top of the AMTA payment.

Mr. LATHAM. Right. Obviously, my point is that even though it may be phrased differently, we are doing the same thing as we have for 30, 40, 50, 60 years.

Thank you, Mr. Chairman.

Mr. SKEEN. Mr. Boyd.

STATEMENT OF MR. BOYD

Mr. BOYD. Thank you very much, Mr. Chairman.

Mr. Secretary, thank you for being here and with your team, and I, too, want to echo the comments of some others about the job that you have done. I know that you are in the position of overseeing a sector of our economy which is in the tanks, so to speak, has been for a while. The program that this Congress put in place in 1996 obviously is not working, and I applaud you and the administration for advancing at least the general outline of a program which will hopefully plug the gap temporarily, or hopefully permanently.

It is just a very serious situation, and I want you to know that this member certainly is willing to work with you on coming up with something that works.

I heard the line of questioning from Mr. Latham, and I know his concerns, but the truth is that the program we have is not working and looks like it doesn't have any hopes of working.

Mr. Secretary, I know that you thought you were going to get away without discussing in detail citrus, but I suspect——

Secretary GLICKMAN. No, I mentioned it.

CITRUS CANKER

Mr. BOYD. I know you did, and I appreciate that. But I want to remind you and the members—I am going to give you a map, Mr. Secretary, of the southern half of Florida, which is the citrus-producing area of Florida, and tell you that in October of 1995, an Asiatic citrus canker-infected tree was discovered in a backyard residence one-quarter mile from the Miami U.S. International Airport.

The map that you have in front of you outlines the spread of citrus canker from October of 1995 until today, with quarantine and proposed quarantine areas.

[The map outlining the spread of citrus canker was not able to be reduced by printer. The map is retained as part of Committee records.]

As you can see, it is dangerously close to the major commercial citrus-producing areas of Florida, and we are, Mr. Secretary, in serious, serious jeopardy of losing an $8.5 billion industry.

Now, how did that happen? It happened because an invasive pest, Asiatic citrus canker, came in through the Miami airport, probably brought by some tourist or some visitor to our country, and this was the origin of this canker. And as you know, the United States Government has responsibility for policing that, and we now find ourselves in the position—because of the inability of the Federal Government to do that job completely, we now find ourselves in danger of losing a complete industry.

I stood with Governor Bush and Commissioner Bob Crawford in Florida last week, along with the leaders of the State legislature, in which they committed to a $100 million stepped-up program, which the commissioner says that he can totally eliminate the quarantine and infected areas and eliminate the spread this year. Obviously, the program we have been on has not worked, and that program they estimate is going to cost $100 million. Traditionally, we have shared that 50/50 with State and Federal matches.

I want to read to you—we had a hearing, Mr. Secretary, about 2 weeks in Florida on invasive pests. Actually, the hearing was chaired by Congressman Pombo, who chairs one of the House Ag subcommittees here which deals with that area. And the testimony of one of the major growers in the southern part of the State I want to read to you, and I quote: "The introduction and spread of canker was not the growers' fault. It is an unfunded liability of increased trade and travel and of lack of success of U.S. Government interdiction efforts."

So I guess my question to you, Mr. Secretary, is: One, are you aware of the severity of this problem? Secondly, are you prepared to request and help us with the Federal share of the funding of this problem? And will that be a part of the supplemental request that will be forthcoming to the Congress?

Secretary GLICKMAN. I can't answer the last question, but let me say the first question's answer is yes. We have approved already $73 million for citrus canker eradication in Florida since 1995, and we have pending at OMB a $16 million compensation request. For the first time, the President's budget proposes to include $25 million for citrus canker in Florida instead of emergency spending from the CCC. We know that total eradication, however, is going to cost a lot more money. I am aware of the Governor's letter as well as Bob Crawford's letter. We are attempting to acquire disaster assessment reports from USDA county offices to see if a natural disaster designation is justified, and if so, who will be eligible for producer loans and crop disaster assistance program payments that was authorized by Congress as part of the crop loss situation from last year.

Then, of course, the issue has to do with compensation for producers and whether we can do that. This is a very high priority program, and we cannot let the citrus industry go under. You know, the fact is one tourist can bring in a piece of fruit with an insect that can cause this kind of infestation. So there is no absolute way to prevent this from happening. You do your best under the circumstances. But we are going to work with the State of Florida. I promise you that.

Mr. BOYD. Mr. Chairman, if I might, I won't leave this issue, but I will wind up with this.

Mr. Secretary, you know, we do have some money in the pipeline which you helped us with last year through the 1999 supplemental, then again which Chairman Young and members of this committee helped us with. And, by the way, Chairman Young spoke to me before this hearing and told me that he wanted to express to the committee his serious concern about this whole issue. But it is going to take more than that.

Now, we are looking at about an additional $30 million on top of what we put in last year, at least $30 million, for our matching share to fund this program, which we think can push it out, as you see on the map, we can push it south and block the area this year.

So I look forward to working with you on that.

Secretary GLICKMAN. Okay. We will.

Mr. SKEEN. Mrs. Emerson.

STATEMENT OF MRS. EMERSON

Mrs. EMERSON. Welcome, Mr. Secretary.

Mr. Chairman, I have a statement I would like to submit for the record and some extra questions that I know I am not going to get to in my 5 minutes.

[The information follows:]

STATEMENT OF REPRESENTATIVE JO ANN EMERSON

Agriculture Appropriations Subcommittee
Wednesday, February 16, 2000

I would like to thank Chairman Skeen for holding this hearing and for his years of strong leadership on issues of importance to America's farmers and ranchers. I am very pleased to be serving on his Subcommittee and working with Ranking Member Marcy Kaptur and all the members of the Subcommittee to do what is right for America's farmers. I look forward to continuing to bring the thoughts, concerns, and interests of Southern Missouri's farmers to this Subcommittee, and to being a strong advocate for them. I also would like to thank Secretary of Agriculture Dan Glickman for coming today and say that I have appreciated his efforts on behalf of agriculture. I look forward to hearing from the Secretary and working with him this year.

This is an extraordinarily difficult time for America's farmers and ranchers. We are now entering the 3rd year of low commodity prices, and that means a 3rd year of financial hardship on the farm. The Department of Agriculture's own forecasts say that farm income will fall more than 16 percent this year. There are few incentives for young farmers to get into the business of farming, and plenty of problems that could force current farmers to get out. I believe that Congress must aggressively look for solutions to the problems in our farm economy and stand by farmers and ranchers in this critical period. Our very way of life in rural America is at stake, and we've got to find the tools and the means and the will to see that it survives.

As we went into this hearing with the Secretary of Agriculture about this time last year, my farmers were telling me that 1998, with the combination of bad markets, bad weather, and increased input costs, may have been the worst in 25 years or longer. As those of us here and those of us out on the farm know, 1999 only made a bad situation worse. 1999 brought more bad markets, more bad weather, and more regulations to drive up input costs. At this time in February of 1999, prices for soybeans, corn, and cotton were $4.99, $2.15, and $0.58 respectively. This week, prices for soybeans, corn, and cotton were $5.10, $2.22, and $0.55 respectively. Contrast these prices to those just a few years back, when soybeans were in the range of $9 a bushel. This is a strikingly clear expression of the depth of the problems in the farm economy. Farmers continued to lose equity in 1999 and to struggle to stay on the farm. They continue to lose equity and to struggle to stay on the farm today. Our hard working farmers and ranchers deserve much better than this, and I hope that we can start the process moving today to do more for the people in our Districts who feed and clothe the world.

Mr. Secretary, I think you would agree that our current agriculture policies have not done the job for our farmers. Congress and the administration have a lot of work to do to turn the farm economy around and give farmers the tools they need to compete. As you well know, given a level playing field, our farmers can beat anybody in the world.

FARM BILL

I would like to commend the Secretary for proposing in the budget request several items to strengthen and improve the Farm Bill. While I believe that the dollar figure in the proposal is too low and I object to the payment limitation, I appreciate the Secretary making his case for changes to the Farm Bill. I have been saying for some time that we need to go back and take a hard look at that legislation, to determine where and how it can serve the farmer better. As we enter the 3rd year of low commodity prices and a 3rd year of providing a farm relief package (which I believe Congress must do this year), I think a lot of people now realize that something must be done to improve the farm safety net. I am pleased that the House Agriculture Committee has moved this process forward, holding hearings this spring to review the Farm Bill and hear directly from farmers and ranchers. It's my hope that this discussion will be comprehensive and will look at all the possibilities that are available to us. Farmers in Southern Missouri that I have talked to have put several ideas on the table, including expanding conservation acreage through the CRP, higher loan rates, additional farm program payments, and so on. I look forward to hearing more from farmers in my District about their views on the Farm Bill and where we ought to go from here. I hope we will come together to find specific policies that will boost farm income and help protect farmers from downturns in markets and weather. At the very, very minimum this year, we are going to need a major farm and ranch relief package.

SANCTIONS/EMBARGOES

I continue to be struck by the administration's unwillingness to help us remove embargoes on food and medicine. The fact of the matter is that Freedom to Farm legislation, when it was signed into law by the President, assumed that farmers would have access to overseas markets. We can't tell our farmers to farm for the market on one hand, and with the other tell them that these markets are closed to them, but open to their competitors overseas. In country terms, Mr. Secretary, "That dog don't hunt!"

It's past time that the administration came to terms with the failed foreign policy of food embargoes. The penalty has been and continues to be paid by the American farmer. By imposing food embargoes on foreign nations, the government is closing off markets to domestic producers and putting their livelihood at risk. Many farmers still remember the disaster of the Soviet grain embargo of 1980. We need to lift sanctions that are currently in place and raise the bar in the future so that Presidents cannot, without the approval of Congress, implement food sanctions. That is precisely the point of Congressman Nethercutt's Food and Medicine for the World Act, which is bipartisan legislation supported by many Members of this Subcommittee. I encourage the Secretary to become actively engaged on this issue which can really impact a farmer's bottom line. The administration has the authority to allow our farmers to export to key agriculture markets, and I urge the Secretary to work with the President to make this happen.

OVERREGULATION/PRIVATE PROPERTY RIGHTS

I continue to be shocked and dismayed by the level of environmental extremism in federal bureaucracies such as the Environmental Protection Agency (EPA), the U.S. Fish and Wildlife Service, the Council on Environmental Quality (CEQ) and even the U.S. Department of Agriculture (USDA). Some folks in Washington just don't seem to understand that America's

farmers and ranchers are our best conservationists. If more bureaucrats spent time in rural America, they would realize that farmers take care of the land because they depend on that land for the livelihood of their family.

In recent years, the administration has proposed numerous programs and regulations that establish restrictive, top-down, burdensome rules for land and river use. These programs, such as the American Heritage Rivers Initiative, U.S. Man and the Biosphere, the Lands Legacy Initiative, the Kyoto Global Climate Change treaty, the Forest Service Roadless Areas Initiative, the EPA's Animal Feeding Operations (AFO) Strategy, Total Maximum Daily Load (TMDL) rules and many more threaten to undermine our private property rights and drive up farmers' costs of production. This extremist trend has already done significant damage to our Constitutional rights, as well as to local economies in Southern Missouri where agriculture, forestry, and flood control and river navigation are a part of daily life.

One of the issues of particular concern is EPA's continued implementation of the Food Quality Protection Act (FQPA), the law regulating the use of pesticides and herbicides. We must be sure that the EPA uses the best possible science, not unrealistic assumptions, and includes input from farmers and ranchers, when it makes decisions about approving crop protection tools. Farmers know that responsible use of crop protection tools are a key aspect of the production of a safe and plentiful food supply, and they should not be denied those tools based on inadequate data and EPA guesswork.

The fact of the matter is that rather than creating more bureaucracies and heavy-handed regulation, we need to reduce the size of government and return authority to the local level. In the year ahead, I will continue to fight efforts by federal resource agencies to unnecessarily penalize farmers, ranchers, and property owners with heavy regulatory burdens. I do not intend to let my guard down in defending private property rights and preventing the government from overstepping their authority.

Finally, I would like to call on the Secretary to help on a variety of issues that need to be addressed by his Department. The Secretary needs to strengthen, not downsize, the county office delivery system. We need more local Farm Service Agency personnel, not less, and I call upon the Secretary to stop shortchanging our ability to deliver farm programs at the local level. The Secretary needs to help us address the problems in livestock markets by supporting country-of-origin labeling for meat products. Producers and consumers both benefit from this proposal I urge the Secretary to get on board this important initiative. The Secretary should convince his administration that the Kyoto global warming treaty is a bad deal for farmers and ranchers and must not be implemented. This treaty sells out our farmers, ranchers, and businesses to "developing nations." The Secretary needs to use his authority to prevent increasing concentration and consolidation in agriculture markets that is harmful to farmers. Fewer and fewer providers of farm inputs such as seed and crop protection tools and fewer and fewer buyers of agricultural commodities are putting our farmers at a disadvantage. I ask for the Secretary's help on these initiatives which are good for farmers and can help boost farm income.

Mrs. EMERSON. Let me just say thank you so much, Mr. Secretary, for your commitment and dedication to helping our farmers and ranchers all over this country during the past several years, and I have enjoyed working with you for the past three, anyway.

TEMPORARY FSA STAFFING

Mr. Secretary, I have heard some very disturbing news more recently, just in the last few days, actually, with regard to the FSA and the fact that temporary FSA personnel may be laid off sometime within the next couple of weeks. And, obviously, you know as well as I do that workload is as heavy as ever right now, and I can't think of a time when our producers need more help at our county FSA offices.

So I just wanted to get a sense from you of what your intent was with regard to temporary FSA county employees. Do you think there might perhaps be a supplemental funding request to support program delivery at the county offices?

Secretary GLICKMAN. I wonder if Mr. Dewhurst may respond first. Then Mr. Schumacher may have some comments on that.

Mrs. EMERSON. Okay.

Mr. DEWHURST. Well, the supplemental money that we already got this year provides for a very high level of temporary employment in the FSA, about 2,000 staff years' worth of temporary employment. We know the workload is heavy. The agency has told us they may need some help, but I have not yet received from the Farm Service Agency the formal request for additional money. We will certainly give it every priority when we get it.

Secretary GLICKMAN. Mr. Schumacher, do you want to respond.

Mrs. EMERSON. That is where you are? You are waiting to——

Secretary GLICKMAN. We have money to protect the permanent employees.

Mrs. EMERSON. Right. I know that.

Secretary GLICKMAN. Okay. Of course, we had a high number of temporaries on board to deal with this crop loss assistance program and all the emergency disaster programs, and they were needed. We couldn't have done it without them.

Mrs. EMERSON. Right.

Secretary GLICKMAN. We are looking right now at the workload to determine if we need additional money for temporary employees this year.

Mrs. EMERSON. Well, just to quote your own statement where you say that workload demands are expected to remain at relatively high levels due to the continuing farm crisis, I would just ask you all to tell us if you need to have additional funding for FSA personnel.

Secretary GLICKMAN. We will.

Mrs. EMERSON. I know my producers are in desperate need for help.

Let me move on quickly to another question, and, Mr. Chairman, I want to submit copies of this article from the February 2000 Farm Journal. We have copies. You might want to hand them out.

[The information follows:]

Policy

Farmers' Court Again

The deck is stacked against farmer appeals of USDA administrative rulings

By Patricia Peak Klintberg

It took a U.S. District Court in Colorado to find out what the Freedom of Information Act could not.

In fiscal years 1997 and 1998, the director of USDA's National Appeals Division (NAD) reversed 86% of regional hearing officer decisions that had favored farmers in disputes between producers and USDA. In stark contrast, the NAD director reversed fewer than 5% of hearing officer decisions that came down on the side of the federal government.

This means that the percentage of NAD director reversals against farmers had nearly doubled since fiscal 1996 and increased fourfold since 1995. NAD, an $11 million independent USDA agency, was created by Congress in 1994 to consolidate farmer appeals of USDA's administrative decisions on farm programs, lending, conservation and crop insurance.

The latest reversal rates came to light in a 1998 lawsuit brought by L.W. Arbuthnot, a Colorado farmer suing to remain in the Conservation Reserve Program (CRP). Articles questioning the decision-making process at NAD, published in FARM JOURNAL, were submitted to the court to support the allegation that NAD decisions are biased against farmers.

One article, entitled "Farmers' Court" and published in July/August 1997, documented the number of cases won by farmers or the Farm Service Agency (FSA) that were reversed by NAD Director Norman Cooper in fiscal years 1995 and 1996. Those decisions seemed to show a strong pro-government bias.

After publication of the article, NAD stopped tracking comparative reversals. Not even Freedom of Information Act requests filed by FARM JOURNAL could shed light on whether the pattern of decision-making that favors USDA agencies over farmers was continuing.

Government attorneys had argued for aggregating the NAD director's reviews under one total, saying the NAD director had decided "identification of the requesting party is inappropriate and may be misunderstood in published reports."

Bias evidence. However, on Feb. 3, 1999, U.S. District Court Judge John L. Kane Jr. granted a request by Justin Cumming, a Denver attorney for Arbuthnot, to force NAD to make public its decision record.

Those documents, say Cumming, show "strong and compelling evidence of biased conduct against farmers." Dick Sherbondy, of the USDA Office of General Counsel in Denver, argues that "the statistics are not relevant because of selective appeals by the agency." Sherbondy says FSA only picks those cases farmers have won at the hearing officer level for an NAD director review if it believes there "is a good chance of having the decision overturned." In contrast, Sherbondy says, "producers who lose always appeal. There is no discretion, whatsoever."

Yet in fiscal 1998, farmers asked for NAD director reviews of 55% of the cases they lost, the same percentage that FSA submitted for review.

In that fiscal year, hearing officers decided 1,231 cases in which farmers sought to overturn FSA decisions against them. Hearing officers upheld FSA in 889 cases—showing that farmers usually lose at this level. Hearing officers reversed only 342 of the FSA rulings against farmers.

Of the 889 decisions farmers lost, the NAD director was asked to review 486. FSA asked for the NAD director to review 189 of the 342 cases it lost. Of the 486 cases farmers lost and the director reviewed, only 7% were reversed in their favor. Of the 189 cases the agency lost to farmers, the NAD director reversed 86.7%.

"Why shouldn't farmers' cases be just as winnable at the director's level as the agency's cases are?" asks Phil Fraas, a Washington, D.C., attorney with experience in NAD appeals.

"It's easier to believe there is one biased NAD director than 70 biased hearing officers," Cumming adds.

Net Effect. In August 1999, with Cumming poised to question the NAD director and his assistant director, the government unexpectedly settled the case. It agreed to allow Arbuthnot's land back in the CRP for the remaining 8 years of his contract, thereby avoiding the risk of a federal court opinion finding that NAD director reviews are biased.

Nevertheless, both Cumming and Fraas believe the case opens up a new basis for appeals. "Now that one federal judge has broken the ice and agreed to look at NAD director bias, I wouldn't be surprised if farmers raise the issue again and again in court until it is resolved," Fraas says. ■

Hearing Officer Decisions Changed by NAD



SOURCE: NAD; NAD DOCUMENTS PROVIDED TO U.S. DISTRICT COURT

USDA'S NATIONAL APPEALS DIVISION

Mrs. EMERSON. The February 2000 edition of Farm Journal contained an article that highlights a fairly disturbing trend at USDA's National Appeals Division and mentions the fact that in 1997 and 1998 the NAD reversed 86 percent of regional hearing officers' decisions that had favored producers over the Department.

And, consequently—well, first of all, have you seen this article?

Secretary GLICKMAN. I did. I read the article.

Mrs. EMERSON. What is your response to the situation?

Secretary GLICKMAN. Well, I am concerned about the article, and I have asked for a report on it.

Mrs. EMERSON. Okay.

Secretary GLICKMAN. I would say that the folks in the department told me they did not view this as the most objective piece of journalism that was ever written. But saying that, the issues raised—and they have been raised before in the Farm Journal—are ones that require us to look at them.

You have to look at the kinds of cases appealed, and, you know, certainly the overwhelming amount of things handled at the county or State level are not appealed. You know, 95, 98 percent of the things are not appealed at all.

But saying that, I think it is worth us taking a look at this issue.

Mrs. EMERSON. Well, I would appreciate it because numbers are numbers, and, you can take the subjective part out of it and just look at the numbers. And, you know, recently—this impacts my district personally. Recently we had three cotton producers receive favorable rulings from your regional hearing officers, only to have those three cases overturned by the NAD. Not only does that impact those three producers, but, quite frankly, it impacts two to three hundred other producers in my district.

The State office had said we weren't going to make any kind of decision whatsoever until these three appeals were heard. I have to believe that when 86 percent of the appeals go in favor of the Department over the producer, that just sounds a little questionable to me. And I would be very grateful if you all could look into that and give me some sort of a report back.

Secretary GLICKMAN. We will get you a report on this.

Mrs. EMERSON. Okay. Thank you.

Mr. SKEEN. Ms. Kaptur.

STATEMENT OF MS. KAPTUR

Ms. KAPTUR. Yes, Mr. Chairman, I just wanted to also highlight that I very much support the Secretary's initiatives in the area of private lands conservation and habitat, and certainly prime farmland. I am very anxious to receive fuller detail on that from the administration.

BIOENERGY INITIATIVE

Your bioenergy initiative is a very deep concern of mine and the national security of this country to wean ourselves off dependence on foreign fuels. I am concerned, however, on who will be eligible and how that program will actually function. We shouldn't have monopolies running whatever biofuels and bioenergy capacity we

build in this country. And I would just encourage the Secretary, who has always had an interest in small business and a number of competitive groups taking part in this to make sure the program is designed that way.

FARMERS' MARKETS

I want to thank you for your initiatives in farmers' markets. Over the years you have been Secretary, you can see the difference this has made across this country. The initiatives that you have in modernizing our whole co-op structure, very supportive of those.

I wanted to just mention a couple points. In the additional commodities that you are shipping abroad in order to try to lift prices here at home, I would hope you would look at soft red wheat. We have been shipping hard wheats, but in our part of the country we have got soft red wheat just backlogged for years. And if there is any way to move any of that, I think those of us on the Great Lakes would be most appreciative.

FARM INCOME PAYMENTS

I wanted to also, if I might, just say a word here about—and I would like to submit for the record information relating to how our farm income payments have been going out over the last several years. I think in terms of efficiency, we have probably done a good job. In terms of equity, we have not. And we have talked a lot about that here today.

According to the information that I have here—and this is what I wish to submit for the record—40 percent of all AMTA payments, $2.2 billion, was distributed to five States. And, in fact, five congressional districts received about 20 percent of the funds. And Mr. Hinchey's point, other members that have talked about the equity issues here, relationship to losses, awfully important as we design a program, I know for hog producers in our producers and weather-related losses associated with vegetable production and so forth.

Your effort to try to put this in some type of national framework and look at what is fair to all producers I think would be greatly appreciated, and I think it is true that taxpayers now are paying more to assist farmers with economic losses than they did before freedom to farm was passed.

This is a really, really serious issue, and just for example, in the State of Iowa, as of October 12th of last year, the production flexibility contracts were five times as much as in the State of Ohio. And I am not against Iowa, but it is very interesting to look at the size of the State, the types of production, and what eventually gets the assistance. And yet we have lots of farmers that are in very deep trouble.

So we will submit this for the record, and I just want to urge you on in your efforts to try to create a program that is both efficient as well as equitable.

[The information follows:]

Farm Service Agency
Online

Production Flexibility Contract (PFC) and Market Loss Assistance Payments (MLA)
As of October 12, 1999

STATE	1996 PFC	1997 PFC	1998 PFC	1998 MLA	1999 PFC
ALABAMA	40,467,520	38,637,285	39,652,395	19,680,513	38,391,391
ALASKA	113,113	95,744	154,628	75,909	142,563
ARIZONA	48,636,715	41,342,850	42,505,051	20,979,038	41,248,942
ARKANSAS	270,218,405	255,665,945	269,503,828	133,470,899	261,207,857
CALIFORNIA	214,426,465	194,536,442	200,724,584	99,587,621	194,572,135
COLORADO	99,060,318	101,549,848	96,113,822	47,737,482	92,403,334
CONNECTICUT	657,596	1,277,726	966,990	480,786	898,918
DELAWARE	4,078,892	5,767,472	4,656,452	2,314,615	4,531,736
FLORIDA	7,674,380	8,611,463	8,218,456	4,055,333	7,938,618
GEORGIA	78,967,887	78,301,242	78,636,870	38,960,173	76,801,353
IDAHO	88,020,599	66,870,229	69,767,907	34,591,091	68,048,964
ILLINOIS	336,934,970	591,872,146	468,976,183	233,055,424	453,786,170
INDIANA	167,654,680	292,306,113	231,267,914	114,828,722	223,747,809
IOWA	350,204,031	680,482,273	535,614,804	266,154,282	519,964,728
KANSAS	422,164,508	416,585,321	398,275,458	197,861,866	386,393,943
KENTUCKY	44,131,781	69,425,501	58,096,735	28,869,581	56,318,672
LOUISIANA	142,444,729	136,690,573	142,032,423	70,385,588	137,002,668
MAINE	635,174	1,095,546	881,945	436,922	841,779
MARYLAND	13,191,365	19,553,845	15,820,657	7,855,606	15,362,962
MASSACHUSETTS	418,824	803,624	624,087	310,149	573,344
MICHIGAN	77,447,224	122,137,888	98,680,357	48,964,748	94,661,227
MINNESOTA	261,553,161	383,872,571	325,271,980	161,603,801	314,081,476
MISSISSIPPI	141,277,996	128,368,053	134,540,137	66,671,827	130,768,145
MISSOURI	153,285,922	191,717,004	177,033,330	87,876,328	172,221,428
MONTANA	161,753,555	120,285,965	128,284,315	63,688,586	123,519,045
NEBRASKA	303,285,725	490,124,795	400,684,537	199,131,540	388,298,130
NEVADA	1,292,856	975,910	966,266	480,632	892,455
NEW HAMPSHIRE	298,590	579,581	443,156	220,246	416,553
NEW JERSEY	2,282,197	3,506,792	2,799,291	1,392,834	2,614,370
NEW MEXICO	20,730,461	22,034,510	20,138,880	9,985,810	19,262,720
NEW YORK	23,103,691	38,975,280	30,722,830	15,255,562	29,335,341
NORTH CAROLINA	59,249,242	70,831,744	63,870,858	31,699,576	61,452,996
NORTH DAKOTA	309,725,393	245,064,378	247,571,781	123,043,118	241,086,814
OHIO	124,604,065	193,394,113	157,377,107	78,207,627	152,049,988
OKLAHOMA	186,662,781	144,934,642	151,801,266	75,381,123	145,750,351
OREGON	45,904,919	34,101,905	36,906,952	18,316,880	35,452,257
PENNSYLVANIA	17,640,039	30,342,086	23,856,680	11,844,120	22,706,512
RHODE ISLAND	22,996	42,700	32,620	16,219	31,167
SOUTH CAROLINA	29,480,189	31,484,492	29,833,675	14,814,764	28,697,339
SOUTH DAKOTA	151,823,144	183,138,057	161,761,468	80,363,059	157,964,862

TENNESSEE	54,024,748	58,275,295	56,163,498	27,921,231	54,463,897
TEXAS	487,910,686	499,061,577	489,390,775	242,987,274	471,675,111
UTAH	8,220,349	7,087,833	7,528,915	3,743,473	7,190,709
VERMONT	1,023,526	1,945,013	1,494,511	742,676	1,435,527
VIRGINIA	19,540,254	25,449,752	21,871,161	10,838,183	20,927,048
WASHINGTON	116,986,240	87,803,692	93,801,146	46,568,383	89,011,067
WEST VIRGINIA	1,631,977	2,813,180	2,228,698	1,107,232	2,117,358
WISCONSIN	86,504,956	159,860,721	125,601,573	62,437,805	120,841,099
WYOMING	9,062,684	8,587,674	8,607,507	4,283,253	8,187,045
TOTAL	5,186,431,518	6,288,268,390	5,661,756,462	2,811,279,510	5,477,289,938

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Expected Market Loss Payments for FY 1999

Representative	State	District	1999 Supplemental Payment
Ackerman, Gary L.	NY	05	$21,000
Aderholt, Robert B.	AL	04	$4,736,000
Allen, Thomas H.	ME	01	$165,000
Andrews, Robert E.	NJ	01	$465,000
Archer, Bill	TX	07	$2,454,000
Armey, Richard K.	TX	26	$4,318,000
Bachus, Spencer	AL	06	$710,000
Baird, Brian	WA	03	$1,291,000
Baker, Richard H.	LA	06	$3,502,000
Baldacci, John Elias	ME	02	$771,000
Baldwin, Tammy	WI	02	$40,091,000
Ballenger, Cass	NC	10	$1,642,000
Barcia, James A.	MI	05	$27,292,000
Barr, Bob	GA	07	$663,000
Barrett, Bill	NE	03	$306,519,000
Barrett, Thomas M.	WI	05	$30,000
Bartlett, Roscoe G.	MD	06	$2,927,000
Barton, Joe	TX	06	$4,188,000
Bass, Charles F.	NH	02	$450,000
Bateman, Herbert H.	VA	01	$4,412,000
Becerra, Xavier	CA	30	$46,000
Bentsen, Ken	TX	25	$2,454,000
Bereuter, Doug	NE	01	$122,501,000
Berkley, Shelley	NV	01	$12,000
Berman, Howard L.	CA	26	$46,000
Berry, Marion	AR	01	$173,946,000
Biggert, Judy	IL	13	$6,111,000
Bilbray, Brian P.	CA	49	$19,000
Bilirakis, Michael	FL	09	$10,000
Bishop, Sanford D., Jr.	GA	02	$37,418,000
Blagojevich, Rod R.	IL	05	$322,000
Bliley, Thomas J., Jr.	VA	07	$2,066,000
Blumenauer, Earl	OR	03	$186,000
Blunt, Roy	MO	07	$5,260,000
Boehlert, Sherwood L.	NY	23	$3,882,000
Boehner, John A.	OH	08	$24,549,000
Bonilla, Henry	TX	23	$11,776,000
Bonior, David E.	MI	10	$2,072,000
Bono, Mary	CA	44	$2,039,000

May be slight variations by districts due to CRP entrance and exits and payment limitations.
Prepared by House Agriculture Committee

Expected Market Loss Payments for FY 1999

Boswell, Leonard L.	IA	03	$99,245,000
Boucher, Rick	VA	09	$1,004,000
Boyd, Allen	FL	02	$3,681,000
Brady, Kevin	TX	08	$6,740,000
Brady, Robert A.	PA	01	$43,000
Brown, Corrine	FL	03	$66,000
Brown, George E., Jr.	CA	42	$2,000
Brown, Sherrod	OH	13	$3,970,000
Bryant, Ed	TN	07	$10,386,000
Burr, Richard M.	NC	05	$1,646,000
Burton, Dan	IN	06	$27,257,000
Buyer, Stephen E.	IN	03	$75,152,000
Callahan, Sonny	AL	01	$4,750,000
Calvert, Ken	CA	43	$2,039,000
Camp, Dave	MI	04	$20,415,000
Campbell, Tom	CA	15	$45,000
Canady, Charles T.	FL	12	$107,000
Cannon, Chris	UT	03	$1,607,000
Capps, Lois	CA	22	$653,000
Capuano, Michael	MA	08	$31,000
Cardin, Benjamin L.	MD	03	$950,000
Carson, Julia	IN	10	$484,000
Castle, Michael N.	DE	00	$5,070,000
Chabot, Steve	OH	01	$196,000
Chambliss, Saxby	GA	08	$17,046,000
Chenoweth, Helen	ID	01	$19,658,000
Clay, William (Bill)	MO	01	$331,000
Clayton, Eva M.	NC	01	$38,531,000
Clement, Bob	TN	05	$1,543,000
Clyburn, James E.	SC	06	$18,359,000
Coble, Howard	NC	06	$1,164,000
Coburn, Tom A.	OK	02	$6,003,000
Collins, Mac	GA	03	$264,000
Combest, Larry	TX	19	$105,448,000
Condit, Gary A.	CA	18	$36,180,000
Conyers, John , Jr.	MI	14	$93,000
Cook, Merrill	UT	02	$188,000
Cooksey, John	LA	05	$66,373,000
Costello, Jerry F.	IL	12	$18,249,000
Coyne, William J.	PA	14	$24,000
Cramer, Robert E. "Bud", Jr.	AL	05	$11,791,000

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Expected Market Loss Payments for FY 1999

Crane, Philip M.	IL	08	$1,032,000
Cubin, Barbara	WY	00	$7,583,000
Cummings, Elijah E.	MD	07	$627,000
Cunningham, Randy "Duke"	CA	51	$19,000
Danner, Pat	MO	06	$45,003,000
Davis, Danny K.	IL	07	$322,000
Davis, Jim	FL	11	$7,000
Davis, Thomas M. III	VA	11	$117,000
Deal, Nathan	GA	09	$527,000
DeFazio, Peter A.	OR	04	$1,019,000
DeGette, Diana	CO	01	$4,092,000
Delahunt, William D.	MA	10	$53,000
DeLauro, Rosa L.	CT	03	$82,000
DeLay, Tom	TX	22	$13,123,000
DeMint, Jim	SC	04	$254,000
Dickey, Jay	AR	04	$45,782,000
Dicks, Norman D.	WA	06	$30,000
Dingell, John D.	MI	16	$2,979,000
Dixon, Julian C.	CA	32	$46,000
Doggett, Lloyd	TX	10	$1,161,000
Dooley, Calvin M.	CA	20	$60,371,000
Doolittle, John T.	CA	04	$7,295,000
Doyle, Michael F.	PA	18	$24,000
Dreier, David	CA	28	$46,000
Duncan, John J., Jr.	TN	02	$655,000
Dunn, Jennifer	WA	08	$25,000
Edwards, Chet	TX	11	$15,052,000
Ehlers, Vernon J.	MI	03	$6,444,000
Ehrlich, Robert L., Jr.	MD	02	$1,287,000
Emerson, Jo Ann	MO	08	$55,413,000
Engel, Eliot L.	NY	17	$2,000
English, Philip	PA	21	$2,557,000
Eshoo, Anna G.	CA	14	$45,000
Etheridge, Bob	NC	02	$9,917,000
Evans, Lane	IL	17	$108,911,000
Everett, Terry	AL	02	$9,623,000
Ewing, Thomas W.	IL	15	$107,926,000
Farr, Sam	CA	17	$610,000
Fattah, Chaka	PA	02	$43,000
Filner, Bob	CA	50	$19,000
Fletcher, Ernest L.	KY	06	$3,394,000

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Expected Market Loss Payments for FY 1999

Foley, Mark	FL	16	$445,000
Forbes, Michael P.	NY	01	$21,000
Ford, Harold E., Jr.	TN	09	$1,405,000
Fowler, Tillie K.	FL	04	$21,000
Frank, Barney	MA	04	$185,000
Franks, Bob	NJ	07	$341,000
Frelinghuysen, Rodney P.	NJ	11	$393,000
Frost, Martin	TX	24	$4,835,000
Gallegly, Elton	CA	23	$19,000
Ganske, Greg	IA	04	$65,138,000
Gejdenson, Sam	CT	02	$687,000
Gekas, George W.	PA	17	$3,319,000
Gephardt, Richard A.	MO	03	$1,267,000
Gibbons, Jim	NV	02	$863,000
Gilchrest, Wayne T.	MD	01	$11,664,000
Gillmor, Paul E.	OH	05	$44,141,000
Gilman, Benjamin A.	NY	20	$556,000
Gonzalez, Henry B.	TX	20	$770,000
Goode, Virgil H., Jr.	VA	05	$2,496,000
Goodlatte, Robert W. (Bob)	VA	06	$1,249,000
Goodling, William F.	PA	19	$2,888,000
Gordon, Bart	TN	06	$2,091,000
Graham, Lindsey O.	SC	03	$1,496,000
Granger, Kay	TX	12	$1,075,000
Green, Gene	TX	29	$2,454,000
Green, Mark	WI	08	$17,297,000
Greenwood, James C.	PA	08	$539,000
Gutierrez, Luis V.	IL	04	$322,000
Gutknecht, Gilbert W.	MN	01	$97,092,000
Hall, Ralph M.	TX	04	$11,117,000
Hall, Tony P.	OH	03	$1,579,000
Hansen, James V.	UT	01	$4,837,000
Hastert, J. Dennis	IL	14	$45,115,000
Hastings, "Doc"	WA	04	$28,952,000
Hastings, Alcee L.	FL	23	$376,000
Hayes, Robin	NC	08	$8,925,000
Hayworth, J. D.	AZ	06	$25,592,000
Hefley, Joel	CO	05	$1,295,000
Herger, Wally	CA	02	$20,518,000
Hill, Baron	IN	09	$29,108,000
Hill, Rick	MT	00	$106,649,000

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Expected Market Loss Payments for FY 1999

Hilleary, Van	TN	04	$4,900,000
Hilliard, Earl F.	AL	07	$4,488,000
Hinchey, Maurice D.	NY	26	$2,440,000
Hinjosa, Ruben	TX	15	$27,749,000
Hobson, David L.	OH	07	$31,685,000
Hoeffell, Joe	PA	13	$231,000
Hoekstra, Peter	MI	02	$9,600,000
Holden, Tim	PA	06	$2,779,000
Holt, Rush	NJ	12	$1,219,000
Hooley, Darlene	OR	05	$1,973,000
Horn, Stephen	CA	38	$46,000
Hostettler, John N.	IN	08	$32,629,000
Houghton, Amo	NY	31	$7,728,000
Hoyer, Steny H.	MD	05	$690,000
Hulshof, Kenny C.	MO	09	$36,451,000
Hunter, Duncan	CA	52	$3,957,000
Hutchinson, Asa	AR	03	$672,000
Hyde, Henry J.	IL	06	$569,000
Inslee, Jay	WA	01	$158,000
Isakson, John	GA	06	$5,000
Istook, Ernest J., Jr.	OK	05	$14,878,000
Jackson, Jesse L., Jr.	IL	02	$322,000
Jenkins, William L.	TN	01	$748,000
John, Christopher	LA	07	$51,089,000
Johnson, Eddie Bernice	TX	30	$546,000
Johnson, Nancy L.	CT	06	$632,000
Johnson, Sam	TX	03	$2,558,000
Jones, Stephanie Tubbs	OH	11	$2,000
Jones, Walter B., Jr.	NC	03	$26,186,000
Kanjorski, Paul E.	PA	11	$2,570,000
Kaptur, Marcy	OH	09	$11,899,000
Kasich, John R.	OH	12	$6,496,000
Kelly, Sue W.	NY	19	$683,000
Kennedy, Patrick J.	RI	01	$13,000
Kildee, Dale E.	MI	09	$4,526,000
Kilpatrick, Carolyn C.	MI	15	$93,000
Kind, Ron	WI	03	$38,628,000
Kingston, Jack	GA	01	$6,959,000
Kleczka, Gerald D.	WI	04	$1,677,000
Klink, Ron	PA	04	$1,447,000
Knollenberg, Joe	MI	11	$355,000

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Expected Market Loss Payments for FY 1999

Kolbe, Jim	AZ	05	$15,779,000
Kucinich, Dennis J.	OH	10	$2,000
Kuykendall, Steven T.	CA	36	$46,000
LaFalce, John J.	NY	29	$5,126,000
LaHood, Ray	IL	18	$90,297,000
Lampson, Nick	TX	09	$14,232,000
Largent, Steve	OK	01	$844,000
Larson, John B.	CT	01	$342,000
Latham, Tom	IA	05	$227,822,000
LaTourette, Steven C.	OH	19	$902,000
Lazio, Rick A.	NY	02	$21,000
Leach, James A.	IA	01	$56,471,000
Lee, Barbara	CA	09	$109,000
Lee, Sheila Jackson	TX	18	$2,454,000
Levin, Sander M.	MI	12	$839,000
Lewis, Jerry	CA	40	$2,000
Lewis, John	GA	05	$0
Lewis, Ron	KY	02	$15,105,000
Linder, John	GA	11	$872,000
Lipinski, William O.	IL	03	$322,000
LoBiondo, Frank A.	NJ	02	$972,000
Lofgren, Zoe	CA	16	$45,000
Lowey, Nita M.	NY	18	$2,000
Lucas, Frank D.	OK	06	$88,953,000
Lucas, Kenneth	KY	04	$3,007,000
Luther, William (Bill)	MN	06	$5,540,000
Maloney, James H.	CT	05	$57,000
Manzullo, Donald A.	IL	16	$34,750,000
Markey, Edward J.	MA	07	$31,000
Martinez, Matthew G.	CA	31	$46,000
Mascara, Frank	PA	20	$1,120,000
Matsui, Robert T.	CA	05	$4,716,000
McCarthy, Karen	MO	05	$653,000
McCollum, Bill	FL	08	$5,000
McCrery, Jim	LA	04	$10,064,000
McDermott, Jim	WA	07	$24,000
McGovern, James P.	MA	03	$283,000
McHugh, John M.	NY	24	$3,553,000
McInnis, Scott	CO	03	$4,517,000
McIntosh, David M.	IN	02	$39,744,000
McIntyre, Mike	NC	07	$8,227,000

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Expected Market Loss Payments for FY 1999

McKeon, Howard P. "Buck"	CA	25	$46,000
McKinney, Cynthia A.	GA	04	$2,000
McNulty, Michael R.	NY	21	$2,075,000
Meehan, Martin T.	MA	05	$198,000
Menendez, Robert	NJ	13	$164,000
Metcalf, Jack	WA	02	$475,000
Millender-McDonald, Juanita	CA	37	$46,000
Miller, Dan	FL	13	$10,000
Miller, Gary G.	CA	41	$48,000
Miller, George	CA	07	$2,802,000
Minge, David	MN	02	$157,170,000
Moakley, John Joseph	MA	09	$155,000
Mollohan, Alan B.	WV	01	$311,000
Moore, Dennis	KS	03	$2,837,000
Moran, Jerry	KS	01	$288,220,000
Morella, Constance A.	MD	08	$764,000
Murtha, John P.	PA	12	$3,058,000
Myrick, Sue	NC	09	$456,000
Napolitano, Grace F.	CA	34	$46,000
Neal, Richard E.	MA	02	$310,000
Nethercutt, George R., Jr.	WA	05	$56,771,000
Ney, Robert W.	OH	18	$8,354,000
Northup, Anne M.	KY	03	$85,000
Norwood, Charles	GA	10	$6,626,000
Nussle, Jim	IA	02	$146,148,000
Oberstar, James L.	MN	08	$11,425,000
Obey, David R.	WI	07	$17,486,000
Olver, John W.	MA	01	$527,000
Ortiz, Solomon P.	TX	27	$21,226,000
Ose, Doug	CA	03	$83,019,000
Oxley, Michael G.	OH	04	$33,503,000
Packard, Ron	CA	48	$2,057,000
Pallone, Frank , Jr.	NJ	06	$369,000
Pastor, Ed	AZ	02	$29,177,000
Paul, Ron	TX	14	$69,843,000
Pease, Edward A.	IN	07	$38,639,000
Peterson, Collin C.	MN	07	$88,817,000
Peterson, John E.	PA	05	$4,442,000
Petri, Thomas E.	WI	06	$28,236,000
Phelps, David D.	IL	19	$87,637,000
Pickering, Charles W. "Chip"	MS	03	$5,964,000

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Expected Market Loss Payments for FY 1999

Pickett, Owen B.	VA	02	$504,000
Pitts, Joseph R.	PA	16	$1,223,000
Pombo, Richard W.	CA	11	$9,099,000
Pomeroy, Earl	ND	00	$215,998,000
Porter, John Edward	IL	10	$1,032,000
Portman, Rob	OH	02	$5,381,000
Price, David E.	NC	04	$549,000
Pryce, Deborah	OH	15	$10,123,000
Quinn, Jack	NY	30	$736,000
Radanovich, George P.	CA	19	$36,953,000
Rahall, Nick J. II	WV	03	$381,000
Ramstad, Jim	MN	03	$9,556,000
Regula, Ralph	OH	16	$8,156,000
Reyes, Silvestre	TX	16	$300,000
Riley, Bob	AL	03	$1,440,000
Rivers, Lynn Nancy	MI	13	$2,491,000
Rodriguez, Ciro D.	TX	28	$9,099,000
Roemer, Timothy J.	IN	03	$17,020,000
Rogan, James E.	CA	27	$46,000
Rogers, Harold	KY	05	$1,173,000
Roukema, Marge	NJ	05	$813,000
Roybal-Allard, Lucille	CA	33	$46,000
Royce, Edward R.	CA	39	$46,000
Rush, Bobby L.	IL	01	$322,000
Ryan, Paul D.	WI	01	$24,892,000
Ryun, Jim	KS	02	$42,948,000
Sabo, Martin Olav	MN	05	$761,000
Salmon, Matt	AZ	01	$13,350,000
Sanders, Bernard	VT	00	$1,717,000
Sandlin, Max	TX	01	$5,476,000
Sanford, Marshall "Mark"	SC	01	$1,742,000
Sawyer, Thomas C.	OH	14	$1,888,000
Saxton, Jim	NJ	03	$385,000
Scarborough, Joe	FL	01	$2,876,000
Schaffer, Bob	CO	04	$86,039,000
Schakowsky, Janice D.	IL	09	$322,000
Scott, Robert C. (Bobby)	VA	03	$4,193,000
Sensenbrenner, F. James, Jr.	WI	09	$18,653,000
Sessions, Pete	TX	05	$3,860,000
Shadegg, John B.	AZ	04	$13,350,000
Shaw, E. Clay, Jr.	FL	22	$301,000

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Expected Market Loss Payments for FY 1999

Shays, Christopher	CT	04	$6,000
Sherman, Brad	CA	24	$46,000
Sherwood, Don	PA	10	$1,853,000
Shimkus, John	IL	20	$79,277,000
Shows, Ronnie	MS	04	$2,309,000
Shuster, Bud	PA	09	$5,905,000
Simpson, Michael	ID	02	$41,001,000
Sisisky, Norman	VA	04	$7,566,000
Skeen, Joe	NM	02	$4,963,000
Skelton, Ike	MO	04	$26,246,000
Slaughter, Louise McIntosh	NY	28	$1,158,000
Smith, Adam	WA	09	$25,000
Smith, Christopher H.	NJ	04	$811,000
Smith, Lamar S.	TX	21	$14,064,000
Smith, Nick	MI	07	$26,628,000
Snyder, Vic	AR	02	$6,536,000
Souder, Mark E.	IN	04	$25,241,000
Spence, Floyd	SC	02	$9,003,000
Spratt, John M., Jr.	SC	05	$9,916,000
Stabenow, Debbie	MI	08	$11,060,000
Stark, Fortney Pete	CA	13	$154,000
Stearns, Cliff	FL	06	$159,000
Stenholm, Charles W.	TX	17	$43,100,000
Strickland, Ted	OH	06	$14,739,000
Stump, Bob	AZ	03	$16,155,000
Stupak, Bart	MI	01	$2,370,000
Sununu, John E.	NH	01	$194,000
Sweeney, John E.	NY	22	$3,029,000
Talent, James M.	MO	02	$2,495,000
Tancredo, Tom	CO	06	$1,175,000
Tanner, John S.	TN	08	$33,250,000
Tauscher, Ellen O.	CA	10	$387,000
Tauzin, W. J. (Billy)	LA	03	$1,010,000
Taylor, Charles H.	NC	11	$677,000
Taylor, Gene	MS	05	$507,000
Terry, Lee	NE	02	$7,830,000
Thomas, William M.	CA	21	$30,032,000
Thompson, Bennie G.	MS	02	$96,319,000
Thompson, Mike	CA	01	$2,551,000
Thornberry, William M. "Mac"	TX	13	$112,273,000
Thune, John R.	SD	00	$161,394,000

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Expected Market Loss Payments for FY 1999

Thurman, Karen L.	FL	05	$684,000
Tiahrt, Todd	KS	04	$40,109,000
Tierney, John F.	MA	06	$60,000
Toomey, Pat	PA	15	$1,731,000
Traficant, James A., Jr.	OH	17	$2,250,000
Turner, Jim	TX	02	$5,693,000
Udall, Mark	CO	02	$3,185,000
Udall, Tom	NM	03	$14,385,000
Upton, Fred	MI	06	$16,655,000
Velazquez, Nydia	NY	27	$14,150,000
Vento, Bruce F.	MN	04	$4,849,000
Visclosky, Peter J.	IN	01	$5,842,000
Vitter, David	LA	01	$120,000
Walden, Greg	OR	02	$25,203,000
Walsh, James T.	NY	25	$4,374,000
Wamp, Zach	TN	03	$778,000
Waters, Maxine	CA	35	$46,000
Watkins, Wes	OK	03	$4,284,000
Watt, Melvin L.	NC	12	$1,558,000
Watts, J. C. Jr.	OK	04	$20,267,000
Waxman, Henry A.	CA	29	$46,000
Weldon, Curt	PA	07	$827,000
Weldon, Dave	FL	15	$165,000
Weller, Jerry	IL	11	$33,362,000
Wexler, Robert	FL	19	$301,000
Weygand, Robert A.	RI	02	$26,000
Whitfield, Edward	KY	01	$38,461,000
Wicker, Roger F.	MS	01	$21,805,000
Wilson, Heather	NM	01	$377,000
Wise, Robert E., Jr.	WV	02	$1,777,000
Wolf, Frank R.	VA	10	$2,347,000
Woolsey, Lynn C.	CA	06	$27,000
Wu, David	OR	01	$2,502,000
Wynn, Albert Russell	MD	04	$828,000
Young, Don	AK	00	$84,000

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Prepared by House Agriculture Committee

AGRICULTURAL TRADE

Ms. KAPTUR. I wanted to just spend a moment, if I might, in this round on the question of the Commonwealth of Independent States, particularly Ukraine, now the most strategic country in Central and Eastern Europe. We had the agreement of the European Union on that, and also Russia. And to express my disappointment and, again, to ask your help if we can find a way to do this, to focus the intelligence of the USDA on the development of agricultural capacity in those two countries. Our programs are a failure as a nation, and I would be willing to defend that position in any forum. I don't think USAID should be left to its own resources. I was very disappointed to see that the FAS office was closed in Kiev and very disappointed to learn today that some of the efforts we had made in Russia to get cooperation with many of our land grants on trying to create the basis of an extension system was disapproved by AID.

I have got to figure out a way to get USDA to be an equal partner in these discussions. If Russia is to be a partner with us and if we are to achieve export markets there for the future, whether it is fertilizers, whether it is tractors, whatever it is, we have got to have a system that functions. And it isn't.

And so I would just say, Mr. Secretary, I would be very appreciative of the opportunity to figure out why USDA is sidelined in these discussions when your people understand agriculture. You have built the best system, we have built the best system in the world, and yet we can't use some of our knowledge in that very strategic part of the globe.

Secretary GLICKMAN. Well, first of all, let me just say that notwithstanding the problems, without your intervention they would have been much worse. That is to say that, in terms of the food aid packages particularly to Russia, you had a lot to do with ensuring USDA's role, the role of private voluntary organizations, and whatever capacity building was done. It wasn't as much as we would have liked to see. Without your help that wouldn't be there.

I don't know whether Mr. Schumacher might have any comments on the Ukrainian issue.

Mr. SCHUMACHER. No. We had the budget problem overall.

Secretary GLICKMAN. Yes. You know, I take your criticism, constructive criticism, as a challenge to us to try to work in a much more thoughtful way to build capacity in these countries.

Ms. KAPTUR. Mr. Chairman, I know my time has expired or almost—no, I have a couple minutes here, or a minute. But I just wanted to say, if there is a way that we could work with you in conjunction with this budget submission, the way I understand it works now is that AID, if they want to do agriculture, gives you some sort of a payment. It comes in the form of a transfer to USDA. I want to understand this, because you are always in a secondary position and you shouldn't be there. And I want to know what I can do in this cycle to make a difference. And I want to look at those two countries in particular.

Secretary GLICKMAN. Okay.

Ms. KAPTUR. And we will go to bat for you, but I am very disturbed by what is happening over there, and America cannot lose this struggle. You have more knowledge than those people at

USAID, and somehow it doesn't get translated in the budget process.

I thank the chairman for his indulgence.

Mr. SKEEN. Mr. Dickey.

Mr. DICKEY. Mr. Glickman, before I ask you for several considerations, I want you to know that I have always agreed with you and that I am one of your biggest fans. Do you understand that?

Secretary GLICKMAN. I do.

Mr. DICKEY. Okay. [Laughter.]

Before going into the two last points that I had, civil rights discrimination and TMDL, is there a chance that next week we could meet on all of these issues?

Secretary GLICKMAN. Sure.

Mr. DICKEY. I could come to you at that point.

Secretary GLICKMAN. We could probably go into greater detail on some of the civil rights issue.

Mr. DICKEY. Okay.

Secretary GLICKMAN. We will arrange that. I will come to your office. We will arrange that.

Mr. DICKEY. Well, you know, we will be off.

Secretary GLICKMAN. Oh, okay. Well, are you going to be here?

Mr. DICKEY. I will come back.

Secretary GLICKMAN. Okay.

CIVIL RIGHTS DISCRIMINATION

Mr. DICKEY. It is that important.

Now, on the civil rights discrimination, finish what you were starting before, if you can. Then I want to get to TMDL.

Secretary GLICKMAN. Well, all I was saying is that it is important to understand that the adjudication is not done by us. The process is court-created. I think your point is about moving this money out as fast as possible.

Mr. DICKEY. Wait, excuse me. That is the black farmers' lawsuit. I am talking about—I have sent to you some 1,100 petitioners—a petition signed by 1,100 people, and you all are making an investigation, and my question was: How long is that—how is that investigation going? Are there any preliminary findings?

Secretary GLICKMAN. The Office of Inspector General is part of that review. I think he is going to be before your committee. I don't know if it is tomorrow.

But I would give you a report once I talk to him, which I would be glad to do.

Mr. DICKEY. Okay.

Secretary GLICKMAN. I just don't have anything more to tell you about it.

TMDL ISSUE

Mr. DICKEY. Then preliminary to our discussion next week, the TMDL issue, you are familiar with it?

Secretary GLICKMAN. I am.

Mr. DICKEY. Total maximum daily load.

Secretary GLICKMAN. Yes.

Mr. DICKEY. EPA is coming in and doing a lot of things. What is the official position of the USDA on that matter?

Secretary GLICKMAN. I would ask the Deputy to comment. He has been more intimately involved in this issue.

Mr. ROMINGER. EPA under the Clean Water Act is proposing the TMDL regulation, and there was a letter that went from USDA to EPA that was not cleared by the Secretary. It did express concerns that are legitimate concerns about the proposal, and as a result, we have had a team of people working with EPA this last month or so, getting our concerns resolved. We think that we are making headway in resolving those to the benefit of agriculture. That is where the situation is right now.

Mr. DICKEY. Are you including the timber industry as well as agriculture in that?

Mr. ROMINGER. I think people from the Forest Service have been involved in the discussions, but I am not positive.

BLACK FARMERS' SITUATION

Mr. DICKEY. Okay. Now, with the remaining time, Mr. Secretary, let's go back now to the black farmers' situation. It has gone from one post and one pillar—we are just going back and forth and everything else. Is there anything that we can do as Congress to help in this situation from your vantage point?

Secretary GLICKMAN. Well, in terms of this case, this was a profound, historic settlement of long-time claims of discrimination. I must tell you that I do think the explanation of the process, perhaps by the Department but as much by the plaintiffs' lawyers, was not very clear to the folks who were affected by it.

Mr. DICKEY. I agree.

Secretary GLICKMAN. The judge is still actively involved in the case. There has been somewhat of a limitation in terms of what I can publicly say because it has been in Federal court.

Mr. DICKEY. You can tell me. I am a Congressman. [Laughter.]

Secretary GLICKMAN. But, no, I can't tell you anything.

Mr. SKEEN. That is why he is not telling.

Secretary GLICKMAN. But we did appoint a monitor, and that monitor's job is to review the fairness of the adjudication process. There have been allegations, particularly in your State, by a lot of farmers that it wasn't fair, that they didn't know—certain documents weren't included. So tomorrow, or sometime this week, I think it is, the Federal judge is going to meet with all the parties to the case to talk about these particular concerns.

Mr. DICKEY. Are you going to be in that meeting?

Secretary GLICKMAN. No, I am not in that meeting. Our general counsel will be in that meeting. But he is well aware of the issues that you have raised.

But, again, I point out that we have paid out nearly 2,000 claims to date, and we are going to try to move this process as quickly as possible.

I must tell you that not every claim is going to be handled affirmatively, and that has caused great disappointment out there.

Mr. DICKEY. Well, the problem, though, is, as we investigate those claims and you are finding some fraud and some abuse, you are seeming to put the whole cover over the rest of them, and that is what is holding it back.

Secretary GLICKMAN. No, actually, that is not true. There may be some fraud, and there are also some people who just aren't eligible.

The approval process is running about 60 percent approval, 40 percent disapproval, and I think over the next 6 to 8 weeks you are going to see these checks going out much faster than they have been in the past.

Mr. DICKEY. We will include this——

Secretary GLICKMAN. Those who are disapproved can appeal to the monitor.

Mr. DICKEY. Right. Then we can talk about this next week. Thank you for your consideration.

Secretary GLICKMAN. Sure.

Mr. SKEEN. Mr. Boyd.

Mr. BOYD. Thank you, Mr. Chairman.

DISASTER ASSISTANCE

Mr. Secretary, on January 10th, a letter came from several members of the Florida delegation, including Chairman Bill Young, Senator Mack, Senator Graham, myself, and some others on the—let me get my notes here—disaster assistance related to Hurricane Irene. In that statutory language, it spoke specifically to nursery crops in Florida and other crops in—certain specialty crops in Florida that were damaged and destroyed by Hurricane Irene.

Secretary GLICKMAN. Yes.

Mr. BOYD. And there has been some confusion in your Department about how to distribute that money and who is eligible and who isn't. And we wrote you on January the 10th asking for a clarification about when that would be——

[The letter follows:]

Congress of the United States

Washington, DC 20515

January 10, 2000

The Honorable Dan Glickman
Secretary
United States Department of Agriculture
14th and Independence Avenue, SW
Washington, DC 20520

Dear Secretary Glickman:

We are writing to express our deep concern regarding the Department's decision to declare nursery crops devastated by Hurricane Irene ineligible for assistance under the Crop Disaster Program. On November 1, 1999, several members of the Florida congressional delegation wrote to you regarding the heavy damage (totaling over $200 million) inflicted on Florida nursery growers as a result of Hurricane Irene and asked you to use every means at your disposal to respond to this natural disaster. The letter was accompanied by a similar communication from Governor Bush and the Florida Commissioner of Agriculture.

Congress specifically provided $186 million in "additional resources for damage caused by hurricanes and other natural disasters in Florida and other states" under *Title I - Emergency Supplemental Appropriations* of the FY 2000 Omnibus Appropriations Act. This crop loss assistance was provided in addition to the $1.2 billion previously allocated under the Crop Disaster Program to respond to farmers who have suffered losses due to "adverse weather and related conditions."

The Farm Service Agency (FSA) has made the determination that nursery, unlike other Florida crops damaged by Hurricane Irene, will not be eligible for Crop Disaster Program assistance. FSA indicates that nursery is ineligible because the program is limited to losses in the 1999 crop year, and the hurricane damage occurred after the FSA-set 2000 crop year had begun. The hurricane damage occurred on October 16-17, 1999, and the 2000 nursery crop year, according to FSA, began on October 1, 1999. By all accounts, the FSA's crop year determination was made on an arbitrary basis as nursery does not have a traditional crop year and crops are grown on a year-round basis. Furthermore, the Risk Management Agency has made a special dispensation for the nursery crop year to provide eligibility for hurricane losses under the federal crop insurance program.

We have made a concerted attempt to work closely with the Department since the hurricane damage occurred. On December 9, FSA representatives briefed Florida congressional staff members on disaster assistance available to Florida farmers, and our offices were informed that Crop Disaster Program assistance *would* be available to respond to hurricane-related farm losses in Florida.

PRINTED ON RECYCLED PAPER

Mr. Secretary, we urge that you heed Congress' directive to respond to damage caused by Hurricane Irene in Florida through the Crop Disaster Program. Please use all tools at your disposal to provide timely disaster aid to nursery growers devastated by this natural disaster. We would be glad to work with you on this important issue. Thank you for your consideration.

Sincerely,

Rep. C.W. Bill Young

Rep. Charles T. Canady

Sen. Bob Graham

Sen. Connie Mack

Rep. Allen Boyd

Rep. Mark Foley

Rep. Alcee L. Hastings

Rep. Peter Deutsch

Rep. Ileana Ros-Lehtinen

cc: August Schumacher, Under Secretary Farm and Foreign Services
Keith Kelly, Administrator, Farm Service Agency

Enclosure

Secretary GLICKMAN. Have you not heard back yet?

Mr. BOYD. Have not heard back yet, have not received a letter.

Secretary GLICKMAN. I asked Mr. Schumacher's office to respond. The part of the crop loss assistance program we are talking about?

Mr. BOYD. Right.

Secretary GLICKMAN. Yes.

Mr. SCHUMACHER. Congressman, this is complicated, but I will be brief. Irene hit October 15th last year, and this has to do with the ornamental nursery? Is that the main question?

Mr. BOYD. Yes, sir.

Mr. SCHUMACHER. And the letter you sent dealt with that. We will get a response to you.

The legislation is pretty clear that those crops affected in 1999 would be eligible for last year's disaster program. We now call it the crop disaster program. The hurricane hit on October 15th. That was after the crop year ended. Then it becomes the definition of what a nursery crop is and when that was in inventory. That is what we are still looking at, and we haven't finalized it yet. We are leaning towards a decision that it will not be eligible under the definition of the 1999 crop. We are still working with our lawyers on it. We are going to give it further consideration.

Secretary GLICKMAN. I want to make it clear—wait a second. October 15, 1999, was after—was there a deadline in the crop loss——

DISASTER ASSISTANCE

Mr. BOYD. Mr. Secretary, let me try to answer that. I think there has been an arbitrary date set in your shop somewhere about what the crop year is for the nursery, and there is no such date in practicality. You know, nursery crops are grown, basically grown and marketed in lots of cases year round. And so I would say to you that if that is the reason that we are holding this up, what I would like for you and Mr. Schumacher to do is look at that very seriously and see if we can't resolve it, because we don't believe that that is an appropriate thing to do, to disallow those folks to be eligible because you arbitrarily set a date for a crop year that doesn't apply.

Secretary GLICKMAN. Okay.

Mr SCHUMACHER. We will look at it again. We haven't made a final decision on this, Congressman. We hear you loud and clear.

Mr. BOYD. Thank you very much.

WIC PROGRAM

I will shift gears here just briefly. I had a visit from some folks that administer a program that comes through your shop, WIC.

Secretary GLICKMAN. Yes.

Mr. BOYD. And we were having a chance to look at some numbers, and we actually noticed that the clientele nationwide is down, which is really a good thing because I understand there is no squabble about criteria or eligibility. So when your clientele goes down from that kind of program, it is a positive thing.

One of the things that they did say to me, though, is that with welfare reform being implemented so successfully across the Nation, much of their clientele that was not working now is in the workplace. And they are having trouble from an administrative standpoint, from a public outreach education standpoint, of identi-

fying and locating those who are eligible. And they were making a pitch for additional money in that small segment of that budget which doesn't go to purchase commodities, but it goes to administration, outreach, client services, those kinds of things.

Would you care to address that? Are you knowledgeable enough to address it at this point in time?

Secretary GLICKMAN. I am not. I don't know if Mr. Dewhurst knows.

Mr. DEWHURST. The only thing I can say is that the administration believes that even in the current economy there are probably 7.3, 7.4 million people on average that can qualify for this program. The numbers have been coming down. The number is now under 7.2 million people. So it raises some questions about how good an outreach job we are doing. That is something we have just got to do better.

Mr. BOYD. Do you have any information that it is more difficult to reach those now because of the improved economy and the unemployment down? That means that more of those people who are eligible for that, more of those potential clients are in the workplace and obviously wouldn't be served by normal working hours. You know, these folks who are administrators in your shop were saying, look, we need to be open in the evening, for instance, in places and we don't have the funds to do it.

Secretary GLICKMAN. I can tell you that on the food stamp side of the picture, I think there is general belief that there are an awful lot of people who are not being served by the food stamp program who are eligible. There may be many reasons for this. It may be confusion about welfare reform. It may be discouragement from certain people involved in the administration of the program. There may be language problems. We do have money for an outreach program in the food stamp area. So we will talk to our WIC people to see if there is something we can do in that area.

Mr. BOYD. Thank you very much, Mr. Chairman.

Mr. SKEEN. Mr. Nethercutt.

Mr. NETHERCUTT. Thank you, Mr. Chairman.

ENVIRONMENTAL TERRORISM

Mr. Secretary, I think we face an increasing problem in this country with environmental terrorism. The idea that extremists will come into a lab and rip up plants, I think it just happened in Michigan.

Out in my district, Washington State University, is performing tremendous research, and literally the new animal disease biotechnology facility has to have armed guards at the door to keep who knows who out from coming in and ripping up plants and so forth in the name of environmental protection against genetically modified organisms.

Vail, Colorado, had the burning of the facility there a couple of years ago, and I am wondering what your administration—what your Department, I should say, is thinking or looking at relative to combating this. I think we need to be thoughtful about it.

I met with my universities, as a lot of research is done out in the West. We are considering a potential policy implementation that would look at some security measures, try to figure out what

is the best security for these facilities that are paid for by the taxpayers and by well-designing researchers and scientists. I am wondering what your thoughts are on this subject.

Secretary GLICKMAN. It is interesting that you should say that. I was out at Iowa State where we have a lot of our level three labs. They do their best but the security could be improved. We are looking at all of our facilities to try to do what we can to protect them. The most famous, of course, is the Plum Island facility but we have a lot of facilities around the country that need protection.

I am very worried about this. I see it in the whole effort on genetically engineered products where you have an awful lot of people that, for whatever reason, don't think it is the right thing to do and decide to take the law into their own hands. It is an extremely great concern of ours.

We also have been very involved in the whole bio-terrorism issue in terms of an interagency process. We have increased our staff to deal with some of these issues as well.

I also know that the Justice Department is taking a much more engaged role.

Mr. NETHERCUTT. That is good. I just wanted to be sure. I assumed you were involved but wasn't sure to what extent.

NATIVE AMERICAN FOOD PROGRAM

A couple of years ago or maybe last year I raised the question about the commodity programs that come through USDA for Native Americans and the quality and type of food that has the likelihood of increasing the incidence of diabetes among Native American populations.

Have you done anything more in that respect? In other words, the cheese and dairy commodities are a wonderful gesture but maybe for the population that is highly susceptible to diabetes it may be we ought to be providing some other commodities.

Secretary GLICKMAN. Well, Shirley Watkins, our Under Secretary, has made some changes in those commodity programs. I just have to get back with you to tell you.

CRP BUDGET

Mr. NETHERCUTT. That is fine. I just wanted to be sure that it is a concern of mine.

The third thing—then I will finish—the President's budget is requesting to increase the number of CRP acres from 36.4 to 40 million acres. This is a good program. We use it extensively out west. I dealt with your offices on the whole subject of CRP in the past but what we are seeing is the bid price being accepted on some of these whole-farm CRP bids are about double the cash rent that the working young farmer can get or give.

I am wondering if you are thinking about the consequences of the CRP acres approach that you are taking as it relates to our desire to have farmers be able to stay on the ground. When you put the ground in CRP that upsets rural communities, the seed man, the fertilizer company and the rest. It has a negative impact on the other side for the true agriculture economy and the consumer.

Secretary GLICKMAN. There is a constant tension between people who have an interest in the inputs in agriculture versus a lot of

producer groups who see the CRP as an important part of total asset management vis-a-vis the environmental groups who see this as an important way to preserve soil and land. But perhaps Mr. Collins may comment on the issue of how much the bid price is.

Mr. COLLINS. Yes. I would just comment on the rental rates. It is an issue that we spent a tremendous amount of time working on, to try and ensure that we are not accepting bids that exceed local rental rates. We have quite a process where we take surveys of local rental rates through our National Agricultural Statistic Service and we take surveys through our Farm Service Agency County Offices. We have a committee that puts all that data together and looks at the data to ensure that we are not excessive on the CRP rental rates.

The one area you may be focusing on is the rental rates under the Conservation Reserve Enhancement programs which have been higher than average local rental rates. Part of the reason for that is that we have been bidding in, in many instances, water quality areas, partial fields, land that has higher costs for the producer to put into the CREP program. We have had a difficult time trying to establish the right rental rate under those programs. In most cases we worked with the States because the State cost shares on the CREP programs.

Mr. NETHERCUTT. I understand.

Mr. COLLINS. But we have worked with the States to do that.

Mr. NETHERCUTT. This is not CREP.

This is CRP. In fact, I had a phone call this morning where a farmer is going to bid in at $93 an acre on——

Secretary GLICKMAN. Normal CRP.

Yes, normal CRP on land that normally rents for $50 an acre. That is the problem.

Mr. COLLINS. Well, he may have bid in the most recent bid round but we haven't selected those bids yet.

Mr. NETHERCUTT. I understand.

Mr. COLLINS. So, we may not select that bid.

Mr. NETHERCUTT. I understand. But this is something to really watch, because we want highly erodible land in CRP but not land that is going to destroy the young farmer and take productive land out of production.

Thank you, Mr. Chairman.

Chairman SKEEN. Mr. Hinchey.

Mr. HINCHEY. Thank you, Mr. Chairman.

CROP PRODUCTION INSURANCE

We started to get into the issue of crop production insurance last time. You noted in your testimony that it is rapidly becoming one of the prime sources of crop protection and that the program operates on an actuarially sound basis. But the premiums, of course, have got to be subsidized, and there is a question as to whether farmers would buy the coverage if it weren't for the heavy premium subsidization. It seems that it is very likely that they would not, they wouldn't regard it as an economically sound investment if they had to pay the un-subsidized price.

That raises a couple of questions in my mind. There seems to be no real incentive for the insurance companies to keep the costs

down because of the very substantial subsidy. And, second, crop insurance doesn't compensate the growers of specialty crops that we talked about before. They are left out of the mix. The cost of the program is pretty expensive. Last year it was almost $2 billion; this year it is up around $2.168. It goes in 2001 to $2.237 billion. These sums are in addition to the $16 billion for disaster and price-related losses in the supplemental appropriations that we have passed during the past two years.

So, the question arises in my mind that, maybe it is not even necessary. Maybe we ought not to be bothering with this program since it is costing us more than $2 billion and that price will only accelerate. I know that you recognize the need for reform and you want to do something about it. I wonder what we should do? Perhaps we should consider just scrapping that?

Secretary GLICKMAN. No, I don't think so. I think that it would wipe out lots of farmers. I believe tens of thousands of farmers could not survive without crop insurance. Now, saying that, the statute requires that I have to run the program in an actuarially sound fashion. So, that is one of the reasons why the subsidies from the government keep growing because the pay-outs also keep growing and I have to keep these things in a relative equilibrium.

It is true that the program has not worked as well for some of the nontraditional program crops, specialty crops, because there have not been the histories there. And we have got to make those crops as attractive to ensure as some of the traditional crops. Mr. Schumacher's shop is working aggressively on that.

It is also true that the oversight of the private insurance industry needs to be exquisitely good. The GAO, as well as our IG, have done reports in the past which indicates that they haven't been as frugal as they should have been in actually managing the program. And, as you know under the statute, they basically operate the program.

We don't sell insurance. They do it.

CROP PRODUCTION INSURANCE

Mr. HINCHEY. They do it but you provide the subsidy.

Secretary GLICKMAN. We provide the subsidy. Taxpayers provide the subsidy. Gus, why don't you talk a little bit about what we have been trying to do to add products——

Mr. SCHUMACHER. Very briefly, we have worked very hard because again on the West Coast and East Coast it hasn't worked perhaps as well as many of us would like. For example, let us take apples, a major crop in your State. We have been counseled by members of this committee that it has not worked as well.

We put a task force together. I would like to work with you and Mr. Walsh to give you the results of that effort. We are going to make that work much better in this coming year. We have issues in your State on onions, and also on silage. The October 1st eligibility date, was not good enough for your corn silage crop, so we extended it to October 15th.

So, we are working very hard. The whole farm concept, I think, will be much more helpful to the mixed agriculture, particularly for New York State.

Secretary GLICKMAN. If I may just add one other point. We have recommended lowering the expense reimbursement for the companies before and quite honestly that has not been viewed with favor by members of the Congress and even members of this committee.

Mr. HINCHEY. Okay. I think that is an interesting subject and it is one that I think deserves some additional attention because it is a very costly program, and because of questions about the general efficacy of it. How effective is it? How well does it work? And the central issue that if it were not for the heavy subsidy, this is a program that couldn't support itself.

Secretary GLICKMAN. Well, that is probably true but on the other hand the vagaries of agriculture are so speculative I don't think you could ever operate an insurance program in agriculture without having a heavy subsidy. There is no other business that is so totally dependent upon the Lord and the weather and unpredictable things. So, I think you are always going to have a government input into the cost of crop insurance.

AD HOC DISASTER RELIEF

Mr. HINCHEY. We have ad hoc disaster relief.

Secretary GLICKMAN. Otherwise the alternative is what we have had in the past. Ad hoc disaster legislation. Every year Congress will just provide $2 or $3 or $4 billion which would be probably more expensive. This way at least with insurance there is a little more predictability of what kind of payment there will be out there.

Mr. HINCHEY. And producers pay $800 million in premiums.

Secretary GLICKMAN. Producers also pay a lot of money. This is not just a freebie to them. In fact, many of them think it is too expensive for them.

Mr. HINCHEY. Farmers?

Secretary GLICKMAN. Farmers. Oh, yes.

Mr. HINCHEY. Oh, I know. I know they do. They think it is too expensive.

Am I out of time?

Chairman SKEEN. Yes.

Mr. HINCHEY. Thank you.

Chairman SKEEN. Mr. Walsh.

Mr. WALSH. Thank you, Mr. Chairman.

CROP INSURANCE

I associate myself with the remarks of my colleague from New York. I, having served on the Ag Committee and now Ag Approps, felt for a long time that we ought to fish or cut bait with this crop insurance program because we do both. We do crop insurance and we subsidize it and we do disaster relief. And I know one thing for sure, we will always respond to agriculture disasters. I am not sure if we will always subsidize crop insurance, for what it is worth.

HAZARD ANALYSIS CRITICAL CONTROL POINT

Onto the issue of HACCP. You mentioned at the outset that HACCP has resulted in a 50 percent reduction in salmonella.

Secretary GLICKMAN. Well, there has been a 50 percent reduction.

Mr. WALSH. Well, we will give you credit.

Secretary GLICKMAN. Well, okay, we will take it. Thanks.

Mr. WALSH. I think it is great news. I do. And as you know I worked very closely with you in the implementation of this. There were lots of questions on the industry side about it. And we had agreed to sort of a roundtable process whereby everybody would be educated and buy-in and it worked pretty well.

So, the concern that I have remaining on this is that the idea, as I understood it, was to put in a scientific process and eliminate the sight, touch, smell aspects of meat inspection because it was not terribly scientific. It relied upon the experience of the inspectors and a little bit of luck and so on and so forth. But HACCP was a scientific approach.

It is my understanding that we have not progressed terribly far on reducing the other layers of this process.

Secretary GLICKMAN. Let me say a couple of things. Number one, I think you are always going to need a significant human presence. Inspectors may be doing different things, however. They won't always be touching, feeling, smelling, those kinds of things but they will be involved in reviewing test data. They will be involved in oversight type of functions.

Now, I will be honest with you, the labor relations within the Food Safety and Inspection Service has probably not at this stage reached the level of harmony that we would like to see. HACCP involves a lot of changes, as you can imagine, and there is a long history of these seeing, smelling, touching functions.

What we have told our employees is that we are not talking about reducing the work force, however, some things will change. They will not be doing exactly the same things. We have got a real special responsibility to communicate well and bring them into this thing.

But I am not telling you it has been without problems because we have had some problems.

Mr. WALSH. So, it is not happening the way you had envisioned.

Secretary GLICKMAN. No. Certainly not as quickly but it is happening. But there are problem areas.

HACCP

Mr. WALSH. Well, it is my understanding now there is a proposal from USDA to the States to allow them to ship meat across State lines from State inspection facilities, State-sponsored licensed inspection facilities, if they subscribe to HACCP.

Secretary GLICKMAN. That is in proposed legislation. Yes. It is not a regulatory thing. It is a bill.

Mr. WALSH. All right. So, it is not your proposal?

Secretary GLICKMAN. It is our proposal.

Mr. WALSH. It is a legislative initiative.

Secretary GLICKMAN. Right.

Mr. WALSH. Well, I——

Secretary GLICKMAN. Well, that is our proposal. It is a legislative proposal.

Mr. WALSH. All right. It is your idea; Senator Daschle is going to introduce it.

Secretary GLICKMAN. There is a lot of congressional interest in State inspected product moving.

Mr. WALSH. Yes. I would suspect there is but why would you open up a whole new area of meat inspection to this process when it hasn't been fully implemented at the Federal level?

Secretary GLICKMAN. Well, there is an enormous amount of small, niche-marketed facilities, meat and poultry facilities around the country that would like to go down this road and there is tremendous interest in the industry, as well as among members of Congress and various States. We have actually resisted this until the last year or two and we have been kind of argued as blocking something that needs to be done. But what we are trying to do is to ensure that if it happens and it happens with respect to basically smaller operations they would have to meet our HACCP requirements.

Mr. WALSH. So, you are saying this is processor-initiated?

Secretary GLICKMAN. Well, I don't know if I would call it processor-initiated. Really the State Commissioners of Agriculture is where most of this came from. They have asked for us to do this. In fact, the Ohio Commissioner of Agricultural has been kind of a leader of this effort.

Mr. WALSH. Well, I would urge some caution with implementing a plan at another level of government that hasn't really been fully implemented. I mean the salmonella problems, if those problems are just not anecdotal and it is real, then that is great. But I think we need to make sure that what we have implemented at the Federal level is doing what we thought and is not adding additional costs on the industry and the consumer.

Thank you.

Chairman SKEEN. Mr. Farr.

Mr. FARR. Thank you, Mr. Chairman.

FREEDOM TO FARM ACT

I have a couple of other questions. Following-up on Mr. Hinchey's question about the Freedom to Farm Act. I mean what I heard you say is that we really ought to just start all over and base it totally on income for farmers, regardless of what commodities, income for a whole year.

Secretary GLICKMAN. Well, I haven't made that formal proposal but I think that the concept of basing a farm program on income rather than on price of a specific commodity is one that I think we all ought to take a serious look at. Farmers raise a lot of things and particularly with the amount of livestock that is grown in this country that is basically uncovered or uninsured, I think it is a new way of looking at farm policy.

Mr. FARR. Well, I am very interested in that. If there is anybody in your department that is working on it, I would love information. It seems to me that if we are going to have a credible farm policy going into this new era of where people are actually trying to grow specialty crops and high-value crops and all kinds, I mean the market is changing so rapidly in agriculture, we are growing crops that we never knew we would be growing 20 years, 10 years ago, 5 years ago—that we need to re-look at this on a basis of equity and

fairness. And it seems to me that is the best program that I have heard since I have been here and, so, I am interested.

EXPANDING OVERSEAS MARKETS

I am also interested in your comments about expanding overseas markets. I agree with you, that is a big push. Are we going to include specialty crops in that?

Secretary GLICKMAN. Yes.

Mr. FARR. As I recall when you briefed us on the Asian crisis and the ability for us to loan money to foreign purchasers as long as they bought U.S. commodities, in that list of things you could buy none of the specialty crops—I mean the program was available for specialty crops or people didn't know we hadn't done outreach. Is that changing?

Mr. SCHUMACHER. Let me just address that in two parts. In the President's budget we have asked for any unused EEP balances to be used for trade promotion. We asked for that a year ago, and we didn't get it. But this time we very much would like the committee to seriously consider it and pass it because not only would it promote tremendous amounts of specialty crops overseas but also if we get China NTR, we are going to need additional funds to promote those West Coast products in the China market. This is a very important issue for us in USDA.

On the specialty crops, we do permit those to be exported under the GSM credit program and through other trade promotion efforts. Those are permitted and we do provide assistance, I believe.

Mr. FARR. Can you keep our office posted on—we don't always know what all the committees and other branches, and other houses are doing. We would like to support that strongly.

Secretary GLICKMAN. China NTR or the GSM?

Mr. FARR. Well, we haven't made our mind up on China NTR yet.

Secretary GLICKMAN. We will take any opportunity here to support it.

Mr. FARR. But we certainly want to sell wherever we can.

Secretary GLICKMAN. Okay. Thank you, sir.

PIERCE'S DISEASE

Mr. FARR. Pierce's disease. Are we doing everything—the feeling is we are not doing everything we should be doing.

Secretary GLICKMAN. Dr. Siddiqui is involved with this——

Mr. FARR. We know how serious it is. I mean really it could wipe out the wine crop in America.

Mr. ROMINGER. I was down in Temecula and looked at the situation down there with the glassy-wing sharpshooter about three weeks ago. It is a serious problem. As a result of that trip we have put together a task force in the Agricultural Research Service, to begin working with the State, with the University and looking for more ways to help those growers to stem the spread of the glassy-wing sharpshooter. We know we have got Pierce's disease all over the State already, but we are looking for ways to try and prevent that sharpshooter from spreading the disease like it has in Temecula.

Mr. FARR. Do you think, in your opinion, do we have enough resources to do that?

I mean the State is putting some money in and we are——

Mr. ROMINGER. We provided some year-end money last year to work on it. We are, as I say, sending people—we are taking people from ARS and sending them down there. They have not at this point asked us for more funding.

Mr. FARR. Which I think would be very important to kind of do a newsletter on this. We can circulate it with the delegations and with members that have wine/grape crops in their districts. Because it is the most often-asked question and people really don't—they know something is being done but not specifically.

Mr. ROMINGER. Okay.

EXOTIC PEST DISEASE CENTER

Mr. FARR. And then did Chancellor Rohrbach from the University of California, Riverside, talk to you about the exotic pest disease center that they want to build?

Mr. ROMINGER. They are building it. Yes. It is under construction. The Chancellor was with me on the visit to Temecula and we also took a look at the exotic pest center.

Mr. FARR. Well, he has asked us to put $10 million or some figure like that in the budget and if it is something that you think should be supported, I would be very supportive of it also.

Mr. ROMINGER. Okay. We will get back to you on that.

[The information follows:]

Background on Alternative Pest Control Containment & Quarantine Facility—Riverside, CA: The total cost for this facility is estimated to be $38 million, with the proposed Federal share of $18 million and the non-Federal share of $20 million. To date, a total of $10.8 million in Federal funds has been appropriated for this project. The University has requested an additional $7.2 million to complete the project. FY 1997 was the last year Congress appropriated funds for the CSREES Building and Facilities Program. The recipients of these funds have until September 30, 2000, to obtain alternative funding to complete the facility. Without additional funding, the University will have to scale back the construction of biosafety level 3 facility.

RURAL DEVELOPMENT

Mr. FARR. Just something when I was reading your report, have you ever thought about—we have got all these sort of rural services and telephone and water, rural development, you know, rural housing loans. Have we ever leveraged? I mean we got all these Internet people coming in here where, you know, this industry is just making billions of dollars and they are in there, and the Federal Government is regulating them. Why don't we require them to, through satellite stuff, just to solve these rural communication problems as part of their requirement to get licensed or to get things done?

It seems to me we give them, you know, how the industry has taken off, we are going to all—they say that all the phones pretty soon are all going to be satellite connected and we won't need hardwires. Why don't we require them to take care of the rural problems of America?

Secretary GLICKMAN. Well, you know, the President is looking at ways to deal with the digital divide in a lot of different ways. One of them is leveraging our rural electric and rural utilities portfolio

which is up over $30 billion. And in fact, there is some leveraging going on. But if you are talking about leveraging in terms of let us say, requiring them to do certain things in order to get access into the Internet or access into perhaps—

Mr. FARR. Well, let us expand the community reinvestment policy that we have for banks and think about that more. You know, that is reinvestment back into the community where the branch offices are. But a sense of a community reinvestment in rural America.

Secretary GLICKMAN. If I am not mistaken this has been a legislative issue for some time, whether there ought to be some sort of either set aside or requirement for service of rural America.

Mr. ROMINGER. Universal service.

Secretary GLICKMAN. Universal service issues. It is clear that there is no reason that rural America shouldn't be on a parity with urban America in terms of these services.

Mr. FARR. My impression is that here in Congress all that gets sort of debated in the Commerce Committee and they have no idea that the Department of Agriculture has all of these programs going on. I mean there—as you once said—it is a hold-over from when all America was rural.

Secretary GLICKMAN. Yes.

Mr. FARR. And we still have these exciting services out there but they don't get the attention they ought to get because other departments have all the jurisdiction and have all the money.

Chairman SKEEN. I am going to have to call the General.

Mr. FARR. Okay.

Chairman SKEEN. Thank you very much.

I would like to recognize Ms. Kaptur, but first, I want to thank her for the kind gift that she presented us with.

Ms. KAPTUR. You are most welcome, Mr. Chairman.

Chairman SKEEN. I appreciate that very much.

Ms. KAPTUR. That is Ohio-grown and processed.

You got one in your office today; it is a surprise. You are most welcome.

INTRODUCTION OF MR. RALPH HALSTEP

I wanted to use my prerogative as ranking member, Mr. Chairman, to introduce someone who is in the audience today for whom I have the greatest admiration and respect. Someone who headed one of the major companies of our country that was known as Land-O-Lakes, and could be sunning himself on a beautiful beach down in Florida next to a golf course but he is choosing to spend his years at this point in working as President of the Russian Farm Community Project and to my knowledge is doing the kind of work that is rare inside that country and which is proving to be successful. And I just have the greatest respect for Mr. Ralph Halsted from the State of Minnesota. I am going to ask him to stand up because I think his name should be in the record.

[Applause.]

Ms. KAPTUR. One of the joys of this job is to meet Americans of that caliber and I have learned a great deal from him and I am sure that the lives that he is changing in Russia, the families and the people and the enterprises that he is developing is going to

help turn that country around. I wish I could see it in my generation but I think it might take a little bit longer than that, but he is planting those seeds. I am just completely impressed.

SCREW WORM FACILITY

I wanted to switch to a different part of the world, Mr. Secretary, to Chiapas in Mexico and we have talked on this committee under APHIS about the screw worm facility that is down there. And we know the desire of all the scientists and so forth to move it south to Panama and I have no quarter, I have no problem with that and of maintaining the security for our animals here.

But my question goes to whether or not you, as Secretary, and a key figure in this administration can somehow work with this committee as opposed to just transitioning the workers that will be left behind in Chiapas, in a very tender and revolution-prone area, to see if we can't—and since the problems there are deeply rooted in agriculture—if we couldn't use our wherewithal to help the people there to begin to grow crops that would make a difference in their lives, maybe coffee, maybe tropical fruits?

We had talked with a Dr. Enrique Figueroa——

Secretary GLICKMAN. Yes.

Ms. KAPTUR [continuing]. Who is now with marketing and regulatory and he had some rather creative thoughts on this. As I read the budget submission I read the typical sort of well, you know, we got to move the facility and so forth. It seems to me with the Inter-American Development Bank, with AND Bank, with the World Bank, with all the people we have in position America might be able to do a little bit better understanding the pressures there, and maybe we actually could help contribute to the betterment of the economic condition of some of the people there.

Do you think there is any possibility that the Department of Agriculture could work with interested members of Congress on that?

Secretary GLICKMAN. The whole concept is extremely important in terms of the eradication effort but I would be glad to work with you on it. Dr. Figueroa is a very key person in this regard. He is our Deputy Under Secretary for this area.

Ms. KAPTUR. I would ask you, Mr. Secretary, for a meeting on that subject. This is a very complicated matter and I know Chairman Skeen has an interest in the science of it, as well. But I think America can really do something there but it is going to take more than the Department of Agriculture but you are a critical partner.

SEED SALE TO RUSSIA

The second point I wanted to raise relates to a seed sale to Russia that is under consideration by your department. And one of the proposals that had come on the table was to find a way to make some of that seed available to ordinary dacha owners and families.

The seed sale that occurred last year went through the traditional agri-firms and so forth. I am wondering if you have given any thought to resurrecting the proposal that would make seed available from the people of the United States to ordinary families in Russia and do you think there is a way to make some of this available in that manner?

Mr. SCHUMACHER. We discussed this, you and I, extensively. We looked at it very, very hard and found that the cost of doing that was very, very high. So, it was decided that we would not be able to do it this year. I am still looking at it to see if we cannot find another way of doing it. But at the current time, apparently, the cost is very high in terms of the kind of modernization effort that was contemplated. I was disappointed. I thought we could do it, but apparently we are not able to do it at this time this year.

Ms. KAPTUR. Well, one of the unfortunate aspects of past assistance to Russia is this Government has supported the old system. We have not built the new system—certainly, in agriculture. And I would just ask, Mr. Secretary, your personal interest in this matter before any—and the planting season is upon us—but I really think that we have to look to the bottom and not working through some of the organizations that are notorious for diverting revenues. And I just think we have to put more intelligence around the table. I have complete respect for Mr. Schumacher, but it is not only in his hands here. The seed is needed, but there ought to be a way to do this in a more humane way and one which strengthens a civil society, as opposed to the old agri-firms that still do plenty of business inside that country. And I would very much, again, on this subject, welcome the opportunity to do look at it more in depth.

Thank you.

Mr. SKEEN. Mr. Dickey?

Mr. DICKEY. Mr. Glickman, I do not know if I have said this before, but I have agreed with you and everything you have ever done, and I am one of your biggest fans. Do you understand that?

Secretary GLICKMAN. I sure do.

Mr. SKEEN. I would be very careful about what comes next.

[Laughter.]

Secretary GLICKMAN. There would not be a b-u-t after that?

BLACK FARMERS' SITUATION

Mr. DICKEY. Black farmers, again. Two things that they have expressed concern over is, one, there is no explanation as to why the delays have been, and you might not be able to answer that and, two, if it has been this complicated to get the checks to them, how in the world are they going to get the opportunity to buy from inventory as the consent decree provides? Can you give me any help in either one of those areas?

Secretary GLICKMAN. I cannot now. Again, we have paid out about $90 million in the last couple of months, and I expect that to be accelerated. Again, somebody outside of the Department is making the decisions. So on the second part of it, I would have to look at it a little more deeply and get back with you.

Mr. DICKEY. Well, I hope we can. Now, who is the scheduler? Who do we get in touch with as far as next week?

Secretary GLICKMAN. John Gibson.

Mr. DICKEY. John Gibson. Okay. I have got to run and catch a plane. I am just concerned about the inventory, the opportunity they have to buy from inventory is another part of it.

Secretary GLICKMAN. That is largely in Mr. Schumacher's shop, the Farm Service Agency, that would be responsible for that.

Mr. DICKEY. Can he be with us at the meeting?

Secretary GLICKMAN. Yes.
Mr. DICKEY. Good. Thank you. Thank you, Dan.
Thank you, Mr. Chairman.
Mr. SKEEN. Mr. Hinchey.
Mr. HINCHEY. Thank you, Mr. Chairman.

RURAL DEVELOPMENT PROGRAM

Mr. Secretary, as you know, at least half of the poverty in America is in rural areas, at least half of the substandard housing in America is in rural areas. That is why your rural development program is so important.

Secretary GLICKMAN. Yes.

Mr. HINCHEY. And I commend you for your commitment to it and the work that has been done under your administration in that area; most recently, your participation in the President's Livable Communities Program, and prior to that, the development of the Rural Economic Area Partnerships, the REAP zones.

Secretary GLICKMAN. Yes.

RURAL ECONOMIC AREA PARTNERSHIPS

Mr. HINCHEY. But I am very confused, in looking at the budget, because I find that all reference to funding for the Rural Economic Area Partnerships has been deleted. There are five places in the 2001 budget where the words, and I quote, ". . . and areas designated by the Secretary as Rural Economic Area Partnerships" were deleted. So someone has made a specific and purposeful effort at eliminating the Rural Economic Area Partnerships from the set-asides for EZs and ECs this is completely inexplicable to me, particularly in view of your long-term and strong commitment to those issues.

Secretary GLICKMAN. Let me say I have been a strong supporter of this. I do not know, Mr. Dewhurst, do you have any thoughts or do we need to get back with them as quickly as possible?

Mr. DEWHURST. Well, I think, to be fair to you, we need to get back to you. The REAP zones are eligible for a number of USDA programs. But you are right, we do not have targeted funds in the budget for those zones. So let us give you a more complete answer to your question.

[The information follows:]

The Agriculture Appropriation Act for 2000 included language specifying that Rural Economic Area Partnership (REAP) zones, along with Empowerment Zones and Enterprise Communities (EZ/EC), are eligible for certain portions of the funding for various rural development programs. The President's budget for 2001 includes language that mentions only the EZ/EC's. However, this change was not intended to exclude the REAP zones. As in prior years, the Department has worked with the REAP zones as if they were part of the EZ/EC initiative and has not considered it necessary to have specific appropriation language to achieve that end. For 2001, the Department fully intends for the REAP zones to share in the rural development program funding earmarked for the EZ/EC initiative.

Mr. HINCHEY. Specifically, I would ask you to look at the fact that they have been deleted from the set-asides and it just does not make any sense. Either this is a mistake or there is some——

Secretary GLICKMAN. We will check it out. We will get back to you.

Mr. HINCHEY [continuing]. Fifth column movement operating in the Agency.

Secretary GLICKMAN. I doubt that. Usually, the conspiracies are not as you think they are. But we will find out why. Because I know that we provided REAP zones in New York, for example, with some money last year.

Mr. HINCHEY. Absolutely.

Secretary GLICKMAN. In fact, we talked about it when I was in your district, I think, as well. So we will find out why it was not included.

Mr. HINCHEY. Very true, yes. I appreciate that. Thank you very much.

USDA STAFFING

If I have another minute or two, I would just like to express a concern about staffing. I know that this Administration made a real effort at reforming Government, and cutting back on waste. A lot of that was connected with the budget resolution of 1993, which you voted for, Mr. Secretary, I know.

Secretary GLICKMAN. Correct.

Mr. HINCHEY. And a lot of that has been good. But we are finding that in the county offices, particularly, the workload is increasing, and the number of people available to accomplish the objectives and purposes, all of which are very good, is declining. We are getting to a crunch situation, if we have not already passed it.

You said in your testimony that the higher workload is projected to continue into 2001. But there is no provision in the budget for salaries and expenses higher than last year. Staff has declined by about 6,000 positions since 1993. This year's budget proposes funding to support 16,667 staff years. We have another 500 or so positions that are being eliminated, mostly by attrition, I assume.

Secretary GLICKMAN. Sixteen thousand all across the board or which agency are you referring to?

FSA TEMPORARY STAFFING

Mr. HINCHEY. Proposes funding to support, that is FSA.

Secretary GLICKMAN. FSA, yes.

Mr. HINCHEY. FSA, yes.

Secretary GLICKMAN. We are down because the temporaries are down. We have protected the permanent employees. So there was no reduction there. But you are correct, we are down in terms of the numbers of temporaries we brought on, largely because of the disaster program. That is accurate. We will work with you on that. The fact is the workload has not gone down. I agree with you.

I would say, overall, the Department's staff years has gone up this year. We are up by about 2 percent, but we are down 14 percent since 1993. We are up this year some in Rural Development, some in NRCS because of all of the conservation technical assistance programs, and some in APHIS, but FSA is flat.

Mr. HINCHEY. And the FSA operation in New York has lost 32 positions in the last five years. So the workload there has gone up, but the people available to do it has gone down, and it is creating some difficult situations. So I think this is something that we just

have to look at, and be aware of and try to deal with it as best we can.

Mr. SKEEN. Mr. Boyd.

Mr. BOYD. Thank you, Mr. Chairman.

APHIS BUDGET

I want to just briefly go back to one area, and that is part of the APHIS budget, Mr. Secretary, and reemphasize that this, the trade policy, open-market policy that we all know is a good thing and want to increase, has some consequences. And one of those consequences is this invasive pest issue. And I do not think that we have dealt with it. I do not think that we have been prepared for it. And I know that you have put some additional requests—

Secretary GLICKMAN. We have about 300 more people in the APHIS Quarantine Inspection——

ARS BUDGET

Mr. BOYD. Right. You have requested some additional money, and it is going to take that. And I know you are doing some things in the ARS budget too. You have stepped that up, and we are attacking it on several fronts. Once it gets here, obviously, we are also trying to attack it to some other countries, I think. African heartwater tick is one we did not talk about. There are some pests out there that will destroy an industry. Citrus canker is one, African heartwater tick will destroy the livestock industry, deer population, everything if it gets out of hand.

I do not know if you know this, but we found African heartwater ticks at some of our ports in Florida within the last two or three months. So those are very serious, serious issues.

Secretary GLICKMAN. Mr. Boyd, if I may just say one thing about a legislative issue. This issue came up in California, concerning the Mexican fruit fly. There was some concern about the fact that we had not referred any cases to the United States attorney for people who are intentionally bringing fruits and vegetables into the U.S. that are infested. The fact is that we have referred some cases. But the penalties under the law are virtually nothing. There needs to be a significant augmentation of penalties for knowingly bringing in infested fruits and vegetables.

We have sent up legislation in the last Congress. That would be helpful because then you can get the United States attorneys really interested in these cases. You put a few people in jail for an extended period of time who knowingly do this kind of stuff, it may help stop it.

Mr. BOYD. Thank you, Mr. Secretary.

I met with your inspector general on this particular issue, and I am going to meet with him some more.

Secretary GLICKMAN. He is developing I think a more concentrated law enforcement effort, and we do need stronger penalties.

METHYLBROMIDE

Mr. BOYD. Two other issues, Mr. Secretary, and I will be through. One is methylbromide. We are in this world of open mar-

kets, and free trade, and yet we allow people who use a product that we are now banning to ship stuff in, and I appreciate you and your agency's recognition of the importance of this pesticide.

But, you know, two to three years ago we did a 25-percent reduction in our overall use, what this country is allowed to use. And I think in a year from now, in January 2001, we will have a second 25-percent reduction in sales in this country. We saw a doubling of the cost of methylbromide two years ago when we did the first reduction. Lord knows what is going to happen when we do the next one a year from now.

Where are we on the alternative pesticide use, alternative products for methylbromide?

Mr. ROMINGER. As you know, we have augmented our research funds each year for the last several years on methylbromide alternatives, and we are continuing to do that. We have developed some treatments for some commodities that look like they are going to be satisfactory. There are some new chemicals coming online that look very promising. It is going to take us a little while to get them registered, but we are pursuing that as rapidly as possible. We are putting some USDA money into getting the data necessary to get them registered by EPA, where companies are not that interested in putting all of the money into the research that is needed. So we are continuing to push on looking for good replacements for methylbromide.

Mr. BOYD. Are you doing any in-field research at this point in time?

Mr. ROMINGER. We are, yes. We are getting money now out into the field and doing field research, yes.

Mr. BOYD. This is a critically important issue to all of your specialty crop folks and nursery industries. I know the traditional field crops do not use it much, but most of the other agriculture does.

Mr. ROMINGER. Well, certainly, we hear it from Florida, and we hear it from my home State in California, yes.

Mr. BOYD. Yes, sir.

Mr. ROMINGER. Desperately needed.

MEAT AND POULTRY INSPECTORS

Mr. BOYD. One additional question, and it is really a follow-up to an area that Congressman Kingston and Congresswoman Rose DeLauro touched on, and that is the meat and poultry inspectors.

It is my understanding that you recently won a major victory in a lawsuit filed by the meat and poultry inspectors unions. And my question is does the winning of that lawsuit give you the authority to adopt alternative staffing arrangements in an unforeseen emergency inspector shortage?

Secretary GLICKMAN. We have set up these what is called Models Programs to give more flexibility on staffing, and we were sued, and we won that case. We feel comfortable it gives us some additional authority to use staffing flexibility as we fully implement the HACCP rules. But, obviously, we have got to do this using good communication with our employee unions, employee groups. But, yes, we think it gives us greater flexibility.

Mr. BOYD. Thank you, Mr. Chairman.

Mr. SKEEN. Thank you.

Marcy, do you have anything?

ASIAN LONG-HORNED BEETLE

Ms. KAPTUR. Mr. Chairman, I just had a couple final things here. The first one is the one insect that has not been mentioned here today is the Asian long-horned beetle, and I have to tell you that our maple sugar industry in Ohio is worried to death about what is going to happen.

Mr. Secretary, I would like to ask you, in terms of legislation that the Administration has sent up here dealing with properly placing wrong and fines on people who are responsible. What more needs to be done in order to get the Administration to be a party to the suit, perhaps with the attorney general from our state or from New York State, where the insect has already done major damage, to get cases filed that are won, to really send the message? Is your legislation sufficient to do that?

Secretary GLICKMAN. I do not know. This is a monumental problem, as you know.

Ms. KAPTUR. Yes. Yes.

Secretary GLICKMAN. So we have, in fiscal 1999, put in nearly $7 million, and this fiscal year, with additional CCC requests anticipated or in process, we are talking about $16 million, much of which is emergency funding.

I am not aware of any lawsuits. We would have to talk about that in greater depth.

FEDERAL LITIGATION

Ms. KAPTUR. In terms of New York, what I am thinking is how would one get a joint filing by the Federal Government, let us say, and the attorney general of New York against importers that would have brought it in from China, and it is coming in all of the time. The long-horned beetle is not the only pest that has come on that packaging material. In fact, one of the reasons I am not inclined—there are many reasons—I am not inclined to vote for what is now called most-favored, what is it, normal trade relations with China—they changed the label—is because of the fact that we do not pick up after ourselves when these agreements are set in place.

And on the import of some of these very destructive pests, why put that burden on the taxpayer? Why take it out of our appropriated dollars? And that is exactly what we are doing to ourselves here. So unless there is an insurance fund that is set up, unless there are some landmark cases, it seems to me we need some landmark cases in this area, and we are not getting them. The litigation is far behind where the market is.

Secretary GLICKMAN. Let me ask Dr. Siddiqui to tell you a little bit more about this. We did get a rule adopted on fumigation of wood packing material or other treatment, and you might explain a little bit about its status.

Mr. SIDDIQUI. Yes. About 18 months ago, when we discovered the infestations not only in New York, but also Chicago, an interim rule was adopted which requires mandatory fumigation or treatment of solid wood packing material before its shipped from China and can arrive here. So that was one preventive measure taken.

Another one is, once you find infestation, it is too late to find who the culprit was, in terms of who brought it. So interceptions of these exotic species have had to take place, and that is what the Secretary was talking about additional $30 million is being requested; $27 million in user fees and $3 million in appropriations for APHIS adding those inspectors at the ports of entry.

INCREASED PENALTIES FOR VIOLATIONS

Thirdly, I would like to add that increasing the penalties for violations is a critical part of it. That is what the Secretary was talking about, the Plant Protection Act, which is being pushed by the state planning regulatory officials, the National Association of State Directors and a number of commodity groups from all over the country in order to increase penalties. Right now, the maximum penalty for violation of plant pest activities is only $1,000.

I can tell you about an example from my California experience, that spanned 30 years. Someone intentionally brought coffee berries from Hawaii to Los Angeles, where we have spent millions of dollars in eradicating Med-fly. Through the inspection we established who the sender was because he was also the recipient in the Los Angeles area. When USDA, in the State of California, referred this case to the court, only $534 was levied as a penalty for an act which could have cost millions of dollars to eradicate if an infestation had broken out.

Secretary GLICKMAN. I think the real answer is substantially increasing the penalties. In a lawsuit, it would be probably pretty hard to actually identify the specific culprit, and I think you have got to deal with this prospectively. This is a big gap in the law.

Ms. KAPTUR. Right.

Secretary GLICKMAN. I think we should do something with this legislatively.

DECLINING MILK CONSUMPTION

Ms. KAPTUR. And, finally, Mr. Secretary, on a totally different subject. I am very concerned with the declining milk consumption among our youth, simultaneous with an increase in consumption in soft drinks and high-sugar-containing foods. And we have a rise in osteoporosis among young girls, we have an epidemic of obesity among our youngsters, a third of them. I am concerned about how—I know we will have the Food Nutrition Service up before us later this month—but what can be done, in your opinion, to deal with the nutrition of youth, particularly inside those school buildings? And I am sure I am speaking out of turn here, but to get rid of those exclusive contracts that the soft drink companies put in these schools, and they literally buy off, school by school, million-dollar contracts. You can have "X" drink, you cannot have "Y" drink. And the proof is in the pudding. All you have to do is look at the children coming out of those buildings. This is a really serious problem in our country.

Secretary GLICKMAN. You are right. One of the great nutrition problems facing this country and our children is the amount of soft drinks that are displacing more nutritious beverages. I do not know what we can do. Some have argued that to participate in a school

lunch program you should have to get rid of the soft drink machines. I do not think we have the statutory authority to do that.

But I think that you ought to talk to Shirley Watkins and her staff about what options there are. The school food service people from around the country were here this week, and we have tried to figure out if there is any way we can raise the issue from a bully-pulpit perspective.

The school lunch program has done a great job of improving, over the last five years, the quality of the content of food. We have new dietary guidelines out for comment and we expect that sugar in the diet will be addressed.

I might tell you that next week, on Thursday, we are having something called the great nutrition debate at the Department of Agriculture, and we are having Dr. Atkins, Dr. Ornish and others, including the person who wrote the zone diet, the person who wrote the sugar-busters diet, and one objective nutritionist. What can I say? [Laughter.]

I do not know how to characterize this. It is on Thursday from 10:00 to 12:00. It is for two hours. The American public is getting a barrage of conflicting and competing nutrition information. Each of these diets says that it is the ticket to Heaven on Earth.

Ms. KAPTUR. All members of Congress read those.

Secretary GLICKMAN. So it is something that you might be interested in. You know there are a lot of great egos among the group of people who I have mentioned, and there may be some truth in every one of their diets. But now there is so much conflicting information out there that I think it confuses families a lot about what to eat and what not to eat. We really need to do a better job of communicating good nutrition information without the Government appearing to be a national nanny either. The trick is to find out how to do that.

But you are right. These contracts give the school districts lots of money, and there are ways schools can raise lots of money for their own activities/programs that they cannot raise any other way with tight budgets.

Ms. KAPTUR. That is correct. Thank you, Mr. Secretary.

Mr. SKEEN. Thank you very much.

I will owe you one, Mr. Hinchey. I think we have had a great afternoon. I appreciate all that you have done.

Secretary GLICKMAN. Thank you. We have got a lot of work to do now.

Mr. SKEEN. The committee will stand in adjournment until 10 a.m. tomorrow, when we will hear from the Department's inspector general. It ought to be very good to be here. So see you tomorrow.

Secretary GLICKMAN. Thank you.

Mr. SKEEN. Thank you.

[Questions submitted for the record follow:]

QUESTIONS SUBMITTED BY MR. SKEEN

PUBLIC AFFAIRS

Mr. Skeen: Please update the table that begins on page 441 of last year's hearing record, showing the number of professional and clerical staff from each agency assigned to the public affairs activities and the cost by agency, to include projections for fiscal year 2001.

Response: Yes, we will provide the information concerning professional and clerical assignments to public affairs activities for the record.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
PUBLIC AFFAIRS ACTIVITIES
(Dollars in Thousands)

	1999		2000		2001	
AGENCY	Employment	Staff Years	Employment	Staff Years	Employment	Staff Years
Office of Communications:						
Professional	82	82	82	82	82	82
Clerical	13	13	13	13	13	13
Budget Auth.	$8,138		$8,138		$9,031	
Location of Staff:						
Washington	95	95	95	95	95	95
Field	0	0	0	0	0	0
Office of the Chief Economist:						
Professional	1	1	1	1	1	1
Clerical	0	0	0	0	0	0
Budget Auth.	$82		$86		$89	
Location of Staff:						
Washington	1	1	1	1	1	1
Field	0	0	0	0	0	0
ARS:						
Professional	41	38	41	38	41	38
Clerical	5	5	5	5	5	5
Budget Auth.	$3,314		$3,778		$3,778	
Location of Staff:						
Washington	46	43	46	43	46	43
Field	0	0	0	0	0	0
CSREES:						
Professional	3	3	4	4	4	4
Clerical	1	0.5	1	0.5	1	0.5
Budget Auth.	$274		$391		$403	
Location of Staff:						
Washington	4	3.5	5	4.5	5	4.5
Field	0	0	0	0	0	0
FAS:						
Professional	15	15	15	15	15	15
Clerical	2	1	2	1	2	2
Budget Auth.	$1,200		$1,260		$1,406	
Location of Staff:						
Washington	17	16	17	16	17	17
Field	0	0	0	0	0	0
FSA:						
Professional	13	12	13	12	13	12
Clerical	0	0	0	0	0	0
Budget Auth.	$967		$1,036		$1,105	
Location of Staff:						
Washington	13	12	13	12	13	12
Field	0	0	0	0	0	0
RMA:						
Professional	6	5.5	7	7	7	7
Clerical	1	0.25	1	0.25	1	0.25
Budget Auth.	$383		$476		$494	
Location of Staff:						
Washington	7	5.75	8	7.25	8	7.25
Field	0	0	0	0	0	0

UNITED STATES DEPARTMENT OF AGRICULTURE
PUBLIC AFFAIRS ACTIVITIES
(Dollars in Thousands)

	1999		2000		2001	
RUS:						
Professional	1	1	1	1	1	1
Clerical	0	0	0	0	0	0
Budget Auth.	$115		$119		$124	
Location of Staff:						
Washington	1	1	1	1	1	1
Field	0	0	0	0	0	0
RHS:						
Professional	4	4	4	4	4	4
Clerical	1	1	1	1	1	1
Budget Auth.	$345		$356		$361	
Location of Staff:						
Washington	5	5	5	5	5	5
Field	0	0	0	0	0	0
RBS:						
Professional	1	1	1	1	1	1
Clerical	1	0.5	1	0.5	1	0.5
Budget Auth.	$115		$119		$123	
Location of Staff:						
Washington	2	1.5	2	1.5	2	1.5
Field	0	0	0	0	0	0
NRCS:						
Professional	124	124	124	124	124	124
Clerical	16	16	16	16	16	16
Budget Auth.	$10,682		$11,195		$11,542	
Location of Staff:						
Washington	16	16	16	16	16	16
Field	124	124	124	124	124	124
APHIS:						
Professional	13	13	13	13	14	13
Clerical	2	2	2	2	2	2
Budget Auth.	$710		$717		$726	
Location of Staff:						
Washington	12	12	12	12	12	12
Field	3	3	3	3	4	4
GIPSA:						
Professional	2	0.5	1	0.5	1	0.5
Clerical	0	0	0	0	0	0
Budget Auth.	$42		$43		$44	
Location of Staff:						
Washington	2	0.5	1	0.5	1	0.5
Field	0	0	0	0	0	0
AMS:						
Professional	7	5	8	7	8	7
Clerical	2	1	1	1	1	1
Budget Auth.	$502		$542		$542	
Location of Staff:						
Washington	9	6	9	8	9	8
Field	0	0	0	0	0	0

UNITED STATES DEPARTMENT OF AGRICULTURE
PUBLIC AFFAIRS ACTIVITIES
(Dollars in Thousands)

	1999		2000		2001	
FSIS:						
Professional	8	8	9	8.5	9	8.5
Clerical	1	1	1	1	1	1
Budget Auth.	$530		$583		$606	
Location of Staff:						
Washington	9	9	10	9.5	10	9.5
Field	0	0	0	0	0	0
FNS:						
Professional	42	38.65	44	40.65	44	40.65
Clerical	7	6.27	8	7.27	8	7.27
Budget Auth.	$3,906		$3,433		$3,656	
Location of Staff:						
Washington	25	22.17	28	25.17	28	25.17
Field	24	22.75	24	22.75	24	22.75
TOTAL, Agriculture Bill:						
Professional	363	351.65	368	358.65	369	358.65
Clerical	52	47.52	52	48.52	52	49.52
Budget Auth.	$31,305		$32,272		$34,030	
Location of Staff:						
Washington	257	243.67	261.00	250.17	261.00	251.17
Field	158	155.50	159.00	157.00	160.00	158.00

CONGRESSIONAL RELATIONS

Mr. Skeen: Please update the table that begins on page 445 of last year's hearing record, showing a breakout of congressional relations activities to include projections for fiscal year 2001.

Response: Yes, we will provide the information for congressional activities for the record.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE
CONGRESSIONAL LIAISON ACTIVITIES
(Dollars in Thousands)

	1999				2000				2001			
AGENCY	Employment	Staff Years	Total Staff Years	% of Total Staff Years	Employment	Staff Years	Total Staff Years	% of Total Staff Years	Employment	Staff Years	Total Staff Years	% of Total Staff Years
OSec:												
Professional.....	5	5			8	8			8	8		
Clerical.....	4	4			4	4			4	4		
Total.....	9	9	63	14.29%	12	12	82	14.63%	12	12	82	14.63%
Schedule C Positions	5	5			8	8			8	8		
Average Cost:												
Professional.....	$81				$81				$85			
Clerical.....	$42				$44				$46			
Budget Authority.....		$957				$857				$983		
ARS:												
Professional.....	1	1			1	1			1	1		
Clerical.....	1	0.5			1	0.5			1	0.5		
Total.....	2	1.5	7,545	0.02%	2	1.5	7,762	0.02%	2	1.5	7,762	0.02%
Schedule C Positions	0	0			0	0			0	0		
Average Cost:												
Professional.....	$105				$108				$111			
Clerical.....	$11				$12				$13			
Budget Authority.....		$129				$129				$133		
CSREES:												
Professional.....	2	1.4			2	1.3			2	1.3		
Clerical.....	1	0.2			1	0.1			1	0.1		
Total.....	3	1.6	390	0.41%	3	1.4	440	0.32%	3	1.4	451	0.31%
Schedule C Positions	0	0			1	0.3			1	0.4		
Average Cost:												
Professional.....	$76				$80				$83			
Clerical.....	$25				$29				$31			
Budget Authority.....		$120				$120				$124		
FAS:												
Professional.....	2	2			2	2			2	2		
Clerical.....	1	1			1	1			1	1		
Total.....	3	3	923	0.33%	3	3	953	0.31%	3	3	973	0.31%
Schedule C Positions	2	2			1	1			1	1		
Average Cost:												
Professional.....	$70				$73				$76			

U.S. DEPARTMENT OF AGRICULTURE
CONGRESSIONAL LIAISON ACTIVITIES
(Dollars in Thousands)

AGENCY	1999 Employment	1999 Staff Years	1999 Total Staff Years	1999 % of Total Staff Years	2000 Employment	2000 Staff Years	2000 Total Staff Years	2000 % of Total Staff Years	2001 Employment	2001 Staff Years	2001 Total Staff Years	2001 % of Total Staff Years
Clerical	$34				$35				$36			
Budget Authority		$183				$183				$189		
RMA:												
Professional	1	1			2	1			2	1		
Clerical	0	0			0	0			0	0		
Total	1	1	528	0.19%	2	1	568	0.18%	2	1	568	0.18%
Schedule C Positions	1	1			2	1			2	1		
Average Cost:												
Professional	$58				$61				$64			
Clerical	$0				$0				$0			
Budget Authority		$109				$109				$112		
FSA:												
Professional	3	2.5			3	2.5			3	2.5		
Clerical	1	1			1	1			1	1		
Total	4	3.5	5,709	0.06%	4	3.5	5,901	0.06%	4	3.5	5,901	0.06%
Schedule C Positions	1	1			1	1			1	1		
Average Cost:												
Professional	$69				$65				$70			
Clerical	$32				$33				$35			
Budget Authority		$355				$355				$366		
RUS:												
Professional	2	2			2	2			2	2		
Clerical	0	0			0	0			0	0		
Total	2	2	688	0.29%	2	2	698	0.29%	2	2	710	0.28%
Schedule C Positions	0	0			0	0			0	0		
Average Cost:												
Professional	$71				$74				$76			
Clerical	$0				$0				0			
Budget Authority		$142				$142				$146		
RBS:												
Professional	1	0.5			1	0.5			1	0.5		
Clerical	0	0			0	0			0	0		
Total	1	0.5	281	0.18%	1	0.5	280	0.18%	1	0.5	290	0.17%
Schedule C Positions	0	0			0	0			0	0		

U.S. DEPARTMENT OF AGRICULTURE
CONGRESSIONAL LIAISON ACTIVITIES
(Dollars in Thousands)

AGENCY	1999 Employment	1999 Staff Years	1999 Total Staff Years	1999 % of Total Staff Years	2000 Employment	2000 Staff Years	2000 Total Staff Years	2000 % of Total Staff Years	2001 Employment	2001 Staff Years	2001 Total Staff Years	2001 % of Total Staff Years
Average Cost:												
Professional.....	$71				$74				$76			
Clerical.....	$0				$0				$0			
Budget Authority.....		$52				$52				$54		

U.S. DEPARTMENT OF AGRICULTURE
CONGRESSIONAL LIAISON ACTIVITIES
(Dollars in Thousands)

	1999				2000				2001			
AGENCY	Employment	Staff Years	Total Staff Years	% of Total Staff Years	Employment	Staff Years	Total Staff Years	% of Total Staff Years	Employment	Staff Years	Total Staff Years	% of Total Staff Years
RHS:												
Professional.....	2	1.5			2	1.5			2	1.5		
Clerical.....	1	0.5			1	0.5			1	0.5		
Total.....	3	2	5,982	0.03%	3	2	5,922	0.03%	3	2	6,020	0.03%
Schedule C Positions	1	1			1	1			1	1		
Average Cost:												
Professional.....	$71				$74				$76			
Clerical.....	$34				$36				$38			
Budget Authority.....		$147				$147				$152		
NRCS:												
Professional.....	2	1			2	1			2	1		
Clerical.....	2	2			1	1			1	1		
Total.....	4	3	11,720	0.03%	3	2	11,601	0.02%	3	2	13,444	0.01%
Schedule C Positions	1	0.5			1	0.5			1	0.5		
Average Cost:												
Professional.....	$88				$96				$99			
Clerical.....	$30				$52				$54			
Budget Authority.....		$148				$148				$153		
APHIS:												
Professional.....	3	1.25			3	1.25			3	1.25		
Clerical.....	1	0.1			1	0.1			1	0.1		
Total.....	4	1.35	6,321	0.02%	4	1.35	6,641	0.02%	4	1.35	6,888	0.02%
Schedule C Positions	0	0			0	0			0	0		
Average Cost:												
Professional.....	$63				$66				$66			
Clerical.....	$33				$34				$35			
Budget Authority.....		$101				$101				$104		
AMS:												
Professional.....	3	2			3	2			3	2		
Clerical.....	0	0			0	0			0	0		
Total.....	3	2	3,389	0.06%	3	2	3,392	0.06%	3	2	3,392	0.06%
Schedule C Positions	0	0			0	0			0	0		
Average Cost:												
Professional.....	$77				$77				$80			

U.S. DEPARTMENT OF AGRICULTURE
CONGRESSIONAL LIAISON ACTIVITIES
(Dollars in Thousands)

AGENCY	1999 Employment	1999 Staff Years	1999 Total Staff Years	1999 % of Total Staff Years	2000 Employment	2000 Staff Years	2000 Total Staff Years	2000 % of Total Staff Years	2001 Employment	2001 Staff Years	2001 Total Staff Years	2001 % of Total Staff Years
Clerical.....	$0				$0				$0			
Budget Authority.....		$176				$176				$182		
FSIS:												
Professional.....	4	4			4	4			4	4		
Clerical.....	1	1			1	1			1	1		
Total.....	5	5	9,590	0.05%	5	5	9,914	0.05%	5	5	9,752	0.05%
Schedule C Positions	0	0			0	0			0	0		
Average Cost:												
Professional.....	$60				$64				$66			
Clerical.....	$31				$34				$35			
Budget Authority.....		$309				$309				$319		

U.S. DEPARTMENT OF AGRICULTURE
CONGRESSIONAL LIAISON ACTIVITIES
(Dollars in Thousands)

AGENCY	1999 Employment	1999 Staff Years	1999 Total Staff Years	1999 % of Total Staff Years	2000 Employment	2000 Staff Years	2000 Total Staff Years	2000 % of Total Staff Years	2001 Employment	2001 Staff Years	2001 Total Staff Years	2001 % of Total Staff Years
FNS:												
Professional.....	4	3.1			4	3			4	2.8		
Clerical.....	0	0			0	0			0	0		
Total.....	4	3.1	1,606	0.19%	4	3	1,717	0.17%	4	2.8	1,861	0.15%
Schedule C Positions	1	1			1	1			1	1		
Average Cost:												
Professional.....	$87				$90				$96			
Clerical.....	$0				$0				$0			
Budget Authority.....		$270				$270				$278		
TOTAL, Agriculture Bill:												
Professional.....	35	28.25			39	31.05			39	30.85		
Clerical.....	13	10.3			12	9.2			12	9.2		
Total.....	48	38.55	54,530	0.07%	51	40.25	55,667	0.07%	51	40.05	57,880	0.07%
Schedule C Positions	12	11.5			16	13.8			16	13.9		
Budget Authority.....		$3,198				$3,098				$3,295		

DELINQUENT LOAN INFORMATION

Mr. Skeen: Please update the information on delinquent million dollar loans provided on page 449 of last year's hearing record.

Response:

[The information follows:]

FSA - FARM LOAN PROGRAMS - NATIONAL SUMMARY
STATUS OF MILLION DOLLAR BORROWERS BY STATE AS OF 12/31/99

State	ACL	BAP	CAP	FAP	NONE	SAA	TOTAL
Arizona	4	2	2	1	3	2	14
Arkansas	2	0	0	0	1	0	3
California	2	4	5	12	11	4	38
Colorado	0	0	0	1	0	0	1
Georgia	4	1	1	0	2	1	9
Hawaii	0	0	0	1	1	0	2
Illinois	0	0	0	1	0	0	1
Iowa	0	0	0	1	0	0	1
Kentucky	0	0		1	0	0	1
Louisiana	0	2	0	1	0	0	3
Maine	1	0	0	0	0	0	1
Massachusetts	0	1	0	0	0	0	1
Michigan	0	0	0	1	0	0	1
Minnesota	1	1	1	0	1	0	4
Mississippi	7	2	3	3	12	2	29
Montana	0	0	0	1	5	1	7
Nebraska	0	0	0	0	0	1	1
Nevada	0	1	0	0	0	0	1
New Jersey	0	1	0	1	0	0	2
New Mexico	0	0	0	1	0	0	1
New York	3	1	0	8	2	1	15
North Carolina	1	1	0	0	0	0	2
North Dakota	4	0	0	0	0	2	6
Ohio	0	0	1	0	0	1	2
Oklahoma	0	3	0	8	0	1	12
Oregon	0	0	0	1	0	0	1
Pennsylvania	1	0	0	1	0	0	2
Puerto Rico	1	0	0	0	3	0	4
South Carolina	1	0	0	4	1	0	6
South Dakota	0	1	1	1	0	2	5
Tennessee	0	0	0	0	2	0	2
Texas	20	4	1	7	13	2	47
Virginia	2	3	0	0	0	0	5
Washington	1	1	0	0	1	0	3
TOTAL	55	29	15	56	58	20	233

SOURCE: FSA - KCMO Focus Report *RC540* Data Base.

ACL = Accelerated
BAP = Bankruptcy Action Pending
CAP = Court Action Pending
FAP = Foreclosure Action Pending
SAA = Shared Appreciation Agreement
NONE

FARM LOAN INFORMATION

Mr. Skeen: Please update the tables that appear on page 450 of last year's hearing record, showing the amount of direct farm loans, direct housing loans, and rural development insurance fund loans that have been written off the books since fiscal year 1989 to include fiscal year 1999.

Response: Yes, we will provide the requested farm loan information for the record.

[The information follows:]

Direct Farm Loans Written Off - - Fiscal Years 1989-99
(Dollars in thousands)

Fiscal Year	Principal Outstanding	Losses (Principal and Interest)	Losses as Percent of Principal
1989	$23,271,716	$3,084,670	13.30
1990	19,535,045	2,906,832	14.90
1991	17,457,646	1,935,285	11.10
1992	15,530,621	1,803,630	11.60
1993	13,770,762	1,651,208	12.00
1994	12,618,171	1,282,399	10.20
1995	11,808,083	983,439	8.30
1996	10,851,540	1,286,221	11.90
1997	10,010,141	742,824	7.40
1998	9,300,137	666,231	7.20
1999	9,038,022	517,558	5.70

Direct Housing Loans Written Off - - Fiscal Years 1989-99
(Dollars in thousands)

Fiscal Year	Principal Outstanding	Losses (Principal and Interest)	Losses as Percent of Principal
1989	$27,866,507	$72,428	0.26
1990	28,560,266	106,258	0.37
1991	29,244,452	139,484	0.48
1992	29,702,405	196,794	0.66
1993	29,775,695	185,152	0.62
1994	30,144,158	158,934	0.53
1995	30,472,328	138,676	0.46
1996	29,560,025	116,730	0.39
1997	29,514,624	48,203	0.16
1998	28,954,759	15,978	0.06
1999	28,552,686	94,872	0.33

Rural Development Insurance Fund Loans Written Off - - Fiscal Years 1989-99
(Dollars in thousands)

Fiscal Year	Principal Outstanding	Losses (Principal and Interest)	Losses as Percent of Principal
1989	$5,237,686	$152,256	2.91
1990	5,380,735	123,502	2.30
1991	5,581,410	76,855	1.38
1992	5,847,952	62,121	1.06
1993	6,037,834	41,261	0.68
1994	6,311,732	70,763	1.12
1995	6,585,900	16,530	0.25
1996	7,381,274	27,985	0.38
1997	8,652,188	28,030	0.32
1998	9,681,995	29,867	0.31
1999	9,999,153	13,992	0.14

LOAN SERVICING ERROR RATE

Mr. Skeen: What is the current error rate in processing loan servicing applications?

Response: FSA has determined that the target score is 90 percent compliance with statutory, regulatory, and service quality requirements. FSA reviews a statistical sample of loans to determine compliance scores which are as follows:

86.14 percent compliance with statutory requirements.
93.61 percent compliance with regulatory requirements.
89.54 percent compliance with service quality requirements.

Mr. Skeen: What are the principal reasons for this error rate?

Response: The principal reason for the error rate is lack of an adequate number of trained personnel in the Farm Loan Programs area as well as the increase demand for servicing due to the problems in the agricultural economy. For almost 5 years the Agency has not had sufficient trained loan officers to make and service loans as they should be serviced. With an economic crisis in agriculture for the past 2 years, this already existing problem has been exacerbated. Although fiscal resources have limited national training, FSA did conduct a national training session in the past 4 months to address proper loan making and servicing procedures.

QUESTIONS SUBMITTED BY MR. SKEEN

TOBACCO TABLE

Mr. Skeen: Please provide a copy of the most recent updated tobacco table that shows the related administrative expenses for carrying out the tobacco program.

Respondent: I will provide a copy of the most recent updated table on the administrative expenses associated with carrying out the tobacco program.

[The information Follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
PRESIDENT'S BUDGET
PROGRAM - BY - PROGRAM SUMMARY
ESTIMATED COSTS RELATED TO TOBACCO ACTIVITIES
(Dollars in Thousands)

DIRECT OUTLAYS a/	FY 1998 Actual	FY 1999 Actual	FY 2000 Estimate	FY 2001 Budget
Agency/Activity:				
Economic Research Service:				
Forecasting and Projection	$98	$98	$98	$98
National Agricultural Statistical Service:				
Agricultural Statistics	248	244	241	241
Foreign Agricultural Service:				
World Market Analysis	138	142	148	154
Agricultural Marketing Service:				
Market News	903	904	915	915
Standardization b/	180	188	190	190
TOTAL, Agricultural Marketing Service	1,083	1,092	1,105	1,105
Farm Service Agency:				
Administrative Expenses of Price Supports c/.....	16,076	12,809	14,429	15,057
Risk Management Agency/FCIC:				
Crop Insurance: d/				
Indemnities	135,045	97,622	55,262	56,877
Producer-paid Premiums (Applied to Indemnity Payments)	-26,650	-23,577	-23,621	-31,253
Net Indemnities e/	108,395	74,045	31,641	25,624
Administrative Expenses for Delivery of Insurance:				
Delivered by Private Insurance Companies	12,061	12,219	12,579	12,947
Delivered by USDA County Offices (Associated With Loss Activity)	0	0	0	0
Total, Administrative Expenses for Delivery of Insurance	12,061	12,219	12,579	12,947
TOTAL, Crop Insurance	120,192	86,264	44,220	38,571
TOTAL, DIRECT OUTLAYS (EXCLUDING THE COMMODITY CREDIT CORPORATION) f/	138,099	100,649	60,241	55,226

UNITED STATES DEPARTMENT OF AGRICULTURE
PRESIDENT'S BUDGET
PROGRAM - BY - PROGRAM SUMMARY
ESTIMATED COSTS RELATED TO TOBACCO ACTIVITIES
(Dollars in Thousands)

DIRECT OUTLAYS a/	FY 1998 Actual	FY 1999 Actual	FY 2000 Estimate	FY 2001 Budget
COMMODITY CREDIT CORPORATION				
1. Price Support Program: g/				
Loans Made	$618,641	$276,757	$391,216	$51,728
Sales Proceeds	0	0	0	0
Repayments	-212,463	-147,443	-425,195	-365,975
Marketing Assessments h/	-29,684	-16,153	0	0
Tobacco Quota Payments to States i/	0	0	328,000	0
Tobacco Warehouse Payments i/	0	0	2,800	0
Other Receipts and Outlays	0	-475	0	0
TOTAL, CCC NET OUTLAYS AND RECEIPTS (-) i/	376,494	112,686	296,821	-314,247
2. REALIZED LOSSES OR GAINS (-) i/	-29,684	-16,628	330,800	0

Footnotes:

a/ Direct outlays include spending for all USDA tobacco-related activities except lending and realized losses. Direct outlays are not likely to be recovered in future years. Loans, however, will normally be repaid in future years.

b/ For standardization costs, appropriated funds are reimbursed to the Treasury from user fees.

c/ These are costs that are related to administering the CCC tobacco price support programs at the Farm Service Agency (FSA) county office level. These administrative costs include activities related to:

- Determining and maintaining tobacco farm allotments, quotas, history records and issuing marketing cards;
- Preparing and conducting producer referenda by mail; and,
- Measurement services and farm visits.

The collection of no-net-cost assessments and marketing assessments are required by the Agricultural Act of 1949, as amended, P.L. 81-439, to carry out the CCC tobacco price support programs. The collection of these assessments coupled with other tobacco program receipts assures that the CCC tobacco price support activities are carried out at no cost to the taxpayer. FSA Federal administrative expenses are not readily available.

d/ Numbers with a minus (-) sign denote receipts.

e/ Reflects primarily Government paid premium subsidies; and, any excess gain or loss.

f/ These direct outlays represent costs related to all activities involved in carrying out legislatively authorized and mandated tobacco programs, including those costs related to administration of the CCC price support activities (See footnote c/), as well as, activities concerning data collection on and providing government services related to the production and marketing of tobacco. While the collection of required assessments

UNITED STATES DEPARTMENT OF AGRICULTURE
PRESIDENT'S BUDGET
PROGRAM - BY - PROGRAM SUMMARY
ESTIMATED COSTS RELATED TO TOBACCO ACTIVITIES
(Dollars in Thousands)

Footnotes, Continued:

generally assure that the CCC price support activities are operated at no cost to the taxpayer, they may not necessarily be sufficient to defray all other costs for tobacco related programs.

g/ CCC estimates in the President's FY 2000 Budget Request, dated February 1, 1999. Net price support outlays include miscellaneous expenditures and receipts.

h/ The Agricultural Act of 1949, as amended, P.L. 83-439, requires a marketing assessment for deficit reduction purpose be collected from producers, purchasers and importers in an amount equal to 1.0 percent of the national price support for tobacco through the 1998 crop. Domestic producers or purchasers remit to CCC an amount equal to 0.5 percent of the national price support level; and, importers remit 1.0 percent of the national price support level for the same kind of tobacco. The 2000 budget includes a new increased tobacco marketing assessment which replaces the current assessment.

The authority for the current marketing assessment program expired on December 31, 1998. Included in the President's Budget for FY 2000 is proposed language for a new increased tobacco marketing assessment to become effective in FY 2000. The proposed assessment will be twice the magnitude of the current one. However, the portion of the assessment paid by domestic producers will be held to a level comparable to the current assessment. Purchasers and importers will pay increased levels.

i/ Numbers with a minus (-) sign denote net gains. Large outlay/loss in FY 2000 is attributable to new tobacco program authorized by Title VIII, Emergency and Disaster Assistance for Producers, P.L. 106-78 and P.L. 106-113

j/ Numbers with a minus (-) sign denote net receipts.

Research is supported by USDA which uses tobacco as a model plant system for studies in plant physiology, molecular biology, and biochemistry.

Source: /factbook/2001Tobacco Table
Date: 3-6-00

USDA AMERICORPS ACTIVITIES

Mr. Skeen: Is any funding for Americorps activities requested by USDA for FY 2001?

Response: FY 1996 was the last year USDA participated in the AmeriCorps program. USDA has not asked for funding since then and is not requesting funding for AmeriCorp for FY 2001.

QUESTIONS SUBMITTED BY MR. SKEEN

OSEC STAFFING

Mr. Skeen: Provide tables similar to the ones provided on pages 456 through 460 of last year's hearing record that list current staff in each of the OSEC offices, the position title, the grade level, the pay costs associated with each position, the identity of the appointment, and how they are funded for fiscal year 1999 and 2000. Also, please list by name each staff and those that are used by OSEC and costs that are paid by agencies.

Response: The following table lists current staff on board in each of the OSEC offices, the position title, the grade level, the pay costs associated with each position. The table also identifies Presidential Appointments with Senate Confirmation-PAS, Schedule C, Non-career, Career positions, and how they are funded. The table reflects staff on board as of September 30, 1999, for fiscal year 1999 and as of February 25, 2000 for fiscal year 2000.

OFFICE OF THE SECRETARY - IMMEDIATE OFFICE
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Secretary of Agriculture	EX-I	$151,800	$37,950	OSEC	PAS
Deputy Secretary of Agriculture	EX-II	136,700	34,175	OSEC	PAS
Chief of Staff	ES-6	125,900	31,475	OSEC	Non-Career
Deputy Chief of Staff	ES-2	115,529	28,882	OSEC	Non-Career
Counsel to the Secretary	ES-6	125,900	31,475	OSEC	Non-Career
Confidential Assistant	GS-15	91,410	22,853	OSEC	Schedule C
Deputy Chief of Staff	GS-15	80,658	20,165	OSEC	Schedule C
Confidential Assistant	GS-14	70,855	17,714	OSEC	Schedule C
Special Assistant	ES-6	125,900	31,475	OSEC	Non-Career
Counsel to the Secretary	ES-3	120,814	30,204	OSEC	Non-Career
Executive Assistant	ES-6	125,900	31,475	OSEC	Non-Career
Confidential Assistant	GS-15	83,346	20,837	OSEC	Schedule C
Confidential Assistant	GS-13	63,829	15,957	OSEC	Schedule C
Executive Assistant	ES-2	115,529	28,882	OSEC	Non-Career
Confidential Assistant	GS-13	58,027	14,507	OSEC	Schedule C
Staff Assistant	GS-8	32,495	8,124	OSEC	Schedule C
Secretary	GS-8	30,465	7,616	OSEC	Schedule C
Staff Assistant	GS-8	30,465	7,616	OSEC	Schedule C
Motor Vehicle Operator	WG-7	33,851	8,463	OSEC	Career
Secretary	GS-7	31,176	7,794	OSEC	Career
Confidential Assistant	GS-15	83,346	20,837	OSEC	Schedule C
Program Support Specialist	GS-9	38,137	9,534	OSEC	Career
Program Analyst/Travel Coordinator	GS-13	67,697	16,924	OCFO/DA	Career

OFFICE OF THE SECRETARY - IMMEDIATE OFFICE
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Secretary of Agriculture	EX-I	$157,000	$39,250	OSEC	PAS
Deputy Secretary of Agriculture	EX-II	141,300	35,325	OSEC	PAS
Chief of Staff	ES-6	130,200	32,550	OSEC	Non-Career
Deputy Chief of Staff	ES-2	121,264	30,316	OSEC	Non-Career
Counsel to the Secretary	ES-6	130,200	32,550	OSEC	Non-Career
Confidential Assistant	GS-15	95,923	23,981	OSEC	Schedule C
Deputy Chief of Staff	GS-15	84,638	21,160	OSEC	Schedule C
Confidential Assistant	GS-14	74,352	18,588	OSEC	Schedule C
Special Assistant	ES-6	130,200	32,550	OSEC	Non-Career
Counsel to the Secretary	ES-3	126,825	31,706	OSEC	Non-Career
Executive Assistant	ES-6	130,200	32,550	OSEC	Non-Career
Confidential Assistant	GS-15	68,343	17,086	OSEC	Schedule C
Confidential Assistant	GS-13	59,700	14,925	OSEC	Schedule C
Executive Assistant	ES-2	122,824	30,706	OSEC	Non-Career
Confidential Assistant	GS-13	39,270	9,818	OSEC	Schedule C
Staff Assistant	GS-8	34,099	8,525	OSEC	Schedule C
Secretary	GS-8	40,491	10,123	OSEC	Schedule C
Staff Assistant	GS-8	31,968	7,992	OSEC	Schedule C
Motor Vehicle Operator	WG-7	35,500	8,875	OSEC	Career
Secretary	GS-7	32,713	8,178	OSEC	Career
Confidential Assistant	GS-15	87,459	21,865	OSEC	Schedule C
Program Support Specialist	GS-9	40,017	10,004	OSEC	Career
Program Analyst/Travel Coordinator	GS-13	71,037	17,759	OCFO	Career

ASSISTANT SECRETARY FOR ADMINISTRATION
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Acting Assistant Secretary	EX-III	$125,900	$31,475	OSEC/OCFO	PAS
Deputy Assistant Secretary	ES-4	125,900	31,475	OSEC	Non-Career
Acting Associate Assistant Secretary	ES-6	125,900	31,475	OSEC/OCFO	Career
Confidential Assistant	GS-13	58,027	14,507	OSEC/OCFO	Schedule C
Secretary	GS-10	44,467	11,117	OSEC/OCFO	Career
Secretary	GS-9	41,503	10,376	OSEC/OCFO	Career
Secretary	GS-9	39,259	9,815	OSEC	Career

ASSISTANT SECRETARY FOR ADMINISTRATION
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Assistant Secretary	EX-4	$122,400	$30,600	OSEC	PAS
Deputy Assistant Secretary	ES-5	130,200	32,550	OSEC	Non-Career
Secretary	GS-10	45,368	11,342	OSEC	Career
Secretary	GS-9	42,370	10,593	OSEC	Career
Special Assistant	GS-15	98,744	24,686	OSEC/DA	Career

ASSISTANT SECRETARY FOR CONGRESSIONAL RELATIONS
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Congressional Relations Activities:					
Acting Assistant Secretary	ES-3	$120,814	$30,204	OSEC	Non-Career
Confidential Assistant	GS-15	104,851	26,213	OSEC	Schedule C
Confidential Assistant	GS-15	91,410	22,853	OSEC	Schedule C
Confidential Assistant	GS-14	73,141	18,285	OSEC	Schedule C
Confidential Assistant	GS-14	68,570	17,143	OSEC	Schedule C
Confidential Assistant	GS-14	77,713	19,428	OSEC	Schedule C
Private Secretary	GS-11	46,142	11,536	OSEC	Schedule C
Secretary	GS-10	48,173	12,043	OSEC	Career
Secretary Typing	GS-9	38,137	9,534	OSEC	Career
Motor Vehicle Operator	WG-7	33,738	8,434	OSEC	Career
Intergovernmental Affair Activities:					
Director, Intergovern-mental Affairs	GS-15	86,059	21,515	OSEC	Schedule C
Secretary	GS-9	35,904	8,976	OSEC	Career
Indian Affairs Specialist	GS-15	88,722	22,181	OSEC/NRCS	Career

ASSISTANT SECRETARY FOR CONGRESSIONAL RELATIONS
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Congressional Relations Activities:					
Assistant Secretary	EX-IV	$122,400	$30,600	OSEC	PAS
Confidential Assistant	GS-14	71,954	17,989	OSEC	Schedule C
Confidential Assistant	GS-14	81,546	20,387	OSEC	Schedule C
Confidential Assistant	GS-12	51,204	12,801	OSEC	Schedule C
Private Secretary	GS-11	48,420	12,105	OSEC	Schedule C
Secretary	GS-10	50,554	12,639	OSEC	Career
Secretary Typing	GS-9	41,194	10,299	OSEC	Career
Motor Vehicle Operator	WG-7	35,381	8,845	OSEC	Career
Intergovernmental Affairs Activities:					
Director, Intergovern-mental Affairs	GS-15	98,744	24,686	OSEC	Schedule C
Secretary	GS-9	41,194	10,299	OSEC	Career
Confidential Assistant	GS-15	95,923	23,981	RBS	Schedule C

UNDER SECRETARY FOR RESEARCH, EDUCATION AND ECONOMICS
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$125,900	$31,475	OSEC	PAS
Acting Deputy Under Secretary	ES-4	125,900	31,475	OSEC	Non-Career
Secretary	GS-8	30,465	7,616	OSEC	Career
Secretary	GS-11	48,856	12,214	OSEC	Career
Communication/Legislative Director	GS-15	102,163	25,541	ARS/CSREES ERS/NASS	Schedule C
REE Budget Coordinator	ES-1	110,351	27,588	ARS/CSREES ERS/NASS	Career
Confidential Assistant	GS-15	80,658	20,165	ARS/CSREES ERS/NASS	Schedule C
Secretary	GS-6	24,754	6,189	ARS/CSREES ERS/NASS	Career

UNDER SECRETARY FOR RESEARCH, EDUCATION AND ECONOMICS
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$130,200	$32,550	OSEC	PAS
Acting Deputy Under Secretary	ES-5	130,200	32,550	OSEC	Non-Career
Secretary	GS-10	47,961	11,990	OSEC	Career
Secretary	GS-11	52,693	13,173	OSEC	Career
Communications/Legislative Director	GS-15	107,207	26,802	ARS/CSREES ERS/NASS	Schedule C
REE Budget Coordinator	ES-1	115,811	28,953	ARS/CSREES ERS/NASS	Career
Confidential Assistant	GS-15	80,658	20,165	ARS/CSREES ERS/NASS	Schedule C

UNDER SECRETARY FOR MARKETING AND REGULATORY PROGRAMS
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Assistant Secretary	EX-IV	$118,400	$29,600	OSEC	PAS
Special Assistant	ES-6	125,900	31,475	OSEC	Non-Career
Special Assistant	GS-15	86,034	21,509	OSEC	Career
Secretary	GS-12	53,676	13,419	OSEC	Career
Secretary	GS-10	45,702	11,426	OSEC	Career
Confidential Assistant	GS-15	104,851	26,213	APHIS	Schedule C
Confidential Assistant	GS-15	88,722	22,181	AMS	Schedule C

UNDER SECRETARY FOR MARKETING AND REGULATORY PROGRAMS
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Assistant Secretary	EX-IV	$122,400	$30,600	OSEC	PAS
Deputy Assistant Secretary	ES-6	130,200	32,550	OSEC	Non-Career
Special Assistant	GS-14	81,546	20,387	OSEC/GIPSA	Career
Secretary	GS-12	56,324	14,081	OSEC	Career
Secretary	GS-10	47,961	11,990	OSEC	Career
Confidential Assistant	GS-15	110,028	27,507	APHIS	Schedule C
Confidential Assistant	GS-15	93,101	23,275	AMS	Schedule C

UNDER SECRETARY FOR FOOD SAFETY
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$125,900	$31,475	OSEC	PAS
Deputy Under Secretary	ES-4	125,900	31,475	OSEC	Non-career
Secretary	GS-12	48,796	12,199	OSEC	Career

UNDER SECRETARY FOR FOOD SAFETY
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$130,200	$32,550	OSEC	PAS
Deputy Under Secretary	ES-4	130,200	32,550	OSEC	Non-career
Secretary	GS-12	52,911	13,228	OSEC	Career

UNDER SECRETARY FOR FARM AND FOREIGN AGRICULTURAL SERVICES
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$125,900	$31,475	OSEC	PAS
Deputy Under Secretary	ES-4	125,900	31,475	OSEC	Non-Career
Deputy Under Secretary	ES-4	125,900	31,475	OSEC	Non-Career
Secretary	GS-12	61,810	15,453	OSEC/FAS	Career
Counsel to the Secretary	GS-15	104,851	26,213	RMA	Schedule C
Counsel to the Secretary	GS-15	104,851	26,213	FAS	Schedule C
Counsel to the Secretary	GS-14	73,141	18,285	RMA	Career
Secretary	GS-11	43,428	10,857	FSA	Career
Secretary	GS-9	40,381	10,095	FSA	Career

UNDER SECRETARY FOR FARM AND FOREIGN AGRICULTURAL SERVICES
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$130,200	$32,550	OSEC	PAS
Deputy Under Secretary	ES-4	130,200	32,550	OSEC	Non-Career
Deputy Under Secretary	ES-4	130,200	32,550	OSEC	Non-Career
Secretary	GS-12	64,857	16,214	OSEC/FAS	Career
Counsel to the Secretary	GS-15	110,028	27,507	RMA	Schedule C
Counsel to the Secretary	GS-14	76,750	19,188	RMA	Career
Secretary	GS-11	46,996	11,749	FSA	Career
Secretary	GS-9	42,370	10,593	FSA	Career

UNDER SECRETARY FOR RURAL DEVELOPMENT
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$125,900	$31,475	OSEC	PAS
Deputy Under Secretary	ES-6	125,900	31,475	OSEC	Non-Career
Deputy Under Secretary	ES-4	125,900	31,475	OSEC	Non-Career
Senior Policy Advisor	GS-15/9	102,163	25,541	RBCS	Schedule C
Policy Advisor	GS-14	77,713	19,428	RBCS	Schedule C
Staff Assistant	GS-10	37,057	9,264	RHS	Career
Staff Assistant	GS-7	34,843	8,711	RHS	Career
Secretary	GS-8	35,540	8,885	RHS	Career
Secretary	GS-8	35,540	8,885	RBCS	Career

UNDER SECRETARY FOR RURAL DEVELOPMENT
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$130,200	$32,550	OSEC	PAS
Deputy Under Secretary	ES-6	130,200	32,550	OSEC	Non-Career
Deputy Under Secretary	ES-4	130,200	32,550	OSEC	Non-Career
Senior Policy Advisor	GS-15	107,207	26,802	RBCS	Schedule C
Policy Advisor	GS-14	81,546	20,387	RBCS	Schedule C
Staff Assistant	GS-10	38,885	9,721	RHS	Career
Staff Assistant	GS-7	36,560	9,140	RHS	Career
Secretary	GS-8	37,295	9,324	RHS	Career
Secretary	GS-8	37,295	9,324	RBCS	Career
Policy Advisor	GS-15	84,638	21,160	RBCS	Schedule C

UNDER SECRETARY FOR NATURAL RESOURCES & ENVIRONMENT
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$125,900	$31,475	OSEC	PAS
Deputy Under Secretary	ES-1	110,351	27,588	OSEC	Non-Career
Deputy Under Secretary	ES-1	110,351	27,588	OSEC	Non-Career
Private Secretary	GS-12	50,423	12,606	OSEC	Schedule C
Secretary	GS-9	33,650	8,413	OSEC/NRCS	Career
Secretary	GS-6	24,754	6,189	OSEC/FS	Career

UNDER SECRETARY FOR NATURAL RESOURCES & ENVIRONMENT
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	$130,200	$32,550	OSEC	PAS
Deputy Under Secretary	ES-1	115,811	28,953	OSEC	Non-Career
Deputy Under Secretary	ES-2	121,264	30,316	OSEC	Non-Career
Private Secretary	GS-12	54,618	13,655	OSEC	Schedule C
Secretary	GS-6	26,842	6,711	OSEC/NRCS	Career
Secretary	GS-6	26,842	6,711	OSEC/FS	Career

UNDER SECRETARY FOR FOOD, NUTRITION AND CONSUMER SERVICES
FISCAL YEAR 1999

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-IV	118,400	$29,600	OSEC	PAS
Deputy Under Secretary	ES-3	120,814	30,204	OSEC	Non-Career
Secretary	GS-11	50,213	12,553	OSEC	Career
Secretary	GS-11	46,142	11,536	OSEC	Career
Executive Assistant	GS-14	73,141	18,285	OSEC/FNS	Career

UNDER SECRETARY FOR FOOD, NUTRITION AND CONSUMER SERVICES
FISCAL YEAR 2000

TITLE	GRADE	SALARY	BENEFITS	FUNDED BY	IDENTITY OF APPOINTMENT
Under Secretary	EX-III	130,200	$32,550	OSEC	PAS
Deputy Under Secretary	ES-3	130,200	32,550	OSEC	Non-Career
Secretary	GS-12	56,324	14,081	OSEC	Career
Secretary	GS-11	49,845	12,461	OSEC	Career
Executive Assistant	GS-14	79,148	19,787	OSEC/FNS	Career

Food Stamp EBT Coverage

Mr. Skeen: What percentage of food stamp benefits is currently being delivered by EBT?

Response: As of January 2000, about 75 percent of the total food stamp issuance amount for the country is being delivered through State EBT systems. At this time, forty States, the District of Columbia, and Puerto Rico have operational food stamp EBT systems. Thirty-seven of these systems are operating statewide.

USDA WIC Eligibles Estimate

Mr. Skeen: Please submit a copy of the Department's most recent estimate of WIC eligibles for the record.

Response: I would be happy to provide that information.

[The information follows:]

1997	10.4	8.5	7.4	87%
1998	10.2	8.3	7.4	89%

Based on the March 1998 Current Population Survey (CPS), FNS estimates that 8.3 million women, infants and children were fully eligible for the WIC Program in 1998, a 2.3 percent decrease from the number estimated eligible in 1997. A total of about 10.2 million women, infants and children fell below the WIC income eligibility limit in 1998, versus an estimated 10.4 million in 1997. These estimates were prepared using USDA's traditional estimation methodology. FNS is exploring refinements to the estimation methodology, and will apprize the Committee of any changes to it that are approved.

Monthly WIC Participation in Recent Years

Mr. Skeen: Update the table that appears on page 466 of last year's hearing record showing the monthly participation levels of the WIC program to include fiscal year 1999, and to date in fiscal year 2000.

Response: I would be happy to provide that information.

[The information follows:]

03/06/2000

OVERVIEW - WIC by the Month

TOTAL for All Participants (1,000s)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Oct	3,430.4	3,470.0	3,834.4	4,491.8	4,628.7	5,291.3	5,659.1	6,260.2	6,849.3	7,083.4	7,485.2	7,425.3	7,449.9	7,204.4
Nov	3,389.4	3,436.1	3,848.5	4,493.6	4,670.8	5,261.8	5,635.3	6,265.5	6,836.1	7,100.9	7,419.9	7,271.6	7,341.1	7,177.1
Dec	3,393.7	3,442.8	3,873.8	4,388.9	4,487.6	5,149.1	5,625.1	6,202.6	6,743.5	6,888.8	7,287.7	7,236.9	7,275.2	7,079.0
Jan	3,406.5	3,473.6	3,974.5	4,558.9	4,740.3	5,294.1	5,741.5	6,297.5	6,846.2	7,101.7	7,500.7	7,332.3	7,306.2	
Feb	3,404.9	3,537.0	4,028.9	4,563.2	4,757.6	5,284.5	5,743.5	6,298.2	6,813.6	7,091.2	7,442.6	7,315.3	7,262.9	
Mar	3,461.9	3,624.6	4,131.3	4,632.0	4,815.5	5,379.8	5,911.1	6,456.1	6,925.2	7,169.3	7,448.0	7,397.0	7,376.9	
Apr	3,450.4	3,641.8	4,143.5	4,580.9	4,905.2	5,398.5	5,990.1	6,489.9	6,858.4	7,205.5	7,449.8	7,420.4	7,359.2	
May	3,438.6	3,678.4	4,229.7	4,536.2	5,005.7	5,380.9	6,004.8	6,562.5	6,905.4	7,243.4	7,385.2	7,360.9	7,268.4	
Jun	3,459.3	3,724.5	4,241.0	4,412.8	5,042.9	5,532.4	6,091.2	6,642.8	6,968.0	7,230.6	7,367.5	7,404.8	7,292.7	
Jul	3,464.2	3,664.1	4,307.0	4,472.2	5,144.8	5,573.8	6,176.3	6,663.3	6,916.0	7,326.9	7,378.4	7,412.7	7,247.8	
Aug	3,436.6	3,699.4	4,410.6	4,557.9	5,236.9	5,619.8	6,243.5	6,789.5	7,085.3	7,377.0	7,346.9	7,414.9	7,283.3	
Sep, EOY	3,416.9	3,721.6	4,397.1	4,504.1	5,275.4	5,674.8	6,232.1	6,798.2	6,983.7	7,410.6	7,370.5	7,416.9	7,261.0	
Average	3,429.4	3,592.8	4,118.4	4,516.0	4,892.6	5,403.4	5,921.1	6,477.2	6,894.2	7,185.8	7,406.9	7,367.4	7,310.4	7,153.5
Avg PY to CY		163.4	525.5	397.7	376.6	510.8	517.7	556.1	417.0	291.6	221.1	-39.5	-57.0	-156.9
Sep PY to CY		304.7	675.4	107.1	771.3	399.4	557.3	566.1	185.5	426.9	-40.1	46.4	-155.9	
% Sep PY to CY		8.9%	18.1%	2.4%	17.1%	7.6%	9.8%	9.1%	2.7%	6.1%	-0.5%	0.6%	-2.1%	
Infants Calendar Year:														
U.S.	3,804	3,930	4,010	4,043	4,091	4,067	4,012	3,911	3,969	3,984	3,965	4,009	na	
WIC	1,030	1,131	1,299	1,444	1,602	1,697	1,758	1,796	1,817	1,835	1,869	1,893	1,892	
% WIC	27.1%	28.8%	32.4%	35.7%	39.2%	41.7%	43.8%	45.9%	45.8%	46.1%	47.1%	47.2%	na	
Program Level														
$ Mil.	1,679.6	1,797.5	1,910.7	2,122.5	2,301.1	2,596.8	2,828.9	3,169.2	3,440.4	3,695.3	3,845.0	3,891.2	3,945.3	1,007.5
Food Package														
Avg/Mo.	$32.68	$33.28	$30.14	$30.20	$29.84	$30.20	$29.77	$29.91	$30.41	$31.20	$31.67	$31.76	$32.53	$32.94
Change PY to CY		1.8%	-9.4%	0.2%	-1.2%	1.2%	-1.4%	0.5%	1.7%	2.6%	1.5%	0.3%	2.4%	1.3%

Change from the Prior Month (1,000s)

Oct	45.0	53.0	112.8	94.7	124.6	15.9	-15.7	28.1	51.0	99.7	74.7	54.8	33.0	-56.5
Nov	-41.0	-33.8	14.1	1.8	42.1	-29.5	-23.8	5.3	-13.2	17.5	-65.3	-153.7	-108.8	-27.3
Dec	4.3	6.6	25.3	-104.7	-183.2	-112.7	-10.3	-62.9	-92.6	-212.1	-132.2	-34.7	-65.9	-98.1
Jan	12.8	30.8	100.7	170.0	252.7	145.0	116.4	94.9	102.7	212.9	213.0	95.4	31.0	
Feb	-1.6	63.5	54.3	4.3	17.3	-9.6	2.1	0.8	-32.6	-10.5	-58.2	-17.0	-43.2	
Mar	57.0	87.6	102.5	68.8	57.8	95.2	167.5	157.9	111.6	78.1	5.5	81.6	114.0	
Apr	-11.5	17.2	12.2	-51.1	89.8	18.8	79.1	33.7	-66.7	36.2	1.7	23.4	-17.7	
May	-11.8	36.6	86.2	-44.7	100.4	-17.7	14.7	72.6	47.0	37.9	-64.6	-59.5	-90.7	
Jun	20.8	46.0	11.3	-123.4	37.3	151.6	86.4	80.4	62.5	-12.9	-17.7	43.9	24.2	
Jul	4.9	-60.3	65.9	59.5	101.9	41.4	85.1	20.4	-52.0	96.3	10.9	7.9	-44.9	
Aug	-27.6	35.2	103.6	85.7	92.1	46.0	67.3	126.2	169.3	50.1	-31.5	2.2	35.5	
Sep, EOY	-19.7	22.2	-13.6	-53.8	38.5	55.0	-11.5	8.7	-101.6	33.6	23.6	2.0	-22.3	
Avg	-1.2	25.4	56.3	8.9	64.3	33.3	46.4	47.2	15.5	35.6	-3.3	3.9	-13.0	-60.6
Min	-41.0	-60.3	-13.6	-123.4	-183.2	-112.7	-23.8	-62.9	-101.6	-212.1	-132.2	-153.7	-108.8	-98.1
Max	57.0	87.6	112.8	170.0	252.7	151.6	167.5	157.9	169.3	212.9	213.0	95.4	114.0	-27.3

USDA ADVISORY COMMITTEES, PANELS, TASK FORCES, AND COMMISSIONS

Mr. Skeen: For the record, please provide a list of all advisory committees, panels, task forces, and commissions that were funded in fiscal year 2000. Indicate those that are mandated by law and those that are discretionary as well as the funding level of each. Also list each advisory committee, panel, task force and commission that you propose to operate in FY 2001 and the proposed budget for each.

Response: [The information follows:].

AUTHORITY AND FUNDING OF USDA ADVISORY COMMITTEES IN EXISTENCE BETWEEN FY 2000 AND FY 2001			
Committee Title	Authority: Statutory (S) or Discretionary (D)	FY 2000 Estimate	FY 2001 Estimate
FOOD, NUTRITION AND CONSUMER SERVICES:			
National Advisory Council on Maternal, Infant and Fetal Nutrition	S 42 U.S.C. 1786	$47,350	$50,000
FOOD SAFETY:			
National Advisory Committee on Meat and Poultry Inspection	S 21 U.S.C. 601	61,350	67,000
National Advisory Committee on Microbiological Criteria for Foods	D Departmental Regulation 1043-28	37,350	40,000
Total, Food Safety		98,700	107,000
RESEARCH, EDUCATION, AND ECONOMICS:			
Advisory Committee on Agricultural Biotechnology	D Secretary's Decision Memorandum	125,400	108,050
Forestry Research Advisory Council	S 16 U.S.C. 582a	23,350	27,000
USDA/Hispanic Association of Colleges and Universities	D Memorandum of Agreement dated 10/96	17,350	21,000
USDA/American Indian Higher Education Consortium	S P.L. 104-127	56,350	60,000
National Genetic Resources Advisory Council	S 7 U.S.C. 5843	13,850	17,000
National Nutrition Monitoring Advisory Council	S P.L. 101-445	32,350	35,000
Dietary Guidelines Advisory Committee	D Departmental Regulation 1042-94	47,350	0
Advisory Committee on Agriculture Statistics	S 5 U.S.C. App. 2	23,350	30,000
Advisory Committee on Small Farms	D Departmental Regulation 1043-46	127,350	150,000
Total, Research, Education, and Economics		466,700	448,050

Committee Title	Authority: Statutory (S) or Discretionary (D)	FY 2000 Estimate	FY 2001 Estimate
MARKETING AND REGULATORY PROGRAMS:			
Advisory Committee on Foreign Animal and Poultry Diseases	D Departmental Regulation 1043-31	16,250	19,660
General Conference Committee of the National Poultry Improvement Plan	D Departmental Regulation 1043-8	7,280	10,430
National Wildlife Services Advisory Committee (formerly National Animal Damage Control Advisory Committee)	D Departmental Regulation 1043-27	15,450	18,100
National Organic Standards Board	S 7 U.S.C. 6518	47,350	50,000
Grain Inspection Advisory Committee	S P. L. 103-156 7 U.S.C. 87i	28,350	32,000
Total, Marketing and Regulatory Programs		114,680	130,190
FARM AND FOREIGN AGRICULTURAL SERVICES:			
Agricultural Policy Advisory Committee for Trade	D Departmental Regulation 1042-68	11,470	14,120
Agricultural Technical Advisory Committee for Trade in:			
Animals & Animal Products	D Departmental Regulation 1042-68	11,460	14,110
Fruits and Vegetables	D Departmental Regulation 1042-68	11,460	14,110
Grains, Feed & Oilseeds	D Departmental Regulation 1042-68	11,460	14,110
Sweeteners and Sweetener Products	D Departmental Regulation 1042-68	11,460	14,110
Tobacco, Cotton, and Peanuts	D Departmental Regulation 1042-68	11,460	14,110
Advisory Committee on Emerging Markets	S P.L. 104-127	30,050	32,700
Edward R. Madigan Agricultural Export Excellence Award Board	S P.L. 104-127	12,350	15,000

Committee Title	Authority: Statutory (S) or Discretionary (D)	FY 2000 Estimate	FY 2001 Estimate
Advisory Committee on Beginning Farmers and Ranchers	S P.L. 102-554	32,350	70,000
National Drought Policy Commission	S P.L. 105-199	440,350	0
Risk Management Advisory Committee	D Departmental Regulation 1042-132	77,350	100,000
Total, Farm and Foreign Agricultural Services		661,220	302,370
NATURAL RESOURCES AND ENVIRONMENT:			
Task Force on Agricultural Air Quality Research	D Departmental Regulation 1042-126	47,350	50,000
USDA 1890 Task Force	D Deputy Secretary's Memorandum dated 8/29/88	12,350	15,000
Total, Natural Resources and Environment		59,700	65,000
OFFICE OF THE CHIEF ECONOMIST:			
Commission on 21st Century Production Agriculture	S P.L 104-127	347,350	120,000
Subtotal, USDA Advisory Committees		1,795,700	1,222,610
Contingencies/Reserve		4,300	577,390
Total, Advisory Committees Limitation		$1,800,000	$1,800,000

QUESTIONS SUBMITTED BY MR. SKEEN

OUTSIDE COUNSEL HIRED

Mr. Skeen: Please provide the name and firm of any outside counsel hired by the Department in FY 1999 and please provide the total amount paid for their services.

Response: The information is provided for the record.

[The information follows:]

Rural Housing Service and Farm Service Agency (Farm Loan Programs) Contract Attorneys
FY 1999

State	Name	Firm Name	FY 1999 Fees
Louisiana	Gregory R. deKeyzer*	(Sole Practitioner)	$280,843.00
	H. James Lossin, Sr.*	(Sole Practitioner)	
	William D.O'Regan, III*	(Sole Practitioner)	
	Van Seneca	Bergstedt & Mount	
	Bradley Drell	Walker, Passman	
	Sherman Boughton	McGlinchey, Stafford	
	Louis Delahaye	Canova and Delahaye	
	Donnie L. Floyd*	(Sole Practitioner)	
	George Forest	Forest & Forest	
	Jeffrey Robinson	Teat & Avery	
	Jack Wise	Wise & Wise	
	Michael Matt	(Sole Practitioner)	
	Terry Irby	(Sole Practitioner)	
	(Firm)*	Saloom & Saloom	
	Ann B. McIntyre (FSA only)*	(Sole Practitioner)	
	Richard Rozanski (FSA only)*	Provosty, Sadler & DeLaunay	
Ohio	Stephen D. Miles	(Sole Practitioner)	$155,391.00
	Gilbert D. Rieger	Rieger, Spencer, Carpenter & Daugherty	
Wisconsin	(Firm)	Heywood & Cari	$38,035.00
	(Firm)	Daniel Law Office	
	Kenneth Wm. Jost	(Sole Practitioner)	
Florida	Neal E. Young	(Sole Practitioner)	$62,219.00
	(Firm)	Boswell & Dunlap	

State	Name	Firm Name	FY 1999 Fees
	(Firm)	William Golson & Associates	
New Mexico	(Firm)	Leverick & Musselman	$164,885.00
	Elizabeth Mason, P.C.	(Sole Practitioner)	
Maine	Richard H. Broderick, Sr.	Broderick & Broderick	$261,950.00
Puerto Rico	(Firm)	Melendez-Perez, Moran & Santiago	$3,996.00
New Jersey	(Firm)	Mantleman, Weinroth & Miller	$35,649.00
Massachusetts	(Firm)	Adelson, Golden, Loria & Simons, P.C.	$321,450.00
	Robert H. Greene, P.C.	(Sole Practitioner)	$101,650.00
Maryland	(Firm)	McIntire, Johnson, Levin & Webb	$173,301.00
	(Firm)	Deutsch & Towarnicky	
Delaware	(Firm)	Twilley & Street	$28,520.00
Idaho	Lisa Holmes	(Sole Practitioner)	$2,230.00
	Susan Wiebe	Wiebe Law Office	
Total			$1,630,119.00

Farm Service Agency (FSA) is authorized to contract for private attorneys under section 331(c) of the Consolidated Farm and Rural Development Act. Firms marked with a single asterisk (*) were placed under contract to FSA to provide services relating to foreclosures under farmer loan programs of the agency. Louisiana is the only state which uses FSA contract attorneys. Five of these firms in Louisiana were also under contract to the Rural Housing Service (RHS) to provide foreclosure services in connection with RHS single family housing loans under section 502 of the Housing Act of 1949. The amount expended by FSA in fiscal year 1999 for foreclosure services totaled $47,483.

RHS contracts for private attorneys are authorized under section 510(d) of the Housing Act of 1949. Firms not designated, as explained above, performed foreclosure services for RHS. Amounts expended during fiscal year 1999 as payment under contracts to private attorneys totaled approximately $1,582,636.

UPDATE CONSERVATION RESERVE TABLE

Mr. Skeen: Please update the table that appears on page 471 of last year's hearing record showing the total cost of the CRP program since its inception to include fiscal year 1999 actuals and fiscal year 2000 estimates.

Response: A summary of costs by fiscal year since the inception of the program, including both cash outlays and the value of CCC commodity certificates issued for rental payments.

[The information follows:]

CONSERVATION RESERVE PROGRAM
(Dollars in thousands)

Fiscal Year:	Cash Outlays	CCC Commodity Certificates 6/	Total
1986	23,146	0	23,146
1987	267,024	409,969	676,993
1988	291,477	759,067	1,050,544
1989	1,372,205	-13,509	1,358,696
1990	1,513,092	-3,507	1,509,585
1991	1,630,977	0	1,630,977
1992	1,669,275	-178	1,669,097
1993	1,689,602	-251	1,689,351
1994	1,735,587	-268	1,735,319
1995	1,732,343	-237	1,732,106
1996 1/	1,732,194	-50	1,732,144
1997 2/	1,690,960	-44	1,690,916
1998 3/	1,731,326	0	1,731,326
1999 4/	1,513,849	0	1,513,849
2000 (est.) 5/	1,630,089	0	1,630,089
TOTAL	20,223,146	1,150,992	21,374,138

1/ Outlays in FY 1996 include funds from the appropriated account ($1.730 billion) and the CCC account ($1.946 million).
2/ Outlays in FY 1997 include funds from the appropriated account ($20.3 million) and the CCC account ($1.671 billion).
3/ Outlays in FY 1998 include funds from the appropriated account ($38.4 million) and the CCC account ($1.693 billion).
4/ Outlays in FY 1999 include funds from the appropriated account($52.3 million) and the CCC account ($1.462 billion).
5/ Outlays estimated for FY 2000 include funds from the appropriated account ($20.4 million) and the CCC account ($1.610 billion).
6/ Negative sign (-) reflects accounting adjustments.

KARNAL BUNT

Mr. Skeen: How much has been spent to date on Karnal Bunt compensation?

Response: Approximately $32.4 million has been spent on Karnal Bunt compensation through our emergency eradication program, which began in late 1996.

KARNAL BUNT

Mr. Skeen: How much has been spent to date on Karnal Bunt compensation?

Response: Approximately $32.4 million has been spent on Karnal Bunt compensation through our emergency eradication program, which began in late 1996.

FUND FOR RURAL AMERICA

Mr. Skeen: Please provide a table showing the obligation of funding, both program level and budget authority, for the activities of the Funf for Rural America to date and plans for full obligation of the total amount in fiscal year 2000 and beyond.

Rsponse: I will be pleased to provide that information. In fiscal year (FY) 2001, the budget assumes that $60 million in carryover funds from FY 2000 which was blocked for use in FY 2000 will be oblogated.

[The information follows:]

Fund for Rural America
Obligation of Funding
(Dollars in Millions)

Program	FY 1997 Allocated Budget Authority	FY 1997 Allocated Program Level	FY 1999 Carryover Funds Allocated and Obligated in FY 2000 Budget Authority	FY 1999 Carryover Funds Allocated and Obligated in FY 2000 Program Level
Rural Development Activities:				
Farm Service Agency				
Beginning Farmer Loan Program	$2.0	$9.5	--	--
Rural Utilities Service				
Distance Learning and Medical Link Grants	6.5	6.5	--	--
Water and Waste Disposal Grants and Loans	4.6	8.4	$28.0	$28.0
Total, Rural Utilities Service	11.1	14.9	28.0	28.0
Rural Housing Service				
Section 502 Housing	15.5	109.3	--	--
Farm Labor Housing Loans	0.6	1.2	--	--
Farm Labor Housing Grants	1.4	1.4	2.5	2.5
Community Facility Grants	--	--	2.0	2.0
Total, Rural Housing Service	17.5	111.9	4.5	4.5
Rural Business-Cooperative Service				
EZ/EC Technical Assistance	0.6	0.6	--	--
Cooperative Developmental Services	1.1	1.1	--	--
Alternative Agricultural Research and Commercialization Corporation	0.5	0.5	--	--
Guaranteed Business and Industry Loans	--	--	1.3	41.8
Rural Business Enterprise Grants	6.6	6.6	1.0	1.0
Total, Rural Business-Cooperative Service	8.8	8.8	2.3	42.8
Office of Outreach				
Outreach for Socially Disadvantaged Farmers	4.5	4.5	5.2	5.2
Total, Rural Development Activities	43.9	149.7	40.0	80.5
Research, Extension and Education Grants:				
Research, Education and Extension Competitive Grants	36.1	36.1	--	--
Center Grants	--	--	20.0	20.0
Total, Research, Extension and Education Grants	36.1	36.1	20.0	20.0
TOTAL	**80.0**	**185.8**	**60.0**	**100.5**

..btd\FY 2001\Fund for Rural America\FY 2000 obligations.123

STAFF YEAR REDUCTIONS

Mr. Skeen: Please update the table that begins on page 474 of last years's hearing record that shows, by fiscalyear and agency, the staff year reductions that have occurred, including how much has been spent through the use of early outs and buyouts

Response: The Department did not make use of the buyout authority for fiscal year 1999. The information that you requested will be provided in an updated table.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
Staff Years

Agency	1993	1994	1994 Change	1995	1995 Change	1996	1996 Change	1997	1997 Change	1998	1998 Change	1999	1999 Change	Change 1993 - 1999 Amount	Change 1993 - 1999 Percent
FARM AND FOREIGN AGRICULTURAL SERVICES															
Farm Service Agency	7,628	7,112	-516	6,602	-510	6,283	-319	5,870	-413	5,666	-204	5,709	43	-1,919	-25.2%
Risk Management Agency	664	651	-13	563	-88	536	-27	526	-10	530	4	528	-2	-136	-20.5%
Foreign Agricultural Service	923	906	-17	907	1	885	-22	881	-4	914	33	923	9	0	0.0%
RURAL DEVELOPMENT															
Rural Development	9,547	9,186	-361	8,482	-704	8,014	-468	7,298	-716	7,028	-270	6,960	-68	-2,587	-27.1%
FOOD, NUTRITION, AND CONSUMER SERVICES															
Food and Nutrition Service	2,009	1,933	-76	1,868	-65	1,807	-61	1,711	-96	1,638	-73	1,606	-32	-403	-20.1%
NATURAL RESOURCES AND ENVIRONMENT															
Natural Resources Conservation Service	13,784	13,311	-473	12,157	-1,154	11,833	-324	11,888	55	11,916	28	11,720	-196	-2,064	-15.0%
Forest Service	43,025	40,593	-2,432	38,349	-2,244	37,224	-1,125	36,330	-894	34,798	-1,532	34,366	-432	-8,659	-20.1%
FOOD SAFETY															
Food Safety and Inspection Service	9,950	10,111	161	10,090	-21	9,760	-330	9,697	-63	9,698	1	9,590	-108	-360	-3.6%
RESEARCH, EDUCATION, AND ECONOMICS															
Agricultural Research Service	8,426	7,953	-473	7,621	-332	7,617	-4	7,521	-96	7,431	-90	7,545	114	-881	-10.5%
Cooperative State Research, Education & Extension Servic	408	424	16	386	-38	380	-6	394	14	404	10	390	-14	-18	-4.4%
Economic Research Service	788	717	-71	625	-92	591	-34	570	-21	531	-39	511	-20	-277	-35.2%
National Agricultural Statistics Service	1,487	1,345	-142	1,214	-131	1,047	-167	1,097	50	1,147	50	1,137	-10	-350	-23.5%
MARKETING AND REGULATORY PROGRAMS															
Agricultural Marketing Service	4,027	3,956	-71	3,843	-113	3,645	-198	3,524	-121	3,517	-7	3,389	-128	-638	-15.8%
Animal and Plant Health Inspection Service	6,552	6,631	79	6,303	-328	6,195	-108	6,295	100	6,342	47	6,321	-21	-231	-3.5%
Grain Inspection, Packers & Stockyards Administration	936	867	-69	812	-55	808	-4	788	-20	757	-31	740	-17	-196	-20.9%
DEPARTMENTAL ACTIVITIES															
Office of the Secretary	83	72	-11	64	-8	66	2	61	-5	64	3	63	-1	-20	-24.1%
Office of the Chief Economist	45	36	-9	37	1	37	0	40	3	39	-1	49	10	4	8.9%
National Appeals Division	152	151	-1	132	-19	132	0	133	1	129	-4	127	-2	-25	-16.4%
Office of Budget and Program Analysis	76	72	-4	71	-1	72	1	73	1	70	-3	63	-7	-13	-17.1%
Office of the General Counsel	420	402	-18	368	-34	353	-15	351	-2	340	-11	339	-1	-81	-19.3%
Office of the Inspector General	850	825	-25	777	-48	754	-23	742	-12	737	-5	701	-36	-149	-17.5%
Office of the Chief Information Officer	297	281	-16	279	-2	262	-17	246	-16	250	4	255	5	-42	-14.1%
Office of the Chief Financial Officer	1,221	1,288	67	1,243	-45	1,231	-12	1,239	8	1,279	40	1,177	-102	-44	-3.6%
Departmental Administration	727	710	-17	628	-82	625	-3	618	-7	649	31	640	-9	-87	-12.0%
Office of Communications	150	135	-15	127	-8	123	-4	119	-4	118	-1	116	-2	-34	-22.7%
Subtotal, USDA	114,175	109,668	-4,507	103,547	-6,121	100,280	-3,267	98,012	-2,268	95,989	-2,023	94,965	-1,024	-19,210	-16.8%
Thrift Savings Plan	367	397	30	408	11	430	22	445	15	421	-24	526	105	159	43.3%
Total, USDA Federal Staffing	114,542	110,065	-4,477	103,955	-6,110	100,710	-3,245	98,457	-2,253	96,410	-2,047	95,491	-919	-19,051	-16.6%
FSA, Non-Federal CountyStaffing	14,953	14,176	-777	13,432	-744	12,738	-694	11,399	-1,339	10,733	-666	11,507	774	-3,446	-23.0%
Total, USDA Staffing	129,495	124,241	-5,254	117,387	-6,854	113,448	-3,939	109,856	-3,592	107,143	-2,713	106,998	-145	-22,497	-17.4%

DIRECT FARM CREDIT LOANS

Mr. Skeen: What is the level of direct farm credit loans that will be targeted to beginning and socially disadvantaged farmers and ranchers under the proposed FY 2001 budget?

Response: The targeting rates for socially disadvantaged and beginning farmer loans in FSA direct loan programs in FY 2001 are as follows:

Program	Beginning Farmer	Socially Disadvantaged
Direct Operating	35%	13%
Direct Farm Ownership	70%	20%

The beginning farmer targets are set in statute. The socially disadvantaged targets are set by county, based on demographic data. The targets of 13% and 20% are the national average.

Dairy Options Pilot Program

#23. Mr. Skeen: How much has the Department spent to date in administration, subsidies and other costs on the Dairy Options Pilot Program and what are the projections through FY 2001?

Response: (The information follows:)

DAIRY OPTIONS PILOT PROGRAM

SUMMARY OF EXPENSES

FISCAL YEARS 1999-2001

	FISCAL YEAR 1999 ACTUAL (ROUND I)	FISCAL YEAR 2000 ESTIMATED (ROUND II)	FISCAL YEAR 2001 ESTIMATED (ROUND III)
USDA Subsidy: Premiums....	$695,544	$8,930,400	$14,396,000
Brokers' Commissions.....	51,000	549,000	885,000
SUBTOTAL	746,544	9,479,400	15,281,000
Administrative and Operating Costs.....	552,624	265,000	265,000
TOTAL	$1,299,168	$9,744,400	$15,546,000

RMA is underway with Round II of the DOPP program and is optimistic that the second round will be more successful than Round I. Funds have been set aside in CCC funding for fiscal year 2001 costs, but no final decision has been made for the program at this time.

SPENDING TO RESOLVE THE YEAR 2000 COMPUTER PROBLEM

Mr. Skeen: What is USDA's latest estimate of the amount spent to correct the Department's Year 2000 computer problems? Please provide, for the record, and breakdown of these costs by agency.

Response: The total amount spent on Y2K activities since FY 1996, including supplemental funding, was approximately $188 million. This included funds for hardware and software upgrades and replacements, renovation, validation and implementation of systems undergoing repair, and technical assistance. Emergency supplemental appropriations in fiscal years 1999 and 2000 provided $57 million of this total. Following are current estimates of the total spending by agency.

[The information follows:]

USDA YEAR 2000 REMEDIATION AND CONVERSION (Dollars in thousands)						
	FY1996	FY1997	FY1998	FY1999	FY2000	
Agency	Total Cost	Total Cost	Total Cost	Total Cost	Total Cost	Grand Total
Foreign Agricultural Service	$70	$70	$730	$3,273	$70	4,213
Farm Service Agency	140	3,160	6,990	3,770	1,980	16,040
Risk Management Agency	560	250	480	1,728	0	3,018
Subtotal, Farm and Foreign Agricultural Services	770	3,480	8,200	8,771	2,050	23,271
Food and Nutrition Service	180	3,030	3,090	4,950	125	11,375
Subtotal, Food, Nutrition and Consumer Services	180	3,030	3,090	4,950	125	11,375
Food Safety and Inspection Service	0	0	0	2,878	628	3,506
Subtotal, Food Safety	0	0	0	2,878	628	3,506
Agricultural Marketing Service	50	1,040	4,231	3,020	30	8,371
Animal and Plant Health Inspection Service	0	3,731	7,504	8,279	2,196	21,710
Grain Inspection, Packers and Stockyards Administration	0	143	1,573	1,281	0	2,997
Subtotal, Marketing and Regulatory Programs	50	4,914	13,308	12,580	2,226	33,078
Forest Service	0	0	11,850	11,000	2,000	24,850
Natural Resources Conservation Service	0	71	10,600	9,879	389	20,939
Subtotal, Natural Resources and Environment	0	71	22,450	20,879	2,389	45,789
Agricultural Research Service	0	421	1,575	9,079	891	11,966
Cooperative State Research, Education and Extension Service	0	0	194	942	280	1,416
Economic Research Service	81	150	609	664	60	1,564
National Agricultural Statistics Service	0	45	201	249	100	595
Subtotal, Research, Education and Economics	81	616	2,579	10,934	1,331	15,541
Rural Development	125	400	2,154	9,890	0	12,569
Subtotal, Rural Development	125	400	2,154	9,890	0	12,569
Departmental Administration	0	0	1,338	4,325	500	6,163
National Appeals Division	0	900	0	65	0	965
Office of the Chief Financial Officer - NFC	100	500	9,500	3,900	1,000	15,000
Office of the Chief Information Officer	0	117	1,485	14,314	2,920	18,836
Office of Communications	50	60	20	210	300	640
Office of the Chief Economist	0	3	3	4	0	10
Office of the Inspector General	0	0	0	1,525	0	1,525
Office of Budget and Program Analysis	0	0	0	150	0	150
Office of the General Counsel	0	0	0	0	0	0
Subtotal, Departmental Administration and Staff Offices	150	1,580	12,346	24,493	4,720	43,289
TOTAL, USDA	$1,356	$14,091	$64,127	$95,375	$13,469	$188,418

QUESTIONS SUBMITTED BY MR. SKEEN

CODEX ALIMENTARIUS

Mr. Skeen: What does USDA plan to spend on Codex Alimentarius activities in fiscal years 2000 and 2001?

Response: USDA plans to spend approximately $1.1 million in 2000 and $2.1 million in 2001 for Codex Alimentarius.

Mr. Skeen: Which agencies fund Codex Activities?

Response: Funding for the U.S. Codex Alimentarius Office, which includes funding for the U.S. Manager for Codex Alimentarius, is provided for in the budget for the Food Safety and Inspection Service. The Foreign Agricultural Service and the Agricultural Marketing Service sponsor and attend meetings for Codex Alimentarius. I will provide additional budget information for the record.

[The information follows:]

United States Department of Agriculture
Funding for Codex Alimentarius
(Dollars in Thousands)

Agency	FY 2000	FY 2001
Food Safety and Inspection Service	$914 a/	$1,914 a/
Foreign Agricultural Service	147	199
Agricultural Marketing Service	79	35
Total, USDA	1,140	2,148

a/ Includes 2 employees detailed from FAS.

PROPOSED CROP INSURANCE LEGISLATION

#26. Mr. Skeen: Regarding the proposed crop insurance legislation, what will it do to avoid the need for emergency appropriations funding?

Response: The President's 2001 Budget request includes four key components to strengthen the farm safety net that would significantly reduce the need for emergency appropriations funding: (a) improve crop insurance, (b) strengthen conservation efforts, (c) create a supplemental income assistance program, and (d) provide new marketing opportunities.

#27 Mr. Skeen: According to USDA, in one recent year more federal crop insurance money went to agents than to farmers. What does the proposed legislation do to maximize benefits to producers?

Response: The legislation the administration proposes would actually make the cost of buying crop insurance less expensive for America's farmers. It would allow more farmers to participate at the higher levels of coverage; in some cases that coverage extends to the 85 percent protection rate. From a farm perspective, if and when a loss occurs, these higher coverage rates are at a more financially realistic level. Payments to insured producers can fluctuate from year to year depending on participation in the program and indemnities paid out for loss claims. Payments to the reinsured companies are based on the same criteria, along with the loss ratio for the year.

BIOBASED PRODUCTS/BIOENERGY

Mr. Skeen: Define biobased products.

Response: Biobased products, as defined in Executive Order 13101 and as defined for purposes of the President's Executive Order 13134, means a commercial or industrial product (other than food or feed) that utilizes biological products or renewable domestic agricultural (plant, animal, and marine) or forestry materials.

BIOBASED PRODUCTS/BIOENERGY

Mr. Skeen: How much of the $800,000 increase requested for development of a list of biobased products is for forestry resources?

Response: The list of biobased products is not yet assembled. Hence, it is not possible to determine in advance of finalizing the initial list what products will be included. We expect, however, the list will include a comprehensive and broad range of biobased products.

BIOBASED PRODUCTS/BIOENERGY

Mr. Skeen: Can the Department quantify job increases in rural areas and demand for products that would come from the proposed increases related to biobased products?

Response: We have not, as yet, conducted analyses that adequately quantify likely increases in farm and forest product prices and farm income generated by the proposed increases in biomass activities. We believe these increases would be significant, however. One of the pressing needs for which we have requested additional funding for the Office of Energy Policy and New Uses (OEPNU) in the 2001 budget is to undertake such analyses.

Based on very limited analysis, however, we have determined the projected farm gate price to be paid farmers for switchgrass used for co-firing electric power generation. A payment to farmers of $40 per ton would be required to bid 42 million acres away from other land uses (crop, pasture, and CRP land) in order to produce 188 million tons of switchgrass in 2008. That would be used to generate 43,371 megawatts of electric power. Most of the switchgrass would be produced in the Southeastern and Midwestern states. Based on the analysis, major crop prices rise, as a result of bidding land into switchgrass production. In 2008, corn prices are projected to be 24 cents per bushel higher, soybean prices 61 cents per bushel higher, wheat prices 49 cents per bushel higher, and rice prices $1 per hundredweight higher, than it would have been without the switchgrass production. Net farm income in 2008 is projected to be $5.5 billion higher than without the switchgrass production.

We believe it is very important to understand the likely effects on farm and forest product prices and on farm income as a result of the President's biobased product and biomass for energy initiative. We believe, as well, that it will be important to better understand the extent to which this initiative will stimulate new business development, employment growth, and income generation in rural communities, analyses we intend to undertake with the requested funding.

We also intend to undertake analysis of market potential that will identify those biobased products and crops that represent high potential markets. In this way it will be possible to focus product research, development, and demonstration efforts in ways that deliver the maximum payoff for taxpayer dollars invested.

We believe the requested 2001 funding will enable us to both identify high potential markets and also to develop a much better understanding of the benefit of this initiative to farmers, and rural America.

OFFICE OF THE UNDER SECRETARY FOR FOOD SAFETY

OFFICE OF THE UNDER SECRETARY FOR FOOD SAFETY

Mr. Skeen: Is the proposed increase in the Office of the Under Secretary for Food Safety for a new position?

Response: This Office was created in 1996 to supervise the activities of the Food Safety and Inspection Service, as well as functions under the Egg Products Inspection Act previously performed by the Agricultural Marketing Service, and the Salmonella enteritidis reduction program and pathogen reduction activities previously performed by the Animal and Plant Health Inspection Service. The proposed increase would fill a currently vacant position in order to provide expanded support of the President's Food Safety Initiative and the Executive Order creating the President's Council on Food Safety. This increase will enable the office to provide strong policy guidance on behalf of USDA regarding these Presidential initiatives, which require coordination with the Food and Drug Administration, the Surgeon General, the Environmental Protection Agency, the Centers for Disease Control and Prevention, the Department of Commerce, and other Federal agencies. The proposed increase also will contribute to building greater public confidence in the safety of the food supply and maintaining the integrity of the Federal inspection system for meat, poultry and egg products.

OUTREACH COORDINATOR PROGRAM

Mr. Skeen: Please describe the new outreach coordinator program. Include the names of those hired so far, the current and proposed places of assignment, a job description, the complete budget for this program including all salaries and other costs and the legal authority for this program. Please also indicate from where in the budget this program is to be funded.

Response: In the fall of 1996, I assembled a Civil Rights Action Team (CRAT) to examine concerns from USDA customers regarding allegations of discrimination by employees of the Department. Among the numerous concerns identified by the CRAT was the lack of participation in many of the USDA Programs by low income and limited resource customers. To begin to remedy this, I established the USDA Office of Outreach in 1997. This Office has departmentwide responsibility for providing leadership, coordination, and communication to increase the awareness of and participation in USDA programs. In conjunction with the establishment of the Office, USDA agencies were directed to establish an outreach liaison to direct outreach programs at the agency level and work directly with the Office of Outreach. To further enhance outreach efforts, Regional Outreach Directors were identified for strategic locations where there were greater opportunities to coordinate outreach activities to low-income and limited resource customers.

The legal authority for these activities is 7 U.S.C. 2201 which states in part, "There shall be at the seat of government a Department of Agriculture, the general design and duties of which shall be to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture, rural development, aquaculture, and human nutrition, in the most general and comprehensive sense of those terms. . ."

Regional Outreach Directors were targeted for 6 regions of the country. At present and due to budget limitations, only 2 of the regional posts have been filled. One of the Directors is an NRCS employee and the other is an FSA employee and, as such, their costs are funded from their respective agencies' budgets. Eric Serna is the NRCS Regional Outreach Director. His office is located in Santa Fe, New Mexico and his budget (including salary, benefits, and administrative costs) is $160,000. Patrick Henning is the FSA Regional Outreach Director. His office is in Sacramento, California, and his budget (including salary, benefits, and administrative costs) is $140,000. The following information provides the location of and job descriptions for each position.

[Clerk's Note: The information is being maintained in Committee files.]

Mr. Skeen: Please explain the increase in Object Classification 25.2, Other Services.

Response: In FY 2001 Object class 25.2, Other Services, is estimated to increase by about $600 million above FY 2000. Of this amount, $74 million is for the Forest Service and the balance is for the rest of the Department. The major increases for the rest of the Department includes:

1. A $293 million increase for the Risk Management Agency (RMA): $291 million in the Federal Crop Insurance Corporation (FCIC) Fund and $2 million for RMA's administrative and operating (A&O) expenses. In FY 2001, $270 million of the $290 million increase for the FCIC Fund is attributed to the President's Farm Safety Net Initiative and is for the following: (a) $40 million for increased risk management education; (b) $100 million to provide for multi-year coverage; (c) $30 million for additional research and development; and (d) $100 million to develop a livestock insurance pilot program. The remaining $21 million in the FCIC Fund is for increases in delivery expenses and research and development costs. The $2 million increase in RMA's A&O expenses is to study feasibility of insurance products for biobased products, additional civil rights activities, and an increase in computing expenses.

2. An increase of $233 million for the Commodity Credit Corporation (CCC). This increase primarily reflects the impact on CCC of the Administration's proposed Farm Safety net reforms including increases for Conservation Reserve Program, Wetlands Reserve Program, and Environmental Quality Incentives Program technical assistance as well as the extension of the dairy price support program. However, the $150 million associated with the extension of the dairy price support program should have been included under Object Classification 26.0, Supplies and materials: Costs of commodities sold or donated, rather than Object Classification 25.2, Other services.

FOOD SAFETY INITIATIVE

Mr. Skeen: Submit for the record a table showing the distribution of resources dedicated to the Food Safety Initiative for fiscal years 2000 and 2001, totaling $163.7 million in 2001 and involving eight USDA agencies. In addition, please identify projects and activities at the level of detail provided in congressional budget justification materials.

Response: I would be happy to provide that information for the record.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD SAFETY INITIATIVE
(Dollars in Thousands)

AGENCY TOTALS	1999 Actual	2000 Act	2001 President's Budget	2001 Budget Change from 2000 Act
AMS	$0 a/	$0	$6,235	$6,235
ARS	69,868	82,737	88,202	5,465
CSREES	24,765	27,400	35,788	8,388
ERS	938	1,391	1,391	0
FNS	2,000	2,000	2,000	0
FSIS	16,479	21,432	28,741	7,309
NASS	0	2,500	2,500	0
OCE	196	196	436	240
TOTAL, USDA	114,246	137,656	165,293	27,637

a/ In FY 1999, AMS used $112,000 to begin development of a microbiological data program by initiating laboratory method evaluations for a pilot program.

RATIONALE FOR INCREASED SUBSIDY COSTS

Mr. Skeen: With our booming national economy, please explain the rationale for increased subsidy costs in the Department's loan programs that are proposed in the budget. We realize that economic assumptions are dictated by OMB, but you are the one before us and we need to ask you to explain their thoughts.

Response:
The increased subsidy costs are a direct result of the increase in the Government's cost to borrow money as estimated by OMB. The Treasury rate assumed by OMB, and required for Agency use, for FY 2000 was 5.06% and this rate was increased to 6.27% for FY 2001.

WTO MINISTERIAL

Mr. Skeen: Can you point to specific budgetary initiatives that resulted from the lack of success at the WTO Ministerial Conference in Seattle last November?

Response: Although no overall agenda for a new round of multilateral trade negotiations was agreed to in Seattle, the "built-in" agenda for agricultural reform in the Uruguay Round Agreement on Agriculture provides for continuation of negotiations on agricultural trade reform. These negotiations are now scheduled to begin in Geneva in late March.

The 2001 budget requests an increase in funding for the Foreign Agricultural Service to bolster its market access compliance and negotiation activities. This includes developing negotiating strategies for the next round of agricultural trade negotiations and ensuring members' compliance with current WTO commitments. Development of a negotiating strategy requires significant analytical work, coordination with the private sector, outreach to foreign countries to help build support for further reform, and country intelligence and diplomacy. The U.S. objectives for the negotiations will be critical for achievement of our long-term market expansion and development objectives, and the additional resources requested in the budget will help to ensure that those objectives can be reached.

FUND FOR RURAL AMERICA AND
INITIATIVE FOR FUTURE AGRICULTURE AND FOOD SYSTEMS

Mr. Skeen: For the record, please describe the plan of work as well as the timetable for activities the Department hopes to accomplish under the Fund for Rural America and the Initiative for Future Agriculture and Food Systems.

Response: The Fund for Rural America (FRA) grants for FY 2000 were awarded in February 2000 to support five Centers. Planning Grants for FRA Centers were awarded in FY 1998 to assist eligible applicants in developing proposals for Centers, by bringing together individuals, institutions, states or regions, who are currently working independently, into coordinated efforts around common themes that span institutional or geographical boundaries. Planning grant recipients were eligible to compete for full multi-year funding of Centers. In 1998, six FRA Centers were selected for funding, one beginning in FY 1999 and five starting in FY 2000, to address issues such as animal waste management, new crops, and food entrepreneurship. By supporting Centers, the Cooperative State Research, Education, and Extension Service (CSREES) will bring together a critical mass of individuals and expertise to address problems and issues of importance to rural communities, producers, and the agricultural enterprise. Centers will reduce duplication of effort; enhance multi-disciplinary, multi-functional and collaborative efforts; and provide an accessible source of expert information, technology, and education upon which the public can draw. Each Center will broadly span functional areas and address problems that bridge research, education and extension. Funds will support research and demonstration projects, outreach and education activities, and Center management, coordination, and technical operations.

After my announcement of the Initiative for Future Agriculture and Food Systems on January 10, CSREES has worked to quickly implement this important activity. Dr. Rodney Foil, former Vice President for Agriculture, Forestry and Veterinary Medicine at Mississippi State University, was appointed to a temporary position as Director of the Initiative. On the job since January 16, 2000, Dr. Foil has been active in gaining stakeholder input and overseeing CSREES' development of the Request for Proposals (RFP). The RFP was developed based upon comments received in public stakeholder meetings, extensive discussion with Departmental leadership, and upon consultation with the National Agricultural Research, Extension, and Economics Advisory Board. The focus areas to be supported under the Initiative this year are agriculture genome and agricultural biotechnology; food safety and the role of nutrition in health; new uses for agricultural products; natural resource management, including precision agriculture; and farm efficiency and profitability (small and mid-sized farms). Priority is to be given to projects that are multi-state, multi-institutional, or multidisciplinary or projects that integrate agricultural research, extension and education. Relevance to solving current problems of small- to mid-sized farm and forest operators will constitute a significant factor in the evaluation of proposals. The RFP will be published in March with proposals due later this spring. Panels composed of scientists, educators, extension specialists, and representatives of the affected public will review the merits of each proposal and select and recommend the most outstanding for funding.

INITIATIVE FOR FUTURE AGRICULTURE AND FOOD SYSTEMS

Mr. Skeen: Please provide for the record the detailed plan of work to be accomplished during fiscal year 2000 via mandatory funding of $120 million for the Initiative for Future Agriculture and Food Systems. Please identify projects and activities at the level of detail provided in congressional budget justification materials.

Response: Funding allocations for FY 2000 are estimated for the priority mission areas to be funded, as required by the authorizing legislation (Section 401 of P.L. 105-185), as follows:

Initiative for Future Agriculture and Food Systems
(Dollars in Thousands)

2000 Estimate

Agriculture Genome	$35,000
Food Safety, and the Role of Nutrition in Health	25,000
New Uses for Agricultural Products	10,000
Natural Resource Management, Including Precision Agriculture	30,000
Farm Efficiency and Profitability, Including the Viability and Competitiveness of Small- and Medium-Sized Dairy, Livestock, Crop and Other Commodity Operations	20,000
Total, Initiative for Future Agric. and Food Systems	120,000 *

*Up to 4 percent of funds made available for grants under this section may be used for administrative costs incurred by the Secretary in carrying out this section, pursuant to Sec. 401(f)(7).

The Agriculture Genome area supports research to encourage farmers to participate in the preservation of seed resources including seed development, evaluation, processing, and marketing. The project aims to increase farmer understanding of and collaboration with National Plant Germplasm System resources, Cooperative Extension holdings, and existing plant heritage programs.

The Food Safety, and the Role of Nutrition in Health area aims to study the maintenance of human health as being significantly affected by both the types of food consumed and foods that may contain disease-causing microorganisms. Research will be supported that contributes to our understanding of the requirements of dietary components and factors that impact optimal human nutrition. Food safety research to increase our understanding of disease-causing pathogens and how they contaminate food will be supported.

The New Uses for Agricultural Products projects will examine technologies such as ethanol production that develop uses for agriculture products not considered in mainstream agricultural thought.

The Natural Resource Management focus area (including Precision Agriculture) intends to enhance and support our ability to objectively evaluate and predict the effects of natural and human-induced environmental change on the sustainability of agriculture and forestry and on the structure and function of ecosystems. Precision agriculture means doing the right thing, at the right time, in just the right amount to maximize profits and minimize costs. This program intends to put the latest ideas, technologies, and innovations to the test on the lab bench and out in the field.

The Farm Efficiency and Profitability category will support work that aims to identify situations where farmers have pursued off-farm employment for reasons of lack of farm profitability. The challenge is to create new opportunities for these farmers to increase their farm earnings. Innovative business strategies would be designed to optimize the mix of labor, capital, and natural resources appropriate to the size and scale of small farms. For example, in some instances, livestock manure or cover crops can replace purchased nitrogen fertilizer.

Mr. Skeen: What is the timetable for the obligation of these funds, and how will they be administered and overseen?

Response: Following completion of a peer review process, all grants will be competitively awarded by September 30, 2000. As with all grantees, the recipients of funding under the Initiative will be required to report progress in attaining the stated goals of the project funded.

MANDATORY FUNDING

Mr. Skeen: To what extent was the budget request for Research, Education, and Extension activities reduced as a result of the Department's plan to utilize this mandatory funding?

Response: The 2001 budget request for Research, Education, and Extension (REE)activities was not reduced as a direct result of the mandatory funding provided for the Initiative for Future Agriculture and Food Systems (the Initiative), and the Fund for Rural America (the Fund). The discretionary funding proposed in the budget includes offsetting reductions in the REE agencies for lower priority projects, and is consistent with the proposals in the previous years when these mandatory programs did not exist. Priorities established in the President's budget were shaped by Administration Initiatives, by the expressed needs of other USDA mission areas served, and by the concerns of the diverse stakeholders in both the U.S. and abroad.

Increases are proposed in the budget for programs aimed at addressing serious issues facing agriculture today by targeting the following activities: developing tools to prevent and control foreign or domestic pest and animal disease threats; ensuring the continued production of high quality foods that are safe and nutritious; and providing an adequate supply of personnel trained to deal with emerging issues in agriculture. The mandatory funding available under the Initiative and the Fund provides additional support for research aimed at addressing these key areas. By having access to both mandatory and discretionary funds, the REE agencies will be able to finance a balanced portfolio consisting of intramural research, formula funds, and competitively awarded grants.

Mr. Skeen: Please describe in detail the process the Department used to develop a plan of work for the obligation of $20 million for five center grants under the Fund for Rural America.

Response:

Planning Grants for FRA Centers were awarded via a competitive process in FY 1998 to assist eligible applicants in developing proposals for Centers. The Planning Grant recipients were eligible to compete for full multi-year funding of Centers. In 1998, six FRA Centers were selected for funding through a separate competitive review process. One Center was funded beginning in FY 1999 and five were funded in FY 2000, to address issues such as animal waste management, new crops, and food entrepreneurship. The funding available during FY 2000 is being used to support FRA Center Grant applications rated highest in the 1998 competition.

The criteria used to select an eligible applicant from the pool included an assessment of the potential to produce and transfer knowledge directly to end users while providing for educational opportunities to assure agricultural expertise in future generations. The review process also considered opportunity to bring the agricultural knowledge system to address issues impacting small and mid-sized producers and land managers. In support of the Department's goal to enhance the competitiveness of U.S. agriculture, consideration also was given to projects (with U.S. institutions as the lead) that incorporate an international dimension with demonstrable domestic benefits.

Mr. Skeen: How did you decide on the number and location of the centers?

Response:

The number of Centers funded was determined by reviewing the costs of the highest rated proposals from the process. The location of the Centers was based on a competitive review of proposed Centers.

Mr. Skeen: Is it correct that a total of $20 million [of fiscal year 1999 funds] will be shared among the five centers over four years?

Response: The FY 1999 funding made available in FY 2000 totals $20 million. Each of the five Center projects received a specific grant award. Under the grant, funds are awarded for terms not to exceed five years. Funds would be available to each Center, up to the total amount of the grant, from FY 2000 through FY 2004.

RATTLESNAKE RIDGE RURAL WATER DEVELOPMENT DICTRICT

Mr. Skeen: Please bring us up to date regarding the status of water and waste disposal loans and/or grants in the Rattlesnake Ridge Rural Water Development District in Northeast Kentucky.

Response: Several loans and grants have been obligated for the Rattlesnake Ridge Rural Water Development District's water treatment plant. This project is scheduled to be bid in April 2000. In addition, a combination of RUS loan, RUS grant, and ARC grant funds have been obligated in FY 2000 for a water line extension that will serve approximately 450 new users.

Mr. Skeen: What is the current status and timetable for completion of the construction phase of this project?

Response: The water treatment plant is scheduled to be bid in April 2000, and will involve approximately a 10-month construction period. The line extension will be bid following completion of plans and specifications, and will require about a year for construction.

OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS PROGRAM

Mr. Skeen: Please explain in some detail the actual accomplishments to date, as well as the plan of work for FY 2001, to be financed under the Outreach for Socially Disadvantaged Farmers Program.

Response: Throughout its short history, the Outreach for Socially Disadvantaged Farmers Program, or 2501 grant program, has already provided support for those organizations and universities with proven track records of outreach activities to small and limited resource farmers. Through the program, we have been able to:

-- Provide one-on-one assistance to farmers: For example, farmers in one project receive three monthly visits from an agriculture specialist. Farmers are trained in record keeping, developing farm plans, using alternative crop production, and land loss prevention strategies.

-- Organize cooperatives: Because most of the clients own relatively small acreage and have limited resources, the program encourages them to organize cooperatives and provide comprehensive cooperative development training, both in the field and at our project training centers. One project, the Federation of Southern Cooperatives, has organized more than five cooperatives since implementation of the 2501 grant program.

-- Develop local leadership: We have implemented a comprehensive local leadership development program that includes both classroom and field training. Volunteers are trained in community and cooperative organizing, marketing, and resource development. The goal is to have a cadre of well informed and trained individuals at the local level who can deliver direct assistance, make proper referrals and organize around relevant issues to help USDA leverage the outreach assistance.

-- Develop collaborative relationships with public and private sectors: Today, we have organizations and agencies working together that have never done so before this outreach program. Projects have benefitted from the input and participation of County, State, and Federal agencies, Community-based organizations, foundations, and churches. Examples include the Federation of Southern Cooperatives' staff and volunteers receiving crop insurance adjuster training and the Natural Resources Conservation Service providing ongoing training on its various programs. The Federation also works with USDA employees to conduct workshops and participates in program planning. This type of collaborative effort serves as a model for a successful outreach program.

An aggressive agenda is planned for fiscal year 2001 under the Outreach for the Socially Disadvantaged Farmers Program. Specific programs will be targeted in areas where outreach and technical assistance to socially disadvantaged farmers can be enhanced and program participation increased. For example, greater focus will be placed on utilizing outreach efforts to solicit socially disadvantaged farmers and ranchers for inclusion in the agriculture census. Also, efforts will continue to increase the number of participants in USDA programs. I am also examining ways to minimize the

disruption of program services to socially disadvantaged farmers and ranchers by more efficiently managing the deployment of program funding.

Since 23 of our 26 recipients are in the final year of their five-year projects, we intend to begin a set of new outreach projects for FY 2001. Toward that end, we are preparing a request for proposals for new projects to be published in the Federal Register. Our FY 2000 work plan calls for completion of the evaluation of proposals by the end of the fiscal year, so we will be ready to make awards upon passage of FY 2001 appropriations. In conjunction with this effort, the Office of Outreach is collaborating with the Farm Service Agency and the National Agricultural Statistical Service to establish a Minority Farm Register. In FY 2001, this register will allow us to better target outreach efforts to small and disadvantaged farmers and track accomplishments. We have also embarked on Memoranda of Understanding with community-based organizations to leverage our outreach training and technical assistance to more program participants.

The following table provides additional specific highlights of accomplishments for each project funded by the 2501 grant program.

[The information follows:]

PROJECT	PROJECT HIGHLIGHTS
ALABAMA A&M	The project staff cooperated with the Federation of Southern Cooperatives and the Georgia State Government and developed plans which involved small farmers in the school lunch program. They conducted meetings which covered diet and health issues and alternative crop production. They attended loan appeal hearings with project participants to explain loan appeal packages in Farm Service Agency offices. Alabama A&M presented its Fifth Annual Outreach Conference on April 8-9, 1999: "Embracing Holistic Approach and Technology for Effective Outreach Delivery." USDA officials from Washington, DC and Alabama participated in the conference.
TUSKEGEE	Over 50 outreach meetings have been held with more than 5,000 participants. Over 10,000 training sessions, including one-on-one settings, have been held with project participants. Over $4.2 million in loans has been approved for project participants including farm ownership, farm operating, housing, and youth loans. As a result of the assistance provided to farmers in the target area, the number of African-American farmers has increased by 46.4 percent in Bullock County, Alabama and 25.9 percent in Hale County, Alabama.
ARKANSAS PINE BLUFF	The staff provided significant training and assistance which positioned two African-American farmers, for the first time ever, to be chosen as Phillips County Farmers of the Year. They worked with a participant to develop a sound farming plan, which enabled him to double his herd of cattle and pay off his loan in three years. The project staff also helped secure grant funds and other contributions to install plumbing in the home of a 95-year old female residing in the rural Poplar Grove Community.
ARKANSAS LAND AND FARM	The project published a quarterly newsletter, "The Advancer" for the rural community, government entities and private organizations. The Youth Program encouraged high school students to become familiar with different aspects of agriculture and provided leadership skills for youngsters to become farmers and community leaders of the future.

PROJECT	PROJECT HIGHLIGHTS
DELAWARE/MARYLAND	In 1994-1995, the net worth of program participants increased by $100,000. In one year, the program generated over $1.2 million in ownership and operating loans financed through the public and private sectors. By 1997, 80 percent of the farmers receiving financial management assistance through the program had a positive cash flow, and 82 percent of the farmers in the program had a positive net worth by the end of 1996.
FLORIDA A&M	The project staff provided technical assistance to 20 producers in providing marketing opportunities to its members through the establishment of the New North Florida Cooperative. They initiated a vegetable garden for senior citizens at the Orchard Meadows Home and taught residents how to improve their diet and save money at the same time. Training was provided to local producers to establish a demonstration lot of Scotch Bonnet Pepper, which generated significant additional income and new marketing opportunities.
FEDERATION OF SOUTHERN COOPERATIVES	The Federation participated in the Thomasville Chamber of Commerce farmers market in Georgia. This project offers facilities to producers who are interested in new marketing opportunities. The Federation extends its services to limited resource producers in Georgia, Mississippi and South Carolina.
FORT VALLEY	The 2501 grant program coordinator served on Team Agriculture in Georgia. This is an organization composed of Federal and State agencies, State agricultural education institutions and non-governmental agricultural organizations. The outreach efforts were channeled through the agricultural community in Georgia in many ways to reach all program clients. The program staff provided valuable information and support to the Coastal Georgia Small Farmer Cooperative Inc., in submitting an application to obtain a low interest loan. The staff provided the opportunity for 47 small farmers and a state legislator to participate in a four state tour (AL, MS, LA, and AR) to observe various alternative enterprises which may be adopted to the local area. They also reviewed strategies and techniques in marketing, production, economic and agronomic methods and development of cooperatives.
KENTUCKY STATE	Provided technical assistance to Mennonite farmers to organize the first "Fairview Produce Auction" that generated more than $100 thousand to the community. The project also hosted the Small and Minority Farm Family Conference providing a forum to help participants find solutions to problems affecting their lives in agriculture.
SOUTHERN UNIVERSITY	USDA field staff were given the opportunity to meet and work with socially and economically disadvantaged clients. The 2501 project staff conducted 68 training workshops on financial management, production and resource management, marketing agricultural products, record keeping, income management, and credit utilization. As a result, the number of farmers signing up for USDA programs increased. An alternative marketing project through the Southwest Vegetable Growers Association was also developed. Farmers earned approximately $14,000 and increased farm sales by 50 percent. The 2501 grant program staff developed an eight week residential program for rural youth: "Beginning Agriculture Youth Opportunity Unlimited (BAYOU)." The staff conducted five workshops to introduce rural youths and their parents to careers and leadership opportunities in agriculture.

PROJECT	PROJECT HIGHLIGHTS
LINCOLN UNIVERSITY	The 2501 grant program staff cooperated with the Natural Resources Conservation Service Outreach Specialist to enroll 30 participants into the 2501 project within an 18-month time span. They assisted in the establishment of a farmers cooperative and provided the leadership to establish the New Madrid County Agri-Women Group. They also helped youth obtain $25,000 in loans to enter into production of swine, cattle, rabbits and mums. The project helped to get assistance in repairing a leaky roof and installing windows and doors. The 2501 project staff assisted the Gateway Bank, which is owned by African-Americans, to make its first loan ever to an African-American participant farmer for the purpose of purchasing additional farmland. Assistance was also provided to a farmer in purchasing an inventory farm which had to go through an appeal before the purchase could be completed. The staff also provided home assessment reports and land surveys for 72 families residing in a small village in an effort to secure funding for a community building, street repairs, fire protection, sewage disposal, and home improvements.
AMERICAN INDIAN CENTER	Project Grow offers members of the American Indian community technical assistance and training on growing vegetables in family and community gardens and on how to best utilize produce for a year-around source of nutritious meals. This program includes the "Grow Labs" which are installed in schools to teach young members of the community the value of proper nutrition and how to maintain adequate health.
ALCORN STATE	The project decreased the loan delinquency rate among project participants from 98 percent when they entered the project, to 18 percent over a 10-year period. The State delinquency average for borrowers who are not in the project is 34 percent. The University is bottling hot sauce and marketing it through the vendors who operate the cafeterias in USDA. A premier program with Natural Resources Conservation Service was established which involves data collection on fruits and vegetables. An Internet program was developed that provides worldwide equipment sales information. Assistance was provided to increase the Mound Bayou Catfish Cooperative from 300 to 900 acres.
NORTH CAROLINA A&T	Fourteen small farmers have been selected to receive computer training that will improve their farming operation. Farm safety, environmental protection, integrated pest management and best management practices information has been delivered to approximately 525 youth and adults who reside in rural areas. Limited resource farmers have participated in focus sessions to share ideas that will help improve the delivery of educational information provided by USDA agencies. Fifty-four farmers have developed and implemented farm and home plans and 350 individuals have received comprehensive training to assist them with their financial and legal situations. Two farmers have decided to reduce their dependence on tobacco by agreeing to install ponds to produce catfish.
FORT BERTHOLD COMMUNITY COLLEGE	The College is hosting a monthly meeting of all USDA agencies' outreach coordinators that have a presence in the State. Members of the American Indian community attend these monthly meetings to discuss their needs and to explore alternatives on how the USDA can participate in addressing those needs.

PROJECT	PROJECT HIGHLIGHTS
LITTLE HOOP COMMUNITY COLLEGE	The College has established a curriculum to preserve, enhance and transmit the Dakota culture. The college maintains an active role in the bison industry with the following organizations: North American Bison Cooperative, Denver Buffalo Co, National Bison Association, and North Dakota State University. The College is responsible for maintaining the Tribal Council buffalo herd and for providing training and technical assistance to livestock producers.
LANGSTON UNIVERSITY	The project assisted small farmers in completing application packages for a total of $1 million in farm ownership and operating loans. Thirty soil and water conservation projects have been approved for funding, 300 acres of pasture have been established and 450 acres are under a fertilization management system. About 18,000 cubic yards of pond construction and nearly 15 thousand feet of fencing have been completed. Outreach specialists have been deployed to Farm Service Agency offices to provide assistance in loan making, loan servicing, chattel inspections and loan deficiency payments. Two major conferences on alternative enterprises were conducted in March. The number of participants increased from 145 to 200 in the last 12 months.
EASTERN OKLAHOMA STATE	Eastern Oklahoma State College coordinated the "USDA Agriculture Field Day," sponsored by the USDA and the Choctaw Nation of Oklahoma, The one day event held September 18, 1999, included workshops and hay sample testing.
SOUTH CAROLINA STATE COLLEGE	The College has assisted five communities in preparing applications for Enterprise Community status. They have assisted farmers in forming two cooperatives. One of the cooperatives will provide opportunities for more than 100 farmers to market fresh vegetables to public school systems through a collaborative initiative with the Department of Defense, USDA, the South Carolina State Department of Education, the South Carolina Department of Agriculture and the 2501 Program. They have also assisted more than 300 homeowners in submitting applications for assistance in repairing their substandard housing.
OGLALA LAKOTA COLLEGE	The College provided technical assistance to secure a "Share Our Strength" grant and established an organic garden in a predominantly American Indian community to improve health and nutrition of the members or residents of the reservation.
PRAIRIE VIEW A&M	Prairie View A&M provided technical assistance and training to a number of small farmers through a diverse staff. Also, an annual field day was held with an attendance of 300 producers and the participation of USDA.
TEXAS A&M	The 2501 grant program staff conducted two regional three-day seminars, one in College Station and the other in Lubbock, Texas in the "Women in Agriculture: Business Management Program." The seminars offered three tiers for first, second and third year participants. Program graduates are included on the mailing lists for seminars conducted by the Texas Agricultural Extension Service, and past participants were also contacted to enroll them in the one-on-one farm assistance, whole farm analysis, and risk management program. The 2501 staff attended farm organization and commodity group meetings to promote the program and meet with prospective participants. The staff prepared articles for the farm press highlighting program objectives and citing testimonials from past participants.

PROJECT	PROJECT HIGHLIGHTS
TENNESSEE STATE	The project provided effective technical assistance in production and financial management by helping small farmers save money by pre-paying for chemicals, fertilizer and other equipment and materials.
UNIVERSITY OF VERMONT	The Women's Agriculture Network presented and exhibited at various conferences, including the Vermont Farms conference for agri-tourism, a conference for organic farmers and gardeners, the Vermont Grazing Conference, the Vermont Flower Show, and the Northern New England Trades Women's Conference. Work has also begun on a feasibility study to assess the size and scope of the herb industry in Vermont and a companion study on the potential markets available to these growers. For several years, the project staff has observed an increasing interest in growing herbs and want to evaluate whether this is an appropriate area to provide some educational and technical assistance. A series of workshops were also offered, including: "Introduction to Sheep Dairying," "Beginning a Sheep Enterprise," "Food Safety for Your Farm Business," "Introduction to Chainsaw Use," "Beginning Sheep Shearing," and "Starting a Small Scale Speciality Food Business."
LAC COURTE OREILLES OJIBWA COLLEGE	An agriculture and natural resources curriculum was established with 2501 grant program funds. Students spend two years at the college and two years at the University of Wisconsin for the B.S. Degree. A Geographic Information Systems (GIS) Lab was established with 2501 grant program funds. Eleven GIS contracts were completed netting over $66,000 for the College. An internship program was established with the Forest Service. A 200-acre tribal farm was transferred to the college for the program. Ninety-two American Indian students have enrolled in the 2501 grant program agriculture and natural resources project since its inception.
VIRGINIA STATE	Virginia State University was innovative and aggressive in getting the 2501 Project funded by the Governor and State legislature at approximately $394,000 this year. The Project has been conducting seedless watermelon demonstrations and training small farmers.

RELATIONSHIP OF 2501 PROGRAM TO CIVIL RIGHTS PROGRAM

Mr. Skeen: Please provide specific examples of how this work advances the Department's Civil Rights efforts.

Response: The USDA Civil Rights Action Team made several recommendations to improve the Department's outreach activities. To address these recommendations, USDA created the Office of Outreach in August 1997. This Office works with USDA mission areas to ensure that customers receive equal access to USDA programs and services. USDA has been working in a proactive and positive way to market USDA programs to historically under served customers. We expect that this approach will result in fewer civil rights program complaints and improved perceptions of USDA and its programs. Because it is designed to provide outreach and technical assistance to socially disadvantaged farmers and ranchers, the 2501 program is a key component of our outreach and civil rights efforts, but other activities are also underway.

For example, the Office of Outreach is improving its tracking and monitoring of program delivery to under-served communities. This tracking helps USDA to reactive sooner to customer requirements and concerns. For example, we discovered that potential loan customers were having difficulty understanding the process for securing a loan. We were able to provide assistance in explaining the requirements, improving applicant's financial plan and in closing a loan.

The Office of Civil Rights evaluates the civil rights performance of USDA Agency Heads. Outreach activities and program delivery are components of that assessment. The Office of Outreach works closely with the Office of Civil Rights to improve customer service and to address the needs of historically under-served customers.

PLUM ISLAND ANIMAL DISEASE CENTER

Mr. Skeen: How does the Department formulate the budget request for buildings and facilities repair and modernization at the Plum Island Animal Disease Center. Do ARS and APHIS simply pay pro rata shares of all such expenses?

Response: Expenses for repairs and modernization needs at Plum Island Animal Disease Center are based on a FY 1999 Memorandum of Understanding between ARS and APHIS. APHIS pays 39 percent of the total expenses for repairs and modernization needs at the Center. This agreement is for 4 years and will expire in 2003.

FARM SAFETY NET PROPOSAL

Mr. Skeen: The "Farm Safety Net" proposals for fiscal years 2000 through 2002 are almost entirely under the jurisdiction of our colleagues on the authorization committee. In the event that these ambitious proposals do not become law during this session of Congress, is the Department working on a "Plan B"?

Response: If the President's Farm Safety Net proposals are authorized by Congress, farmers would be certain that the Federal government will step in and provide aid when farm prices and incomes decline below historical norms. Ad hoc emergency assistance does not provide a solid foundation upon which farmers and agricultural lenders can plan for the future, because there is no way for farmers and their lenders to determine how much aid Congress will provide to assist farmers when prices and incomes decline. In addition, ad hoc emergency assistance in the form of supplemental Agricultural Market Transition Act (AMTA) payments, which Congress authorized the past two years, do not target assistance to producers based on need or necessarily to producers who grow a specific crop. The Department is working with the authorization committees as well as the agriculture committees and the House and Senate leadership on legislation that would implement the President's Farm Safety Net proposals and provide for more stable economic environment for farmers and their lenders and target assistance to producers based on economic hardship. Although Congressional action is needed to provide the kind of fundamental reform and augmentation needed to substantially improve the farm safety net, the Department has initiated and will continue to pursue those actions it can under current authorities to provide assistance to producers with problems. Initiatives, such as the farm storage facility loan program, and a new program of incentives to encourage increased use of farm commodities for biofuels production, are examples of such actions that are being initiated under current authorities.

[Clerk's Note: The following legislative package was received May 5, 2000.]

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

MAY 3 2000

The Honorable Albert Gore, Jr., President
United States Senate
The Capitol
Washington, D.C. 20510

Dear Mr. President:

Enclosed for the consideration of Congress is a draft bill "to provide a safety net to protect agricultural producers from short-term market and production fluctuations, to encourage conservation practices, and for other purposes."

The Department of Agriculture (USDA) recommends the draft bill, which supports proposals made in the President's budget for fiscal year (FY) 2001, be enacted. The draft bill would provide for new programs as well as make changes in current programs of the Department and the Commodity Credit Corporation (CCC). Passage of the legislation would enhance farm income, increase environmental benefits, improve risk management and expand economic opportunities in farm and rural areas.

The draft bill would provide for a new supplementary countercyclical income assistance program targeted to producers of major crops facing reduced revenues. Unlike the current production flexibility contract payments made under the Agricultural Market Transition Act (AMTA), the proposed program would provide payments only when market conditions for the specific crops are depressed and payments would be based on actual expected production rather than on some historical basis not related to current production. This program proposal for crop years 2000 and 2001 would provide an effective alternative to the AMTA based payments utilized in the emergency assistance package enacted in the past 2 years.

In the conservation area, the draft bill authorizes $600 million in each of FY's 2001 and 2002 in CCC funding to establish the new Conservation Security Program (CSP), an income assistance program that was introduced by the Vice President this past January to provide direct payments and technical assistance to farmers and ranchers who implement certain conservation practices. The CSP is not a cost-share program and these payments will be used to encourage and reward those owners or operators who voluntarily maintain or implement conservation treatments as outlined in conservation security contracts entered into with the Secretary.

AN EQUAL OPPORTUNITY EMPLOYER

Several ongoing conservation programs are also affected by the draft bill which incorporates these changes through 2010. The Conservation Reserve Program (CRP) acreage cap is expanded to 40 million acres; the Wetland Reserve Program's (WRP's) total cumulative enrollment cap, which the Department will reach in 2001, is replaced with an annual cap of 250,000 acres; the Environmental Quality Incentives Program is authorized at $325 million annually; the Farmland Protection Program (FPP) is reauthorized at $65 million annually; and the Wildlife Habitat Incentives Program is reauthorized at $50 million annually.

The CCC Charter Act would be revised by the draft bill to provide for reimbursable agreements to utilize CCC funds for the provision of technical assistance for the CCC conservation programs including the CRP, WRP, and FPP. The proposal would provide up to $266 million over the FY 2001 through 2005 period, not withstanding the Section 11 limitation on transfers and allotments to other agencies.

The draft bill also revises Section 4(g) of the CCC Charter Act to provide an additional $35 million of CCC funding for information technology during each of FY's 2001 and 2002. This will support operation and maintenance of information technology systems supporting the delivery of CCC programs.

The draft bill includes provisions for reforming the crop insurance program by discounting farmers' premiums to a more affordable level, addressing losses that occur in multiple years, establishing a pilot program for livestock, providing additional funding for research and development, modifying the area-wide trigger on non-insured assistance payments and requiring crop insurance coverage for participation in other proposed programs. These provisions are specifically referenced in the President's budget for FY 2001, and most of them have already been incorporated in House and Senate passed bills which are awaiting Conference action. The Administration has expressed its support for those bills, recognizing that they are more encompassing and costly than those contained herein. However, the Administration has indicated, through a Statement of Administration Policy and an April 5, 2000, letter to the Conferees, a number of concerns that it hopes the Congress will address before a bill is sent to the President for signature.

The draft bill also provides for annual funding of $15 million, through FY 2008, for the rural communities that were designated empowerment zones and enterprise communities during the second round of this initiative. This funding is necessary to carry out the goals established in the authorizing legislation. Those communities that competed successfully, in good faith, are entitled to receive at least the minimal level of grant assistance that is being proposed. Without this assistance, second round designees would not be afforded the opportunity that was promised when the initiative was established.

Further, the draft bill provides $80 million in FY 2001 and $50 million in FY 2002 for grants to provide equity capital for farmer-owned cooperatives to construct and operate facilities to process agricultural commodities. This funding is needed to help farmers compete in markets that have become increasingly concentrated. By investing in processing facilities, farmers would

have more opportunities to earn a living, receive a greater share of the dollars consumers spend on food, and preserve local economies. Rural communities would also benefit through more income and employment opportunities.

The Office of Management and Budget advises there is no objection to the presentation of this proposed legislation to Congress and that enactment would be in accord with the Administration's program.

I am pleased to offer these proposals to you for consideration and discussion. I look forward to working with you and other members of Congress as we pursue this legislation. An identical letter has been sent to the Speaker of the House.

Sincerely,



DAN GLICKMAN
Secretary

Enclosures

A BILL

To provide a safety net to protect agricultural producers from short term market and production fluctuations, to encourage conservation practices, and for other purposes.

Be it enacted in the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Farmer and Rancher Safety Net and Conservation Security Act".

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) The collapse in farm prices revealed serious problems with the farm income safety net.

(2) Rising crop surpluses, continued low prices, and declining incomes will contribute to increasing farm financial stress in 2000.

(3) There is a need to strengthen the farm safety net designed to assist more producers in need, and this targeted Federal support should extend to producers of more commodities in more areas of the country.

SEC. 3. SUPPLEMENTAL INCOME ASSISTANCE PAYMENTS.

(a) DEFINITIONS.- For this section:

(1) ELIGIBLE COMMODITY.-The term "eligible commodity" means wheat, corn, upland cotton, rice, barley, oats, grain sorghum, soybeans, canola, rapeseed, flaxseed, sunflowers, mustard seed, safflower, or crambe.

(2) COMBINED GROSS INCOME.-The term "combined gross income" means

the sum of the production value, any marketing loan gains, any payment authorized under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) (including any market loss assistance payments), and payments made under this section received by all producers with respect to a particular eligible commodity.

(3) PERSON.-The term "person" means "person" as defined in section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308).

(4) PRODUCTION VALUE.-The term "production value" means the amount of production of the eligible commodity for a crop year multiplied by the marketing year average price received by producers for such eligible commodity.

(5) SECRETARY.-The term "Secretary" means the Secretary of Agriculture.

(b) IN GENERAL.-For the 2000 and 2001 crop years, producers of an eligible commodity are eligible for a payment under this section when the combined gross income for such a commodity for a crop year is less than 92 percent of the average combined gross incomes for such a commodity for the prior 5 crop years.

(c) PAYMENT CALCULATION.-

(1) ESTIMATION OF COMBINED GROSS INCOME AND PRODUCTION.-By October 1, 2000 for the 2000 crop year, and by October 1, 2001 for the 2001 crop year, the Secretary shall-

(A) estimate the combined gross income for each eligible commodity for the crop year; and

(B) determine which eligible commodity producers are eligible for payments described in subsection (b) and estimate the total production for each

such commodity for that crop year.

(2) COMMODITY PAYMENT AMOUNT.- For each eligible commodity described in paragraph (1)(B), the Secretary shall determine the payment amount for each commodity by taking into consideration changes in planted acreage and an amount determined by subtracting-

(A) the estimated combined gross income for such commodity for the current crop year as described in paragraph (1)(A); from

(B) 92 percent of the average combined gross income of such commodity for the prior 5 crop years.

(3) PAYMENT RATE.-The payment rate for payments to producers of an eligible commodity described in paragraph (1)(B) shall be-

(A) the amount determined by the Secretary pursuant to paragraph (2); divided by

(B) the estimated production for such commodity determined pursuant to paragraph (1)(B).

(4) PRODUCER PAYMENT.-The payment to the producer of a commodity eligible to receive payments under this section shall be-

(A) the payment rate calculated for such commodity pursuant to paragraph (3); multiplied by

(B) the producer's payment production for such commodity for the crop year which shall be-

(i) the number of acres planted (including prevented planted acres)

by the producer to such commodity for harvest; multiplied by

(ii) the average per acre yield for such commodity for the county for the 5 prior crop years (excluding the crop years with the highest and lowest yields).

(d) PAYMENT LIMITATION.-A person may not receive a payment for a fiscal year under this section in excess of an amount equal to-

(1) $30,000; less

(2) the amount received by the person under a production flexibility contract for the fiscal year.

(e) INCOME LIMITATION.-A person who has a qualifying gross revenue (as defined in section 196(i)(1)(B) of the Agricultural Market Transition Act (7 U.S.C. 7333(i)(1)(B)) in excess of $2,500,000 during the taxable year, as determined by the Secretary, shall not be eligible to receive any payments under this section.

(f) LINKAGE.-For the 2001 crop year, a producer shall not receive a payment for an eligible commodity under this section unless the producer obtains at least catastrophic risk protection insurance coverage, in accordance with section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)) for such eligible commodity, if such insurance is available.

(g) COMMODITY CREDIT CORPORATION.-The Secretary shall use the funds, facilities and authorities of the Commodity Credit Corporation to carry out this section.

SEC. 4. DAIRY.

Section 141(b)(4) of the Agricultural Market Transition Act (7 U.S.C. 7251(b)(4)) is amended by striking "and 2000" and inserting "through 2002".

SEC. 5. CONSERVATION SECURITY PROGRAM.

(a) DEFINITIONS.- For the purposes of this section:

(1) AGRICULTURAL LAND.-The term "agricultural land" means land on which agricultural crops or livestock could be produced.

(2) CONSERVATION TREATMENT.-The term "conservation treatment" means a practice, set of practices, resources management system, or set of resource management systems that provide environmental and conservation benefits.

(3) SECRETARY.-The term "Secretary" means the Secretary of Agriculture.

(b) IN GENERAL-The Secretary shall establish a conservation security program through the use of contracts to provide payments to assist owners and operators to implement and maintain conservation treatments on agricultural land to conserve or improve air, soil, water, wetlands, fish and wildlife habitat, and other related natural resources.

(c) ELIGIBILITY.-

(1) OWNER OR OPERATOR ELIGIBILITY.-To be eligible to participate in the conservation security program, an owner or operator shall-

(A) submit a conservation security application listing the conservation treatments to be covered by a conservation security contract; and

(B) be in compliance with the highly erodible land and wetland conservation requirements of subtitles B and C of the Food Security Act of 1985 (16 U.S.C. 3811 et seq.).

(2) LIMITATIONS.-

(A) ANIMAL WASTE MANAGEMENT SYSTEMS LIMITATION.-An

owner or operator of a large confined livestock operation (as defined by the Secretary) shall not be eligible for a payment under this section for implementation or maintenance of animal waste management system practices.

(B) GROSS REVENUE LIMITATION.-Any operation with annual gross revenues greater than $2,500,000 shall not be eligible to participate in the conservation security program.

(C) LIMITATION ON DOUBLE PAYMENTS.-An owner or operator may not receive a payment under this section for a conservation treatment on acreage currently enrolled in a conservation easement or land retirement program for such treatment.

(d) CONTRACTS-

(1) IN GENERAL- On approval of a conservation security application of an owner or operator of a farm or ranch, the Secretary may enter into a conservation security contract with the owner or operator that-

(A) incorporates the conservation security application which describes-

(i) the land, facilities, and resources subject to the contract; and

(ii) the conservation treatments that will be covered by the contract;

(B) allows access by the Secretary to the acreage covered by the contract to monitor compliance with the terms of the contract;

(C) contains a schedule for the implementation and maintenance of the conservation treatments described in the conservation security application; and

(D) contains such other terms as the Secretary may require.

(2) PRIORITIZATION OF APPLICATIONS.-In selecting the eligible conservation security applications which will be offered assistance through a conservation security contract, the Secretary shall, to the maximum extent practicable-

(A) maximize the environmental benefits for the funds available consistent with the purposes of this section; and

(B) select applications which address the conservation priorities established at the State or local level in which the land is located.

(3) DURATION.-A conservation security contract shall have a term of duration determined appropriate by the Secretary taking into consideration the conservation treatments and practices that are the basis for the contract.

(4) REVISION-The Secretary may require an owner or operator to modify a conservation security contract, if the Secretary determines that a change made to the size, management, or any other aspect of the farming or ranching operation of the owner or operator would, without the modification, be inconsistent with the conservation security program.

(e) DUTIES OF OWNERS AND OPERATORS-During the term of a conservation security contract, an owner or operator of a farm or ranch shall agree to implement the terms of the contract which shall include an obligation-

(1) to maintain or implement the conservation treatments in the conservation security contract;

(2) to keep such records as the Secretary may require for purposes of evaluation of

the implementation of the conservation security contract; and

(3) not to engage in any activity that would be inconsistent with the purposes of the conservation security program.

(f) CONSERVATION SECURITY PAYMENT.-Under a conservation security contract, subject to subsection (g), the Secretary shall make payments at a rate, determined by the Secretary, to be necessary to encourage an owner or operator to maintain or implement a specific conservation treatment.

(g) LIMITATION ON PAYMENTS- The total amount of payments paid to a person (as defined in section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308)) under this section shall not exceed $30,000 for any fiscal year.

(h) LINKAGE.- A producer shall not receive a payment for conservation treatments on a farm under this section unless the producer obtains at least catastrophic risk protection insurance coverage, in accordance with section 508(b) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)) for all commodities produced on such farm for which insurance is available.

(i) TECHNICAL ASSISTANCE- The Secretary may use funds that are made available to carry out this section to provide technical assistance to owners and operators entering into contracts under this section.

(j) FUNDING.-Of the funds of the Commodity Credit Corporation, the Corporation shall make available $600,000,000 for each of fiscal years 2001 and 2002 to carry out this section. Such funds shall remain available until expended.

(k) PROGRAM IMPLEMENTATION.- In order to provide assistance under this section as soon as practicable, the Secretary shall implement this section within 90 days of the date of

enactment of this section.

SEC. 6. NON-INSURED CROP ASSISTANCE PROGRAM.

Section 196(c) of the Agricultural Market Transition Act (7 U.S.C. 7333(c)) is amended by adding at the end the following:

"(4) 2000 AND 2001 CROPS.-In the case of 2000 and 2001 eligible crops-

"(A) a producer shall not receive noninsured crop disaster assistance unless such crop was produced in a county declared as part of a disaster area by the President or the Secretary or in a county contiguous to such county; and

"(B) the area loss requirement contained in paragraph (1) shall not apply.".

SEC. 7. ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.

Section 1241(b)(2) of the Food Security Act of 1985 (16 U.S.C. 3841(b)(2)) is amended by striking "through 2002" and inserting "through 2000, and $325,000,000 for each of fiscal years 2001 through 2010".

SEC. 8. WETLANDS RESERVE PROGRAM.

Section 1237(b) of the Food Security Act of 1985 (16 U.S.C. 3837(b)) is amended by striking paragraph (1) and inserting the following:

"(1) MAXIMUM ENROLLMENT.-The annual number of acres enrolled in the wetlands reserve program during fiscal years 2001 through 2010 shall not exceed 250,000 acres.".

SEC. 9. CONSERVATION RESERVE PROGRAM.

Section 1231(d) of the Food Security Act of 1985 (16 U.S.C. 3831) is amended by striking "36,400,000" and inserting "40,000,000"; and by striking "2002"and inserting "2010".

SEC. 10. FARMLAND PROTECTION PROGRAM.

Section 388 of the Federal Agricultural Improvement and Reform Act of 1996 (16 U.S.C. 3830 note) is amended-

(1) in subsection (a), by striking "not less than 170,000, nor more than 340,000 acres of"; and

(2) by striking subsection (c) and inserting the following:

"(c) FUNDING.-The Secretary shall use not more than $65,000,000 for each of fiscal years 2001 through 2010 of the funds in the Commodity Credit Corporation to carry out this section.".

SEC. 11. WILDLIFE HABITAT INCENTIVES PROGRAM.

Section 387 of the Federal Agricultural Improvement and Reform Act of 1996 (16 U.S.C. 3836a) is amended by striking subsection (c) and inserting the following:

"(c) FUNDING.-The Secretary shall use not more than $50,000,000 for each of fiscal years 2001 through 2010 of the funds in the Commodity Credit Corporation to carry out this section.".

SEC. 12. COMMODITY CREDIT CORPORATION.

(a) REIMBURSABLE AGREEMENTS.-Notwithstanding section 11 of the Commodity Credit Corporation Charter Act (15 U.S.C. 715i), for the purposes of providing technical assistance related to the Conservation Reserve Program, Wetlands Reserve Program, or the Farmland Protection Program, the Secretary shall make available allotments or fund transfers from the Commodity Credit Corporation not to exceed-

(1) $266,000,000 for fiscal years 2001 through 2005; and

(2) $155,000,000 for fiscal years 2006 through 2010.

(b) INFORMATION TECHNOLOGY.-Section 4(g) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(g)) is amended by striking "$193,000,000" and inserting "$228,000,000 through fiscal year 2001, and $263,000,000 through fiscal year 2002.".

SEC. 13. PREMIUM DISCOUNTS FOR CROP INSURANCE.

Out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer $640,000,000 to the insurance fund of the Federal Crop Insurance Corporation authorized pursuant to section 516(c) of the Federal Crop Insurance Act (7 U.S.C. 1516(c)) for the Corporation to provide premium discounts to purchasers of crop insurance for their 2001 insured crops. Funds described in this section shall be made available to the Federal Crop Insurance Corporation without further appropriation and shall remain available until expended.

SEC. 14. MULTI-YEAR LOSS COVERAGE.

Out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer $100,000,000 to the insurance fund of the Federal Crop Insurance Corporation authorized pursuant to section 516(c) of the Federal Crop Insurance Act (7 U.S.C. 1516(c)) for the Corporation to establish a crop insurance policy which provides coverage for losses that occur in multiple crop years pursuant to section 508(m) of the Federal Crop Insurance Act (7 U.S.C. 1508(m)) and notwithstanding section 516(b)(2)(A) of the Federal Crop Insurance Act (7 U.S.C. 1516(b)(2)(A)). Funds described in this section shall be made available to the Federal Crop Insurance Corporation without further appropriation and shall remain available until expended.

SEC. 15. LIVESTOCK RISK INSURANCE.

The Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) is amended by adding at the end the following:

"SEC. 519 LIVESTOCK RISK INSURANCE.

"(a) DEFINITIONS.-In this section:

"(1) LIVESTOCK.-The term 'livestock' means cattle, swine and any other species for which offsetting market instruments and options are available for purchase by an approved insurance provider, as determined by the Corporation.

"(2) TIMING RISK.-The term 'timing risk' means the risk of loss on account of policy expiration dates and put expiration dates, which do not coincide.

"(3) BASIS RISK.-The term 'basis risk' means the risk of loss when movements in cash product prices and indexes and futures and options prices on a commodity exchange do not coincide.

"(b) IN GENERAL.-The Corporation may provide reinsurance to approved insurance providers that provide polices and plans of insurance to producers of livestock for the risks associated with price fluctuations in the marketplace in accordance with this section.

"(c) TERMS OF INSURANCE.-

"(1) PERIOD OF INSURANCE.-Livestock risk insurance shall not extend beyond the periods for which offsetting market instruments and options are available to the approved insurance provider.

"(2) PRICE LEVELS.-Livestock risk insurance shall not be reinsured at price levels higher than those at which offsetting market instruments and options are available to the approved insurance provider.

"(3) OWNERSHIP OF LIVESTOCK.-A producer may obtain livestock risk insurance only for livestock owned by the producer when the policy is issued and the ownership of such livestock is retained by that producer during the period of insurance. If the livestock is sold or title otherwise transferred during the period of insurance, except during the last 30 days of the period covered by the policy, the livestock risk insurance shall terminate immediately.

"(4) PREMIUM.-Notwithstanding section 508(d)(2), premium charged to the livestock producer will include an amount designated for the purchase of the offsetting market instruments and options, a reasonable reserve, and an amount for operating and administrative expenses (consistent with this title), as determined by the Corporation.

"(5) TIME AND BASIS RISK.-The Corporation may also provide reinsurance to approved insurance providers to cover timing and basis risks, as approved by the Corporation, which cannot be offset by the purchase of market instruments and options.

"(d) SALE OF INSURANCE.-Livestock risk insurance sold under this section shall-

"(1) be offered by approved insurance providers; and

"(2) be sold through licensed private insurance agents and brokers.

"(e) SUBSIDY.-Notwithstanding section 508(e), for the purpose of encouraging the broadest possible participation of producers in livestock risk protection, the Corporation may pay a part of the premium, owed by the producer, designated for the purchase of offsetting market instruments and options and a reasonable reserve, not to exceed 50 percent of such premium, and an amount for operating and administrative expenses as determined by the Corporation pursuant to subsection (c)(4).

"(f) LOSS RATIO.- Notwithstanding section 508(d)(4), approved insurance providers shall establish adequate premiums for livestock risk insurance to attain an expected loss ratio of not greater than 1.0.

"(g) SUBMITTED PLANS OF INSURANCE.-A person may prepare for submission or propose to the Board of the Corporation a program or pilot program for livestock risk insurance, and any such submission shall be subject to the provisions for submission and review set forth in paragraphs (3) through (5) of section 508(h).

"(h) LIMITATION ON EXPENDITURES.- For all livestock programs under this section, the expenditures of the Corporation for all costs associated with the livestock programs, shall not to the maximum extent practicable exceed $100,000,000 for each of fiscal years 2001 and 2002.

"(i) RELATION TO OTHER LAWS.-The terms and conditions of any policy or plan of insurance offered under this section that is reinsured by the Corporation is not subject to the jurisdiction of the Commodity Futures Trading Commission or the Securities and Exchange Commission or considered as accounts, agreements (including any transaction which is of the character of, or is commonly known to the trade as, an 'option', 'privilege', 'indemnity', 'bid', 'offer', 'put', 'call', 'advance guaranty', or 'decline guaranty'), or transactions involving contracts of sale of a commodity for future delivery, traded or executed on a contract market for the purposes of the Commodity Exchange Act (7 U.S.C. § 1 et seq.). Nothing in this subsection is intended to affect the jurisdiction of the Commodity Futures Trading Commission or the applicability of the Commodity Exchange Act to any transaction conducted on a designated contract market (as that term is used in such Act) by an approved insurance provider to offset the provider's risk under a plan or policy of insurance under this section.".

SEC. 16. RISK MANAGEMENT RESEARCH AND DEVELOPMENT AND EDUCATION.

Section 516(b)(2) of the Federal Crop Insurance Act (7 U.S.C. 1516(b)(2)) is amended-

(1) by striking the caption and inserting **"RESEARCH AND DEVELOPMENT AND EDUCATION EXPENSES.-"**

(2) by striking subparagraph (A) and inserting the following:

"(A) IN GENERAL.-The Corporation may pay from the insurance fund established under subsection (c) research and development expenses of the Corporation not to exceed-

"(i) in fiscal year 2000, $3,500,000;

"(ii) in fiscal year 2001, $33,500,000;

"(iii) in fiscal year 2002, $33,500,000; and

"(iv) in fiscal year 2003 and each subsequent fiscal year, $3,500,000."; and

(3) by adding at the end the following:

"(C) EDUCATION.-The Corporation may pay from the insurance fund established under subsection (c) risk management education expenses of the Corporation in an amount not to exceed-

"(i) in fiscal year 2001, $40,000,000; and

"(ii) in fiscal year 2002, $25,000,000.".

SEC. 17. EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

On October 1, 2000 and each October 1st through October 1, 2008 out of any funds in the

Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer $15,000,000 to the Secretary of Agriculture for empowerment zones located in rural areas, as authorized by section 1391(g) of title 26, United States Code, and enterprise communities located in rural areas, as authorized by section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Public Law 105-277, 112 Stat. 2681-37). Such funds shall be made available to the Secretary of Agriculture without further appropriation and shall remain available until expended.

SEC. 18. EQUITY GRANTS FOR PRODUCER-OWNED COOPERATIVES.

(a) GRANTS TO PRODUCER-OWNED COOPERATIVES.-The Secretary of Agriculture shall establish a program to award grants to producer-owned cooperatives which process or market agricultural commodities to assist such cooperatives in raising equity capital.

(b) OTHER GRANTS.- In addition to grants awarded under subsection (a), the Secretary of Agriculture may provide a grant to a recipient determined eligible in accordance with criteria established by the Secretary of Agriculture, to raise and invest equity capital to improve the rural economy through the creation of business opportunities and employment in rural areas, if-

(1) No less than 75 percent of the total amount contributed by the Secretary of Agriculture under such a grant will be made available to producer-owned cooperatives formed to construct or operate facilities to process agricultural commodities (including livestock);

(2) At least 50 percent of total funds contributed to the corporation are from non-federal sources; and

(3) The Secretary retains no claim on future earnings of the corporation or of its

investments.

(c) FUNDING.-Out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Secretary of Agriculture $80,000,000 in fiscal year 2001 and $50,000,000 in fiscal year 2002 to carry out this section. Such funds shall be made available to the Secretary of Agriculture without further appropriation and shall remain available until expended.

SECTION BY SECTION ANALYSIS

Section 1 provides that the short title of this bill is the "Farmer and Rancher Safety Net and Conservation Security Act".

Section 2 would make findings regarding the current state of farm income and the urgent need to strengthen the farm safety net.

Section 3 would authorize the Secretary of Agriculture for crop years 2000 and 2001 make supplemental income assistance payments to producers of an eligible commodity (wheat, corn, upland cotton, rice, barley, oats, grain sorghum, soybeans, canola, rapeseed, flaxseed, sunflowers, mustard seed, safflower, or crambe) if the estimated gross income for the producers of such an eligible commodity for 2000 or 2001 is less than 92 percent of the prior 5 year average gross income for such producers. Such payments would be subject to a $30,000 per person payment limitation including Production Flexibility Contract payments, and be targeted to producers receiving not more $2.5 million in qualifying gross revenues. Starting in the 2001 crop year, participants in this program would be required to obtain crop insurance for the eligible commodities for which they received payments.

Section 4 would extend the 2000 price support level for milk through 2002.

Section 5 would establish the Conservation Security Program. Under this program, the Secretary would provide payments to assist owners and operators to implement and maintain conservation treatments on agricultural land to conserve or improve air, soil, water, wetlands, fish and wildlife habitat, and other related natural resources. To be eligible to participate in the Conservation Security Program, an owner or operator shall submit a conservation security application listing the conservation treatments to be covered by a conservation security contract; and be in compliance with the highly erodible land and wetland conservation requirements of subtitles B and C of the Food Security Act of 1985. However, an owner or operator of a large confined livestock operation shall not be eligible for a conservation security payment for implementation or maintenance of animal waste management system practices; any operation with annual gross revenues greater than $2,500,000 shall not be eligible for the conservation security program; and an owner or operator may not receive a payment under this section for a conservation treatment on specific acreage enrolled in a conservation easement or land retirement program for which such owner or operator received a payment for such a treatment under another program administered by the Department of Agriculture. Payments under the Conservation Security Program shall be subject to a payment limitation of $30,000 per person. Funding for the program would be limited to $600,000,000 in each of fiscal years 2001 and 2002. Participants in this program would be required to obtain crop insurance.

Section 6 would amend the non-insured crop assistance program for the 2000 and 2001 crops by requiring that any loss to be eligible for assistance must occur in an county declared as part of a disaster area or an contiguous county to such county. The amendment would also provide that the area loss requirement not apply for such crops.

Section 7 would extend the Environmental Quality Incentives Program through fiscal year 2010 with an annual funding level of $325,000,000.

Section 8 would extend the Wetlands Reserve Program through fiscal year 2010 and would establish an annual acreage sign-up limitation of 250,000 acres.

Section 9 would extend the Conservation Reserve Program through 2010 and increase the acreage limitation to 40,000,000 acres.

Section 10 would extend the Farmland Protection Program through fiscal year 2010 and provide $65,000,000 annually in funding for the program.

Section 11 would extend the Wildlife Incentives Program through 2010 and provide $50,000,000 annually in funding for the program.

Section 12 would provide $266,000,000 in funding for technical assistance under the Conservation Reserve Program, Wetlands Reserve Program, or Farmland Protection Program from the Commodity Credit Corporation for fiscal years 2001 through 2005 and $155,000,000 for fiscal years 2006 through 2010. The section would also amend the Commodity Credit Corporation Charter Act to provide an additional funding for information technology.

Section 13 would provide $640,000,000 to the Federal Crop Insurance Corporation to provide premium discounts for purchasers of crop insurance for the 2001 insured crops.

Section 14 would provide $100,000,000 to the Federal Crop Insurance Corporation to establish a policy which provides coverage for losses that occur in multiple crops years.

Section 15 would amend the Federal Crop Insurance Act to authorize the Federal Crop Insurance Corporation to provide reinsurance for policies and plans of insurance to producers of livestock for risks associated with price fluctuations. The Federal Crop Insurance Corporation is limited to $100,000,000 for each of fiscal years 2001 and 2002 to carry out this section.

Section 16 would provide the Federal Crop Insurance Corporation an additional $30,000,000 in funding for research for each of fiscal years 2001 and 2002.

Section 17 would provide $15,000,000 for Round II rural empowerment zones and enterprise communities.

Section 18 would provide authority for the Secretary of Agriculture to provide grants to producer-owned cooperatives which process or market agricultural commodities to assist such cooperatives in raising equity capital. This section would also provide authority to provide a grant to a corporation which will provide financial assistant to such cooperatives.

BIOBASED PRODUCTS/BIOENERGY

Mr. Skeen: Please submit for the record a copy of Executive Order 13134 regarding biobased products.

Response: We will provide a copy of the President's Executive Order Number 13134.

[The information follows:]

For Immediate Release August 12, 1999

EXECUTIVE ORDER

DEVELOPING AND PROMOTING BIOBASED PRODUCTS AND BIOENERGY

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the Federal Advisory Committee Act, as amended (5 U.S.C. App.), and in order to stimulate the

creation and early adoption of technologies needed to make biobased products and bioenergy cost-competitive in large national and international markets, it is hereby ordered as follows:

Section 1. Policy. Current biobased product and bioenergy technology has the potential to make renewable farm and forestry resources major sources of affordable electricity, fuel, chemicals, pharmaceuticals, and other materials. Technical advances in these areas can create an expanding array of exciting new business and employment opportunities for farmers, foresters, ranchers, and other businesses in rural America. These technologies can create new markets for farm and forest waste products, new economic opportunities for underused land,and new value-added business opportunities. They also have the potential to reduce our Nation's dependence on foreign oil, improve air quality, water quality, and flood control, decrease erosion, and help minimize net production of greenhouse gases. It is the policy of this Administration, therefore, to develop a comprehensive national strategy, including research, development, and private sector incentives, to stimulate the creation and early adoption of technologies needed to make biobased products and bioenergy cost-competitive in large national and international markets.

Sec. 2. Establishment of the Interagency Council on Biobased Products and Bioenergy. (a) There is established the Interagency Council on Biobased Products and Bioenergy (the "Council"). The Council shall be composed of the Secretaries of Agriculture, Commerce, Energy, and the Interior, the Administrator of the Environmental Protection Agency, the Director of the Office of Management and Budget, the Assistant to the President for Science and Technology, the Director of the National Science Foundation, the Federal Environmental Executive, and the heads of other relevant agencies as may be determined by the Co-Chairs of the Council. Members may serve on the Council through designees. Designees shall be senior officials who report directly to the agency head (Assistant Secretary or equivalent).

(b) The Secretary of Agriculture and the Secretary of Energy shall serve as Co-Chairs of the Council.

(c) The Council shall prepare annually a strategic plan for the President outlining overall national goals in the development and use of biobased products and bioenergy in an environmentally sound manner and how these goals can best be achieved through Federal programs and integrated planning. The goals shall include promoting national economic growth with specific attention to rural economic interests, energy security, and environmental sustainability and protection. These stra-tegic plans shall be compatible with the national goal of producing safe and affordable supplies of food, feed, and fiber in a way that is sustainable and protects the environment, and shall include measurable objectives. Specifically, these strategic plans shall cover the following areas:

(1) biobased products, including commercial and industrial chemicals, pharmaceuticals, products with large carbon sequestering capacity, and other materials; and

(2) biomass used in the production of energy (electricity; liquid, solid, and gaseous fuels; and heat).

(d) To ensure that the United States takes full advantage of the potential economic and environmental benefits of bio-energy, these strategic plans shall be based on analyses of: (1) the economic impacts of expanded biomass production and use; and (2) the impacts on national environmental objectives, including reducing greenhouse gas emissions. Specifically, these plans shall include:

(1) a description of priorities for research, development, demonstration, and other investments in biobased products and bioenergy;

(2) a coordinated Federal program of research, building on the research budgets of each participating agency; and

(3) proposals for using existing agency authorities to encourage the adoption and use of biobased products and bioenergy and recommended legislation for modifying these authorities or creating new authorities if needed.

(e) The first annual strategic plan shall be submitted to the President within 8 months from the date of this order.

(f) The Council shall coordinate its activities with actions called for in all relevant Executive orders and shall not be in conflict with proposals advocated by other Executive orders.

Sec. 3. Establishment of Advisory Committee on Biobased Products and Bioenergy. (a) The Secretary of Energy shall establish an "Advisory Committee on Biobased Products and Bioenergy" ("Committee"), under the Federal Advisory Committee Act, as amended (5 U.S.C. App.), to provide information and advice for consideration by the Council. The Secretary of Energy shall, in consultation with other members of the Council, appoint up to 20 members of the advisory committee representing stakeholders including representatives from the farm, forestry, chemical manufacturing and other businesses, energy companies, electric utilities, environmental organizations, conservation organizations, the university research community, and other critical sectors. The Secretary of Energy shall designate Co-Chairs from among the members of the Committee.

b) Among other things, the Committee shall provide the Council with an independent assessment of:

(1) the goals established by the Federal agencies for developing and promoting biobased products and bioenergy;

(2) the balance of proposed research and development activities;

(3) the effectiveness of programs designed to encourage adoption and use of biobased products and bioenergy; and

(4) the environmental and economic consequences of biobased products and bioenergy use.

Sec. 4. Administration of the Advisory Committee. (a) To the extent permitted by law and subject to the availability of appropriations, the Department of Energy shall serve as the secretariat for, and provide the financial and administrative support to, the Committee.

(b) The heads of agencies shall, to the extent permitted by law, provide to the Committee such information as it may reasonably require for the purpose of carrying out its functions.

(c) The Committee Co-Chairs may, from time to time, invite experts to submit information to the Committee and may form subcommittees or working groups within the Committee to review specific issues.

Sec. 5. Duties of the Departments of Agriculture and Energy. The Secretaries of the Departments of Agriculture and Energy, to the extent permitted by law and subject to the availability of appropriations, shall each establish a working group on biobased products and biobased activities in their respective Departments. Consistent with the Federal biobased products and bioenergy strategic plans described in sections 2(c) and (d) of this order, the working groups shall:

(1) provide strategic planning and policy advice on the Department's research, development, and commercialization of biobased products and bioenergy; and

(2) identify research activities and demonstration projects to address new opportunities in the areas of biomass production, biobased product and bioenergy production, and related fundamental research.

The chair of each Department's working group shall be a senior official who reports directly to the agency head. If the Secretary of Agriculture or Energy serves on the Interagency Council on Biobased Products and Bioenergy through a designee, the designee should be the chair of the Department's working group.

Sec. 6. Establishment of a National Biobased Products and Bioenergy Coordination Office. Within 120 days of this order, the Secretaries of Agriculture and Energy shall establish a joint National Biobased Products and

Bioenergy Coordination Office ("Office") to ensure effective day-to-day coordination of actions designed to implement the strategic plans and guidance provided by the Council and respond to recommendations made by the Committee. All agencies represented on the Council, or that have capabilities and missions related to the work of the Council, shall be invited to participate in the operation of the Office. The Office shall:

(a) serve as an executive secretariat and support the work of the Council, as determined by the Council, including the coordination of multi-agency, integrated research, development, and demonstration ("RD&D") activities;

(b) use advanced communication and computational tools to facilitate research coordination and collaborative research by participating Federal and non-Federal research facilities and to perform activities in support of RD&D on biobased product and bioenergy development, including strategic planning, program analysis and evaluation, communications networking, information and data dissemination and technology transfer, and collaborative team building for RD&D projects; and

(c) facilitate use of new information technologies for rapid dissemination of information on biobased products and bioenergy to and among farm operators; agribusiness, chemical, forest products, energy, and other business sectors; the university community; and public interest groups that could benefit from timely and reliable information.

Sec. 7. Definitions. For the purposes of this order:

(a) The term "biomass" means any organic matter that is available on a renewable or recurring basis (excluding old-growth timber), including dedicated energy crops and trees, agricultural food and feed crop residues, aquatic plants, wood and wood residues, animal wastes, and other waste materials.

(b) The term "biobased product," as defined in Executive Order 13101, means a commercial or industrial product (other than food or feed) that utilizes biological products or renewable domestic agricultural (plant, animal, and marine) or forestry materials.

(c) The term "bioenergy" means biomass used in the production of energy (electricity; liquid, solid, and gaseous fuels; and heat).

(d) The term "old growth timber" means timber of a forest from the late successional stage of forest development. The forest contains live and dead trees of various sizes, species, composition, and age class structure. The age and structure of old growth varies significantly by forest type and from one biogeoclimatic zone to another.

Sec. 8. Judicial Review. This order does not create any enforceable rights against the Unites States, its agencies, its officers, or any person.

WILLIAM J. CLINTON

THE WHITE HOUSE,
August 12, 1999.

# # #

BIOBASED PRODUCTS/BIOENERGY

Mr. Skeen: Can you identify the total amount of funds requested for this

Executive Order in the federal budget, beyond the $800,000 requested for the Office of the Secretary of Agriculture?

Response: The budget proposes a total of $268 million to support the Initiative in 2001, which is an increase of $96 million over the current estimate for 2000. The increase includes $50 million for the Commodity Credit Corporation bioenergy incentive payments and $800,000 requested for the Office of the Secretary of Agriculture.

CONSERVATION RESERVE PROGRAM

Mr. Skeen: For the record, please provide the estimated Conservation Reserve Program Acreage enrollment anticipated for fiscal years 2000 and 2001, the estimated technical assistance costs, and an explanation of how these costs will be funded in each year.

Response: In fiscal year 2000, it is estimated that funding provided in the fiscal year 1999 Emergency Supplemental will be enough to provide funding to the Natural Resources Conservation Service and Forest Service for signup 20, which just concluded on February 11. The balance from last year's supplemental will not fully fund the continuous signup (signup 21) and Conservation Reserve Enhancement Program (CREP) acreage that is projected during fiscal year 2000 creating a potential $35 million shortfall. However, the Department is working with OMB on a FY 2000 supplemental to address this shortfall this year.

The proposed legislation to implement the Farm Safety Net Initiative will provide a total of $266 million in Conservation Credit Corporation funding over the five year period FY's 2001-2005 for technical assistance costs related to the CRP, WRP and the Farmland Protection Program. This will enable the acreage cap for CRP to be raised to 40 million acres.

FISCAL YEAR	SIGNUP ACTIVITY (Acres)	ESTIMATED TECHNICAL ASSISTANCE COSTS
2000	2,600,000	Signups 20 & 21 $69,725,331
2001	2,100,000	Signups 22 & 23 $77,066,781

CRP AND WRP EXEMPTIONS FROM SECTION 11 CAP

Mr. Skeen: Last year, NRCS suspended technical assistance for the Conservation Reserve Program for six weeks during the spring of 1999. Do you anticipate any suspensions during fiscal year 2000? If so, what would be the reason and when would the suspension likely happen?

Response: As you know, under provisions of the 1996 Farm Bill, funds of the Commodity Credit Corporation are to be used to finance the Conservation Reserve Program. This includes both the payments to landowners, which are made under the program, and the cost of the technical assistance provided by the Natural Resources Conservation Service and the Forest Service. However, a provision of the Farm Bill known as the "Section 11 cap" limits the funds the CCC can transfer to other agencies for services including technical assistance to the CRP. Because the cap was set at the 1995 spending level, there is no money available for NRCS and Forest Service technical assistance.

For this reason, the Congress appropriated $35 million in FY 2000 to support this technical assistance. The Farm Service Agency has estimated that the CRP may require $69.7 million for technical assistance this year of which the NRCS share would be $66.2 million and the Forest Service share would be $3.5 million. Thus, there could be a shortfall. The NRCS has advised that if this estimate were correct, they would have to suspend support of the CRP as early as July. The Administration's farm safety net proposal includes an increase in the Section 11 cap to assure that this problem does not reoccur in the future

Mr. Skeen: Please describe for the record the methodology that is used to document and calculate the technical assistance costs for CRP.

Response: Reimbursement for technical assistance is based on interagency agreements between CCC, NRCS, and State foresters through the Forest Service. Subject to availability of funds, CCC reimburses NRCS at a rate of $98 per general signup offer and $456 per contract accepted in the program. FSA does not reimburse NRCS if the entire contract acreage is re-enrolled. Payments of $456 per contract are also made for continuous signup acreage and the Conservation Reserve Enhancement Program. These rates were derived from NRCS analysis.

CCC reimburses the State foresters through the Forest Service for technical assistance related to trees at a rate of about $10/acre for trees planted. Reimbursement is also subject to the availability of funds.

Mr. Skeen: Please provide for the record a detailed listing of the CCC Section 11 transfers and reimbursements reflected in the fiscal year 2001 budget for fiscal years 1999, 2000, and 2001.

Response: Yes, we will provide for the record a detail listing of the requested CCC Section 11 information.

[The information follows]

CCC FY 2001 PRESIDENT'S BUDGET FOR REIMBURSABLE AGREEMENTS
(IN THOUSANDS OF DOLLARS)

AGENCY	DESCRIPTION OF AGREEMENT	FY 1999 ACTUAL		FY 2000 ESTIMATE		FY 2001 ESTIMATE	
		Obligations	Outlays	Obligations	Outlays	Obligations	Outlays
FAS	Operation of the CCC Computer and FAS IRM activities.	9,638.0	9,373.4	9,687.0	9,993.8	9,687.0	9,687.0
FAS	Provide funds to ICD for cooperative agreement to reduce packaging costs.	165.9	225.2	165.9	165.9	0.0	0.0
FAS	Provide FSA with FAS-contracted remote sensing imagery.	2,250.0	2,100.0	750.0	750.0	500.0	500.0
DOE	Provide technical support of hazardous waste assessments for operation and maintenance in Kansas and Nebraska.	4,000.0	4,364.6	4,000.0	4,483.2	4,000.0	4,367.0
OSEC	Support the operating costs of the Board of Contract Appeals.	60.0	60.0	60.0	60.0	60.0	60.0
AMS	Carry out the milk marketing deduction provision of Section 204(h) of the Agricultural Act of 1949, as amended.	25.0	0.0	5.0	30.0	5.0	5.0
OIG	Perform audits of the CCC financial statements.	870.0	1,712.0	910.0	910.0	910.0	910.0
TOTAL AMOUNT ABOVE		17,008.9	17,835.2	15,577.9	16,392.9	15,162.0	15,529.0

AGENCY	DESCRIPTION OF AGREEMENT	FY 1999 ACTUAL		FY 2000 ESTIMATE		FY 2001 ESTIMATE	
		Obligations	Outlays	Obligations	Outlays	Obligations	Outlays
OTHER AGREEMENTS							
GIPSA	Perform contamination testing on processed grain commodities and TQSA Pilot.	72.0	62.1	60.0	48.9	60.0	60.0
U.S. Geological Survey	Complete 10-year evaluation of changes in wildlife habitat composition in undisturbed tarred fields.	85.4	0.0	102.7	92.7	102.7	77.5
AMS	Provide transmissions of electronic class card data for the 1997 and 1998 crop year of cotton.	500.0	358.3	700.0	700.0	700.0	700.0
NASS	Provide selected data for the wheat and feed grain program.	100.0	100.0	100.0	100.0	100.0	100.0
ERS	Determine the estimated cost for transporting U.S. Cotton to northern Europe for AWP calculations.	5.0	5.0	5.0	5.0	5.0	5.0
AMS	Provide FSA with sub-licensing of statistical software products.	7.7	14.1	7.0	7.0	7.0	7.0
GSA	Provide support services.	345.0	0.0	250.0	0.0	250.0	0.0
RMA	Provide administrative support for Dairy Options Pilot Program.	250.0	19.4	265.0	239.0	265.0	265.0
SCIT	Provide support of Service Center BPR/I Projects.	700.0	0.0	950.0	700.0	950.0	950.0
ARS/CSREES	Data collection for registration of propargyl bromide as alternative for methyl bromide			800.0	800.0		
Clemson University	Conduct statistical analysis on historical laboratory data of corn soy blend and	15.9	3.7	0.0	0.0	0.0	0.0

AGENCY	DESCRIPTION OF AGREEMENT	FY 1999 ACTUAL		FY 2000 ESTIMATE		FY 2001 ESTIMATE	
		Obligations	Outlays	Obligations	Outlays	Obligations	Outlays
	other commodities.						
Prior Year Agreements	Outlays from FY 1995, FY 1996 and FY 1997 agreements.	0.0	3,887.9	0.0	0.0	0.0	0.0
Reserve	Reserve for unanticipated increase of new agreements under $150,000.	500.0	500.0	0.0	0.0	410.5	410.5
OTHER AGREEMENTS AMOUNT		**2,581.0**	**4,950.5**	**3,239.7**	**2,692.6**	**2,850.2**	**2,575.0**
CONSERVATION PROGRAMS							
NRCS	Provide technical assistance for Wetlands Reserve Program.	9,800.0	9,800.0	12,012.0	12,012.0	6,783.0	6,783.0
FS	To provide Conservation Reserve Program technical assistance	1,250.0	0.0				
NRCS	Provide technical assistance for Conservation Farm Option Program	0.0	0.0	0.0	0.0	4,118.5	4,118.5
CONSERVATION PROGRAMS AMOUNT		**11,050.0**	**9,800.0**	**12,012.0**	**12,012.0**	**10,901.5**	**10,901.5**
TOTAL AGREEMENTS AMOUNT		**30,639.9**	**32,585.7**	**30,829.7**	**31,097.5**	**28,913.7**	**29,085.5**

AGENCY	DESCRIPTION OF AGREEMENT	FY 1999 ACTUAL		FY 2000 ESTIMATE		FY 2001 ESTIMATE	
		Obligations	Outlays	Obligations	Outlays	Obligations	Outlays
Other Section 11 Activities:							
FSA Warehouse Examination and Licensing Activities	User-fee supported activity provides for the examination of warehouses licensed under the U.S. Warehouse Act and non-licensed warehouses storing CCC-owned or pledged commodities.	4,096.8	4,096.8	4,879.0	4,879.0	5,045.0	5,045.0
National Aerial Photography Program and Activities	Promotes the coordinated development, use, sharing, and dissemination of surveying, mapping, and related aerial photographic data among Federal and State agencies.	500.0	500.0	500.0	500.0	500.0	500.0
TOTAL OTHER SECTION 11 CHARTER ACT ACTIVITIES		4,596.8	4,596.8	5,379.0	5,379.0	5,545.0	5,545.0
GRAND TOTAL		35,236.7	37,182.5	36,208.7	36,476.5	34,458.7	34,550.5
FY 1999-2001 CAP		36,208.7		36,208.7		36,208.7	
REMAINING FISCAL YEAR BALANCES		972.0		0.0		1,750.0	

As Of February 14, 2000

CCC SECTION II

Mr. Skeen: What activities are not being funded through CCC Section 11 that, under current law, would fall within that funding authority?

Response: Due to the cap limitation, CCC has been unable to provide full funding for the Conservation Reserve Program (CRP) and Wetlands Reserve Program (WRP) technical assistance since 1999. The FY 1999 Emergency Supplemental Appropriations Act, P.L. 106-31, provided funding through the CCC borrowing authority for technical assistance activities. $28 million was provided for FY 1999, and $35 million was provided for FY 2000.

However, the $35 million provided for FY 2000 in the 1999 supplemental is insufficient to meet the funding needs for CRP/WRP technical assistance, and a shortfall of $35 million is estimated for FY 2000, although $12 million is being provided for WRP technical assistance within the Section 11 cap for FY 2000.

In addition, CCC was unable to fully fund other smaller activities in FY 2000 due to the Section 11 limitation.

Mr. Skeen: How are these activities being funded?

Response: These activities are either not funded in FY 2000 or are funded at a reduced level. Other funding sources, such as the CRP/WRP supplemental, are being sought.

CCC FUNDED CONSERVATION PROGRAMS

Mr. Skeen: Please provide the Committee with an explanation of CCC funded conservation programs that are funded from the CCC Charter Act Section 11 authorities that may potentially be short of funding for technical assistance costs in fiscal year 2000.

Response: Some WRP technical assistance was provided under a Section 11 reimbursable program for FY 2000, but CCC was unable to fully fund the need. CCC was able to fund $12,012,000 for WRP, and in funding technical assistance at this level, CCC exhausted all reserves for FY 2000. A supplemental is being sought for additional WRP needs. No funding is available for contingencies or new programs identified during the fiscal year.

Mr. Skeen: How much is needed in funding to exempt Conservation Reserve Program and Wetlands Reserve Program from CCC Section 11 cap restrictions in fiscal year 2001?

Response: Under the current enrollment caps for CRP and WRP, technical assistance for FY 2001 is estimated at $83.9 million. For CRP in FY 2001, the total technical assistance need--including the Forest Service--would be $77.1 million. The technical assistance need for FY 2001 WRP enrollments would be approximately $6.8 million.

However, if the acreage caps are raised to 40 million for CRP and 250,000 for WRP, NRCS technical assistance needs for FY 2001 are estimated to be approximately $81.9 million for CRP and $22.5 million for WRP.

Mr. Skeen: How much would be needed thereafter on an annual basis?

Response: It is estimated that NRCS will enroll an estimated 40,000 acres in WRP, under current law, in FY 2001 to reach the enrollment cap of 975,000 acres. Under current law, it is estimated that approximately $5 million would be needed annually for WRP technical assistance. Based on estimates provided by the Farm Service Agency (FSA), under current law, CRP will require $77.1 million in FY 2001 and $84.4 million in FY 2002.

However, if the acreage caps are raised, it is estimated that technical

assistance for WRP would run approximately $22.55 million annually. FSA estimates that technical assistance for CRP will run approximately $93.8 million in FY 2002.

COMMON COMPUTING ENVIRONMENT

Mr. Skeen: The fiscal year 2001 budget proposes $75 million for common computing environment funding for the Service Center Modernization Initiative and funding to come from the individual agencies, but does not include the specific additional amounts planned by the agency. Please provide for the record, by agency, the purpose and specific amounts planned for by fiscal years 2000, 2001, and 2002.

Response: Specific budget information for FY 2002 will not be finalized until next year, when the President's FY 2002 budget is submitted. Following is a table providing agency funding by category of spending for FY 1999-2001.

[The information follows:]

Service Center Modernization Funding Sources and Levels
(Dollars in Thousands)

Activity	Actual FY 1999	Estimate FY 2000	President's Budget FY 2001
I. BPR/Management			
A. Business Process Reengineering:			
CCC	$4,048	$0	$0
FSA	550	9,700	9,700
NRCS	3,696	8,288	8,288
RD	3,428	2,962	2,962
OSEC (FY 1996)	396	0	0
Sub-Total	**12,118**	**20,950**	**20,950**
B. Change Mgt./Program Mgt:			
FSA	800	596	596
NRCS	1,000	566	566
RD	500	538	538
OSEC (FY 1996)	794	0	0
Sub-Total	3,094	1,700	1,700
TOTAL BPR/CM	**15,212**	**22,650**	**22,650**
II. Integrated Technology			
A. Common Computing Environment:			
CCC	4,816	0	0
FSA	10,111	4,200	5,700
NRCS	9,171	5,000	7,000
RD	3,056	3,000	3,500
CCE	0	12,600	75,000
Y2K Supplemental	11,708	0	0
OSEC (FY 1996)	1,046	0	0
Sub-Total	**39,908**	**24,800**	**91,200**
B. LAN/WAN/Voice:			
CCC	3,307	0	0
FSA	0	1,500	0
NRCS	7,700	2,000	0
RD	2,368	500	0
OSEC (FY 1996)	400	0	0
Sub-Total	**13,775**	**4,000**	**0**
Total, Integrated Technology	**53,683**	**28,800**	**91,200**
III. Base Data Acquisition (BDA)			
FSA/CCC	0	3,400	3,400
NRCS	15,050	20,150	20,150
A. TOTAL BDA	**15,050**	**23,550**	**23,550**

Funding Source Totals	Actual 1999	Estimate 2000	President's Budget 2001
CCC	12,171	0	0
FSA	11,461	19,400	19,400
NRCS	36,617	36,000	36,000
RD	9,352	7,000	7,000
CCE	0	12,600	75,000
Y2K	11,708	0	0
OSEC (FY 1996)	2,636	0	0
GRAND TOTAL	**$83,945**	**$75,000**	**$137,400**

NOTE: FY 2000 and 2001 levels subject to change based on availability of agency contributions. Totals may not add due to rounding.

TRANSFERS OF INFORMATION TECHNOLOGY FUNDING

Mr. Skeen: Section 723 of the P.L. 106-113 provides that none of the funds appropriated or otherwise made available by the Act may be transferred to the Chief Information Officer without approval from the Committees on Appropriations of both Houses of Congress. Please provide your information technology plans including agency transfers for the record.

Response: There are no current plans to transfer agency funds to the Chief Information Officer. If the need arises in the future, we will abide by the Committee's wishes and seek advance approval.

COMMON COMPUTING ENVIRONMENT

Mr. Skeen: What agency funded activities won't be completed because that funding will be used to support the Common Computing Environment?

Response: For fiscal year 2000, the three Service Center agencies (the Farm Service Agency, the Natural Resources Conservation Service, and Rural Development) face difficult challenges in terms of maintaining staffing to address increasing customer workload and investing in their future capability to deliver services more efficiently using modern business processes. Our first priority is to maintain staffing to serve our customers today. Beyond that, agencies are having to make trade-offs between replacing vehicles, improving current systems, and investments in the Common Computing Environment. For the most part, agency spending for the Common Computing Environment represents a reallocation of funding within the historical spending levels for information technology. Agencies will minimize spending on improvements or modifications to their old legacy systems while making contributions toward moving to the new environment. However, maintaining the staffing and legacy systems needed to serve customers today while making investments needed to reap the future benefits of the common computing environment places great strain on the contributing agencies' budgets. To alleviate some of this pressure, we have requested a direct appropriation of $75 million for the Common Computing Environment in FY 2001 to supplement the agencies' contributions to the Service Center Modernization Initiative.

COMMON COMPUTING ENVIRONMENT FUNDING PRIORITIES

Mr. Skeen: How will the fiscal year 2000 and 2001 funding priority decisions be made as they relate back to the ongoing work in individual agencies?

Response: Priorities for the use of the $12.6 million in fiscal year 2000 and the proposed $75 million in FY 2001 for the Common Computing Environment will be fully coordinated with agency-funded Service Center Modernization activities and overall program priorities of the three agencies. The Chief Information Officer (CIO), who oversees use of this funding, sits on the National Food and Agriculture Council (NFAC), which is the overall coordinating mechanism for the Service Center Modernization Initiative. In addition, the CIO has full-time senior staff involved in the day-to-day activities of the modernization effort. Priorities for all aspects of the initiative--business process reengineering (BPR), data acquisition, and information technology--are set using the interagency NFAC and other interagency teams. Generally, the direct appropriation for the common computing environment funds investments in shared equipment such as server

technology, public access WEB farms, enterprise-wide software, shared printers, and plotters. Contributions from agencies' budgets fund BPR, data acquisition and the CCE equipment such as workstations for individual employees. The priorities for the shared information technology will be set using a fully participatory process, but the CIO, as the accountable official, will have final approval with regard to how funds are used.

INCREASING CCC SECTION II CAP FOR ADP COSTS

Mr. Skeen: How does the legislative proposal for increasing the cap on CCC expenditures for ADP related expenses relate to the Service Center Modernization Plan?

Response: The $35 million represents the minimal annual cost to maintain the Farm Service Agency's basic operational activities (contractor support for software maintenance, telecommunications, help desk, maintenance costs of existing mission critical systems) which support CCC programs and functions. It is critical that these existing systems be maintained while the Common Computing Environment is being implemented.

Mr. Skeen: What other expenses are included in the proposal that are not covered by the plan?

Response: The Service Center Modernization Plan does not cover any of the expenses which are included in the proposal to increase the CCC ADP cap.

Mr. Skeen: How is the newly proposed Conservation Security Program different from the Conservation Farm Option program that was authorized under the 1996 Farm Bill, but never fully implemented?

Response: The two programs are quite different. The Conservation Farm Option (CFO) is geared towards producers of traditional farm commodities such as wheat, feed grains, cotton and rice who also have acreage enrolled in the Agricultural Market Transition Act program. CFO contracts cover a ten-year period and participants are required to develop and implement a conservation farm plan.

The Conservation Security Program (CSP) is an annual program available to all agricultural producers. It would not be limited to traditional commodities and would be available on cropland used as orchards and vineyards as well as to grow vegetables, fruits, nuts, tobacco, and other crops. Pasture and range grazing land and hayland would also be eligible for CSP. The CSP would provide both a direct conservation security payment and technical assistance to farmers, not on a cost-share basis, but as direct payments to farmers who undertake certain conservation practices that help curb erosion and protect water supplies. Finally, the CSP would not affect payments currently being made by any other farm program. Acreage currently under a conservation easement would not be eligible for a CSP payment.

Mr. Skeen: Why can't the conservation concerns being addressed fall under the existing Conservation Farm Option program currently authorized?

Response: The Conservation Farm Option is a pilot, limited in scope. The Administration has presented the Conservation Security Program as a way to broaden the scope and impact of conservation programs beyond the traditional farm commodities.

Mr. Skeen: Why do you need a $600 million program?

Response: The $600 million level would provide funding for an estimated 100,000 agreements. It is the beginning of the development of future agricultural policy. That future is closely tied to the conservation of soil and other natural resources on private lands, in keeping farmers farming, in building a new and stronger agriculture policy for the next generation.

DETAILEES

Mr. Skeen: Beginning with fiscal year 1999 and continuing through fiscal year 2001 anticipated activities, please provide for the record a table by fiscal year on a reimbursable and non-reimbursable basis showing the USDA detailees who have been placed within the Executive Branch. The tables should show the name, USDA position title, grade level, time frame of detail, Executive Branch location (agency or office) where detailee is placed, title and brief description of duties and indicate the amount of reimbursement received.

Answer: **[Clerk's Note: At the time this hearing volume was printed on May 12, 2000, the agency had not provided the answer.]**

Mr. Skeen: The budget proposes to submit legislation to convert all FSA employees to Federal Status this year. When do you expect to submit the proposed legislation?

Response: It has been cleared throughout USDA and the proposal is planned for transmittal very shortly.

Mr. Skeen: What would be the impact on the FSA salaries and expenses budget if the temporary employees currently on board were terminated under the Federal status conditions?

Response: There would be no difference in the impact on the FSA salaries and expenses budget if temporary employees were terminated under either county or Federal status. In both systems temporary full or part-time employees may serve with a "not to exceed" date. Conversion may create some additional administrative burdens which we would absorb. In addition, some temporary employees serve on an intermittent or "as-needed" basis, and conversion would not affect this category of temporary employees.

Mr. Skeen: How will permanent employees' job retention rights be administered?

Response: After conversion, all employees will be subject to Federal Reduction in Force (RIF) regulations and procedures. Under Federal RIF regulations and procedures, employees are retained based on type of appointment (tenure), veterans preference, length of service, and performance credit.

Mr. Skeen: Will the agency incur significant relocation costs when a reduction-in-force is implemented?

Response: The agency will not incur significant relocation costs when a reduction-in-force is implemented. Any reduction-in-force will be confined to the competitive area that is overstaffed, and competitive areas are the local commuting area for county employees.

CHART COMPARING EMPLOYEE RIGHTS

Mr. Skeen: Please provide for the record, a comparison chart showing the differences in the current employee rights versus the proposed Federal status?

Response: Generally, the non-Federal county office personnel system is patterned after the Federal Civil Service personnel system. In most areas, the Federal and county office personnel systems are comparable. There are significant differences in the areas of RIF, outside appeals, directed reassignments, and employment. Attached is a chart comparing the Federal and non-Federal personnel systems.

[The information follows:]

Comparison of Federal vs. non-Federal personnel systems	
Federal System	Comparable Counterpart in Non-Federal System
Appointments Career-Conditional (confers limited Federal reinstatement eligibility and reduced Federal RIF protection.)	No. CO employees do not receive a career-conditional appointment, but they do have a 1-year probationary period similar to GS employees.
Career Civil Service Status	No. CO employees do not meet definition of Federal Civil Service employee in 5 U.S.C. §2105. Appointment in CO system does not confer Civil Service status. However, Section 765 of P.L. 105-277 provides permanent CO employees with Federal Civil Service status for the purpose of applying for USDA Civil Service vacancies
Veterans Preference	No. CO system does not confer appointment or RIF advantages to veterans.
CTAP, Repromotion Priority	No. CO system not subject to CTAP, USDA repromotion priority.
Qualification Requirements	Yes.
Probationary Periods	Yes. Both GS and CO systems have 1-year probationary periods.
Directed Geographic Reassignments	FSA policy permits the permanent reassignment of nonsupervisory CO employees from one county to another. County Executive Directors are not subject to reassignment form 1 county to another. Excess CED's may be separated and are then provided reemployment priority to CED positions at their former grade.
Reduction in Force	No. CO RIF procedures are different. CO RIF's are based on retention of the best qualified employees as determined by supervisor; GS RIF's are based on seniority, veterans preference, and structured credit for performance.

Comparison of Federal vs. non-Federal personnel systems	
Federal System	Comparable Counterpart in Non-Federal System
Pay Basic Pay	Yes.
Pay Setting on Promotion	No. A non-Federal employee promoted into a Federal position does not receive a 2-step salary increase that comparable Federal employees receive (5 U.S.C. §5334(e)).
Locality Pay	Yes.
Special Salary Rates (SSR)	Yes. FSA currently has no CO SSR's, but permits SSR's where Federal FSA employees in the same office and similar job receive SSR's.
FEPCA	Yes. FSA has extended FEPCA provisions (appointment above minimum rate, recruitment/retention bonuses) to CO employees.
Grade/Pay Retention	Yes.
Overtime/Comp Time	Yes.
Severance Pay	Yes.
Unemployment Compensation	Yes
Centralized Payroll Processing	Yes. Based on OIG recommendation, FSA has converted payroll/personnel processing to NFC, effective October, 1999.
Classification	CO positions are similarly graded to GS, with similar job descriptions, but CO employees are classified against FSA standards. However, CO employees may appeal classification only within the agency, not to USDA or OPM.
Disciplinary/Adverse Actions Removals Suspensions	Both CO and GS systems are cause based, and employees can be suspended and/or removed for misconduct and poor performance. CO system of suspensions and removals differs from Federal counterpart in that: - CO appeal levels limited to FSA (no MSPB review) - CO suspensions w/o pay may be immediate
Performance Appraisals	Yes. Both CO and GS employees have been placed under the same Pass/Fail performance management system.
Ethics and Employee Conduct	Yes. FSA has comparable CO system of ethical rules and disciplinary procedures for enforcing them.
Nepotism Restrictions	Yes.
Hatch Act/Conflict of Interest	Yes. The Hatch Act does not cover CO employees, but FSA has imposed restrictions upon CO employees comparable to the Hatch Act.

Comparison of Federal vs. non-Federal personnel systems	
Federal System	Comparable Counterpart in Non-Federal System
External appeals	No. GS employees have appeal rights to MSPB. CO employees have appeal rights to internal FSA hearing officer (including adversarial hearing, on the record evidence, witnesses, cross-examination, before neutral third party, opportunity for court review), but do not have appeal rights outside the agency.
EEOC complaints	Yes. Rights to file EEO complaints under Federal procedures extended to CO employees.
Grievances	CO and GS grievance systems comparable, with the exception that CO employees do not have grievance rights outside the agency. FSA State Grievance Board administers CO grievance system, with review rights to FSA in DC.
Whistleblower Protection	Yes. The Whistleblower Act does not cover CO employees, but FSA prohibits reprisal/imposes discipline upon CO employees comparable to GS employees.
Reasonable Accommodations	Yes. Federal employees and applicants with disabilities are covered by the Vocational Rehabilitation Act of 1973. CO employees are covered by the Americans with Disabilities Act. The Rehab Act generally imposes stricter accommodation requirements than the ADA.
Tours of Duty	
Holidays	Yes.
Flexitour	Yes.
5/4/9	Yes.
Flexitime	Yes
4/10	Yes
Variable Day	Yes

Comparison of Federal vs. non-Federal personnel systems	
Federal System	Comparable Counterpart in Non-Federal System
Leave	CO and GS leave systems are different leave systems, and although comparable, they are not interchangeable.
Annual/Sick Leave	Yes.
Leave Transfer	No. Sick and annual leave may be transferred from CO to GS only if there is not a break in service of more than 3 days. If there is a break in service of more than 3 days, sick leave may not be transferred to other system, and a lump sum is paid for annual leave.
Annual/Sick Leave Accrual	No. CO employees can earn partial accrual of annual/sick leave even if they are not employees for entire pay period. GS employees must be employees for entire pay period to accrue leave.
Administrative Leave	Yes.
Adoption Leave	Yes.
Absence w/o Leave	Yes.
Family/Adoption Leave	Yes.
Funeral Leave	Yes.
Jury/Voting Leave	Yes.
Military Leave	Yes.
Leave Donation	Yes * *Both GS and CO employees have leave donation programs, but GS and CO employees can not donate to each other. (Leave systems comparable, but not interchangeable).
Retirement	
CSRS	Yes.
FERS	Yes.
Benefits	
FEHB	Yes.
FEGLI	Yes.
TSP	Yes.
Tort Claims/Injury Compensation	Yes.
Awards	Yes.
Employee Assistance Program	Yes.

Mr. Skeen: Is the funding provided in fiscal year 2000 sufficient to maintain your existing staff? If not, please provide an explanation of your funding needs.

Response: The funding is sufficient to maintain existing Federal staff and all county level non-federal permanent staff. We anticipate some difficulty in completing timely sign-ups for some of the disaster assistance programs and an increasing lag in providing payments to producers during the last 6 months of the fiscal year. FSA is working with the Department to review supplemental needs.

Mr. Skeen: Is there any workload that will not be completed because FSA lacks sufficient administrative funding? Please explain in detail, using workload descriptions, staffing number needs, and areas impacted.

Response: FSA will likely spend all funding available for temporary staff years in the first 6 months of the fiscal year. Although these temporary employees have allowed the Agency to remain current on most workload, we expect continued high program and payment workload during the last 6 months of the fiscal year. We anticipate some difficulty in completing timely sign-ups for some of the disaster assistance programs and an increasing lag in providing payments to producers, including loan deficiency payments. FSA will soon be conducting sign-ups, processing applications and making payments on approximately 7 major programs including the Oilseeds Program, the Crop Disaster Program, the Pasture Restoration Program, and the Livestock Assistance Program, in addition to ongoing emergency activities such as the Non-Insured Assistance Program and the Emergency Conservation Program. FSA is working with the Department to review supplemental needs. We anticipate the geographical areas impacted will correspond to the programs I mentioned, which are national in scope. Therefore, we anticipate almost every State will need additional temporaries, but with a wide variance among States.

Mr. Skeen: For several years, the budget proposals for farm credit have been too low to meet the needs of the agricultural community. Congress has had to provide emergency funding to address these short falls. This year, the budget proposes a total program level for fiscal year 2001 that is less than the cumulative total program level for fiscal year 2000. It has been stated, that the economic crisis facing the agricultural community is not expected to get better for another 12 to 18 months. What assurances can you provide the committee that the proposed funding for the farm credit area is sufficient to meet the needs of the agricultural community?

Response: Historically, funding shortfalls in a fiscal year has resulted in significant backlogs of unfunded approved loans being carried over to the next fiscal year. The funding levels provided for FY 2000 are expected to allow FSA to fund all application requests. Without the carryover of unfunded loan requests being brought forward from FY 2000, the proposed funding levels in FY 2001 are expected to be adequate.

AGRICULTURAL CREDIT INSURANCE FUND

Mr. Skeen: Please provide for the record a table showing loan program level and budget authority for the loans under the Agricultural Credit Insurance Fund for fiscal years 1999 actual, 2000 current estimates, and 2001.

Response: Yes, we will provide a table for the record showing the requested ACIF information.

[The information follows:]

AGRICULTURAL CREDIT INSURANCE FUND
(On basis of obligations under available funds)
(In thousands of dollars)

Program	1999 Actual		2000 Appropriated plus Carryover Current Estimate		2001 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Direct loans:						
Farm Ownership	$85,651	$12,822	$128,049 d/	$4,827	$128,000	$13,786
Farm Ownership - Supplemental..(P.L. 106-31)	84,875	12,706 a/	0	0	0	0
Farm Ownership - Supplemental. (P.L. 106-113)	0	0	21,951 e/	828 b/	0	0
Subtotal	**170,526**	**25,528**	**150,000**	**5,655**	**128,000**	**13,786**
Farm Operating	500,000	34,150	500,000	29,300	700,000	63,140
Farm Operating - Supplemental..(P.L. 105-277)	233,807	15,969 c/	0	0	0	0
Farm Operating - Supplemental (P.L. 106-31)	54,728	3,738 a/	0	0	0	0
Farm Operating - Supplemental. (P.L. 106-113)	0	0	400,000 e/	23,441 b/	0	0
Subtotal	**788,535**	**53,857**	**900,000**	**52,741**	**700,000**	**63,140**
Emergency Disaster	25,000	5,900	25,000 d/	3,882	150,065	36,811
Emergency Disaster - Supplemental (P.L. 106-31)	250,613	59,144 a/	0	0	0	0
Emergency Disaster - Supplemental (P.L. 106-113)	0	0	547,000 e/	84,949 b/	0	0
Available carryover balance of 1998 supplemental f/	54,236	12,800	0	0	0	0
Subtotal	**329,849**	**77,844**	**572,000**	**88,831**	**150,065**	**36,811**
Indian Land Acquisition	0	0 h/	1,028 d/	21	2,005	323
Boll Weevil Eradication	100,000	1,440	100,000	0	100,000	0
Subtotal Direct Loans and Subsidies (above)	1,388,910	158,669	1,723,028	147,248	1,080,070	114,060
Available balance of supplemental appropriations:						
Farm Ownership	0	0	27,500	1,037	0	0
Farm Operating	0	0	35,274	2,067	0	0
Emergency Disaster	0	0	10,965	1,703	0	0
Total Direct Loans	1,388,910	158,669	1,796,767	152,055	1,080,070	114,060
Guaranteed Loans:						
Farm Ownership, Unsubsidized	425,031	6,758	431,373 d/	2,416	1,000,000	5,100
Farm Ownership, Unsubsidized - Supplemental (P.L. 106-31)	349,139	5,551 a/	0	0	0	0
Farm Ownership, Unsubsidized - Supplemental..(P.L. 106-113)	0	0	568,627 e/	3,184 b/	0	0
Subtotal	**774,170**	**12,309**	**1,000,000**	**5,600**	**1,000,000**	**5,100**
Farm Operating, Unsubsidized	948,276	11,000	1,697,842 d/	23,940	2,000,000	27,400
Farm Operating, Unsubsidized - Supplemental (P.L. 105-277)	150,000	1,740 c/	0	0	0	0
Farm Operating, Unsubsidized - Supplemental. (P.L. 106-31)	152,449	1,769 a/	0	0	0	0
Farm Operating, Unsubsidized - Supplemental..(P.L. 106-113)	0	0	302,158 e/	4,260 b/	0	0
Subtotal	**1,250,725**	**14,509**	**2,000,000**	**28,200**	**2,000,000**	**27,400**
Farm Operating, Subsidized	200,000	17,480	200,000 d/	17,620	477,868	38,994
Farm Operating, Subsidized - Supplemental..(P.L. 105-277)	156,705	13,696 c/	0	0	0	0
Farm Operating, Subsidized - Supplemental..(P.L. 106-31)	168,803	14,753 a/	0	0	0	0
Farm Operating, Subsidized - Supplemental..(P.L. 106-113)	0	0	702,558 e/	61,895 b/	0	0
Subtotal	**525,508**	**45,929**	**902,558**	**79,515**	**477,868**	**38,994**
Subtotal Guaranteed Loans and Subsidies (above)	2,550,403	72,747	3,902,558	113,315	3,477,868	71,494
Available balance of supplemental appropriations:						
Farm Ownership	0	0	2,447	14	0	0
Farm Operating, Unsubsidized	0	0	121,389	1,712	0	0
Farm Operating, Subsidized	0	0	16,068	1,416	0	0
Total Guaranteed Loans	2,550,403	72,747	4,042,462	116,457	3,477,868	71,494
Subtotal, Loans and Subsidies-Regular Appropriation	2,283,958	89,550	3,083,292	82,006	4,557,938	185,554
Subtotal, Loans and Subsidies-Supplemental Appropriation	1,655,355	141,866	2,755,937	186,506	0	0
Total, Loans and Subsidies Above	**3,939,313**	**231,416**	**5,839,229**	**268,512**	**4,557,938**	**185,554**
Administrative expenses	0	219,537	0	214,161	0	269,454
Administrative expenses - Supplemental..(P.L. 106-31)	0	0 a/	0	4,000	0	0
Total, Administrative expenses g/	0	219,537	0	218,161	0	269,454
GRAND TOTAL	3,939,313	450,953	5,839,229	486,673	4,557,938	455,008

Footnotes shown on next page.

a/ $105,809,000 of budget authority and $4,000,000 for administrative expenses to carry out the direct and guaranteed loan programs was provided by the 1999 Supplemental Appropriations Act, P.L. 106-31, enacted May 21, 1999. Of the $105,809,000, $18,712,000 was available for Direct Farm Ownership loans, $4,970,000 was transferred to the Emergency Disaster program (as authorized by P.L. 106-31 and USDA Secretarial Interchange Authority), $12,706,242 was used in 1999, and the remaining $1,036,758 is available until September 30, 2000. $12,835,000 was for Direct Farm Operating loans, $6,630,000 was transferred to the Emergency Disaster program, (as authorized by P.L. 106-31 and USDA Secretarial Interchange Authority), $3,737,942 was used in 1999, and the remaining $2,087,058 is available until September 30, 2000. $49,047,000 was for Emergency Disaster loans; $11,800,000 was transferred from Direct Farm Ownership and Direct Farm Operating, (as authorized by P.L. 106-31 and USDA Secretarial Interchange Authority), $59,144,182 was used in 1999 and the remaining $1,702,818 is available until September 30, 2000. $5,565,000 was for Unsubsidized Guaranteed Farm Ownership loans, $5,551,322 was used in 1999, and the remaining $13,678 is available until September 30, 2000. $3,460,000 was for Unsubsidized Guaranteed Farm Operating loans; $1,758,419 was used in 1999, and the remaining $1,711,581 is available until September 30, 2000. $16,159,000 was for Subsidized Guaranteed Operating loans; $14,753,409 was used in 1999, and the remaining $1,415,591 is available until September 30, 2000. $4,000,000 was for administrative expenses, $0 was used in 1999, and the $4,000,000 is available until September 30, 2000.

b/ $178,557,000 of budget authority is provided by P.L. 106-113, Making Consolidated Appropriations for the Fiscal Year Ending September 30, 2000, and for Other Purposes, enacted November 29, 1999 and is available until expended. Of the $178,557,000, $928,000 is for Direct Farm Ownership loans, $23,441,000 is for Direct Farm Operating loans, $94,949,000 is for Emergency Disaster loans, $3,184,000 is for Guaranteed Farm Ownership loans, $4,280,000 is for Unsubsidized Guaranteed Operating loans, and $51,695,000 is for Subsidized Guaranteed Operating loans.

c/ $31,405,000 of budget authority is provided by the FY 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act, P.L. 105-277, enacted October 21, 1998. Of the $31,405,000, $15,969,000 was available for Direct Farm Operating loans; $1,740,000 was for Unsubsidized Guaranteed Operating loans; and $13,696,000 was available for Subsidized Guaranteed Operating loans.

d/ 2000 Appropriations Act (P.L. 106-78) estimated $128,049,000 for Direct Farm Ownership, $25,000,000 for Emergency Disaster, $1,028,000 for Indian Land Acquisition, $431,373,000 for Guaranteed Farm Ownership, and $1,697,842,000 for Subsidized Guaranteed Operating loans programs. Supportable program levels are $128,037,135, $24,996,780, $1,050,000, $431,428,671, and $1,697,872,340 respectively. The supportable level is authorized by section 712 of the Appropriations Act, which provides "Notwithstanding any other provisions of this Act, all loan levels provided in this Act shall be considered estimates, not limitations."

e/ 2000 Supplemental Appropriations Act (P.L. 106-113) estimated $21,951,000 for Direct Farm Ownership, $400,000,000 for Direct Farm Operating, $547,000,000 for Emergency Disaster, $568,627,000 for Guaranteed Farm Ownership, $302,156,000 for Unsubsidized Guaranteed Farm Operating, and $702,556,000 for Subsidized Guaranteed Farm Operating loans programs. Supportable program levels are $21,962,865 $400,017,085, $546,999,356, $568,571,429, $302,127,660, and $702,553,916 respectively.

f/ $21,000,000 of budget authority was provided by the 1998 Supplemental Appropriations and Rescissions Act, P.L. 105-174, enacted May 1, 1998, for the Emergency Disaster loan program, to remain available until expended, of which $8,200,000 was used in 1998, and the remaining $12,800,000 was used in 1999.

g/ Of the $223,661,000 available in FY 1999, $9,678,000 was obligated for program-related nonrecoverable costs and $209,661,000 was transferred to FSA. Of the $214,161,000 in FY 2000, $4,300,000 will be retained for obligation of program-related nonrecoverable costs, and $209,861,000 will be transferred to FSA and $4,000,000 in program-related non-recoverable costs was carried over from 1999 under P.L. 106-31 and will be used in FY 2000. Of the $269,454,000 in FY 2001, $4,139,000 will be retained for obligation of program-related nonrecoverable costs and $265,315,000 will be transferred to FSA.

h/ $153,000 was appropriated and expired unused.

Mr. Skeen: Provide an explanation by program of the detail assumptions used to compute the program level and budget authority for each loan category.

Response: We will provide the requested program data for the record.

[The information follows:]

FY 2001 PRESIDENT'S BUDGET
FARM LOAN PROGRAM ASSUMPTIONS

Item	DIRECT					GUARANTEED			Grand Total
	Ownership	Operating	Emergency	Indian	Boll Weevil	Ownership Unsubsidized	Operating Unsubsidized	Operating Subsidized	
Loan level	$128,000,000	$700,000,000	$150,065,000	$2,005,000	$100,000,000	$1,000,000,000	$2,000,000,000	$477,868,000	$4,557,938,000
Number of loans	1,250	14,439	1,806	2	11	4,538	13,282	3,318	38,646
Subsidy rate (%)	10.77	9.02	24.53	16.10	-0.78	0.51	1.37	8.16	--
Average interest rate charged borrower (%)	5.57	5.87	3.75	5.00	6.75	10.25	9.25	5.25	--
Maximum loan term (years)	40	7	40	40	7	40	7	7	--
Average loan term (years)	34	3	12	40	7	19	5	6	--
Lifetime defaults (% of disb)	1.8	12.2	10.7	2.9	1.5	1.7	6.1	6.1	--
Disbursement rate in year 1 (%)	92	95	94	69	97	77	90	88	--
Fees to gov't (%)	0	0	0	0	0	1	1	1	--

Mr. Skeen: The budget proposes to close the "eligibility gap" between USDA and Small Business Administration emergency loans by offering larger-sized farms loans at higher interest rates. Please describe the proposal in detail.

Response: In recent years, agriculture has experienced significant consolidation, with the net result of fewer, larger farms. Most of these farms are still family owned, even though the operation has grown beyond the point that the family can operate the farm by themselves. Current statutes require that FSA lend to only family size farmers. Therefore, when disasters occur, these larger operations are precluded from FSA emergency loan assistance, and the SBA is statutorily prohibited from lending to agriculture enterprises in disaster areas. Thus, larger than family farms (those farms which require substantial labor beyond that required by the family and exceed the size of a typical farm in the community) are unable to receive disaster benefits that smaller farms receive.

The Department has proposed legislation which would allow emergency loans to larger than family size farms who meet all other FSA loan eligibility criteria to qualify for FSA emergency loans. The interest rate charged on loans to applicants under this revision would be at a higher, non-subsidized interest rate to focus scarce budgetary resources on smaller farmers and to discourage program abuse by larger operators. Like other qualified loan applicants, larger farm applicants would have to be unable to obtain other credit, and be individuals or an entity composed of individuals who operate the farm. The statutory loan limit will remain at $500,000.

Mr. Skeen: How many farmers will likely take advantage of the proposal in fiscal year 2001? What impact would that have on the loan recipients of the past?

Response: Assuming enactment of the proposal, the Agency estimates that 30% of emergency loans (about 340) would be made to larger farm borrowers in FY 2001. Shortfalls of emergency loan funds have occurred in past fiscal years. Since emergency loan applications are funded in the order they are received, providing emergency loan funds to larger than family farms will impact the ability of beginning and minority family farmers to obtain low-interest disaster loans.

Mr. Skeen: The budget proposes to use existing authorities to implement a new on-farm storage loan program to facilitate farmers' marketing opportunities beginning in fiscal year 2000. Please provide a table illustrating, by state, the need for such a program.

Response: Data that would allow us to easily determine state-by-state storage capacity needs does not exist. USDA's National Agricultural Statistics Service, however, does routinely collect data on grain and oilseed production, stocks, and existing storage capacity. This data along with anecdotal information give us every reason to believe that harvest-time storage capacity in many parts of the country falls far short of the level needed to facilitate orderly and efficient marketing by producers. Since 1987, U.S. grain storage capacity has dropped by 4 billion bushels. U.S. grain storage capacity totaled 23.2 billion bushels as of December 1, 1987. Of this capacity 13.6 billion bushels was in on-farm facilities and the remaining 9.6 billion bushels was in commercial facilities. As of December 1, 1999, U.S. grain storage capacity totaled 19.2 billion bushels with 11.2 billion bushels in on-farm storage and just more than 8.0 billion bushels in commercial storage. Although there has been some expansion in storage capacity in the past 2 years, new capacity has been slow to come on-line. Since 1997, on-farm capacity has increased by only 200 million bushels and off-farm capacity has increased by only 126 million bushels. This is despite larger and larger grain and soybean production over the past decade. In 1997/98, U.S. farmers produced 12.8 billion bushels of grains (excluding rice) and soybeans. Last year, U.S. farmers produced 15:4 billion bushels of the grains (excluding rice) and soybeans. These larger crops have combined with reductions in storage capacity to make harvest-time storage shortfalls a

serious problem in many areas. USDA's Farm Service Agency has authorized emergency storage at facilities which are part of the Uniform Grain and Rice Storage Agreement during each of the past three harvests. During the 1997 fall harvest, requests for emergency storage capacity totaled 93.7 million bushels. During the 1998 and 1999 fall harvests requests totaled 238 and 229 million bushels, respectively. Based on these requests and on production, stocks, and storage capacity data it seems clear that there is a serious need to expand the Nation's grain storage capacity. Again, based on this information, we believe that the areas with the greatest need to expand capacity are the eastern and western corn belts, the central plains, and those parts of the northern plains where corn and soybean production has expanded significantly in recent years.

Mr. Skeen: Please describe the benefits to farmers for the Commodity Credit Corporation to implement such a program.

Response: The implementation of a farm storage facility loan program will provide producers with an additional credit source and more affordable interest rates that will facilitate much needed expansion of the Nation's grain storage and handling infrastructure. Expansion of on-farm storage capacity is important for producers, especially during periods of low farm prices. More on-farm storage capacity affords producers marketing flexibility and allows them to take better advantage of risk management tools that can improved their income. Added marketing flexibility can also contribute to more orderly commodity markets by reducing harvest time sales that contribute to large seasonal price swings. Expansion of on-farm storage capacity is also the first step in moving the U.S. grain handling infrastructure toward an IP system that will be necessary to meet the needs of tomorrow's grain users. With the increasing importance of genetically enhanced organisms (GEO's), both for producers and consumers, identity preservation will become more and more critical. This will be especially true as we move from the first generation of GEO crops, which were enhanced to increase pathogen and plant input tolerances, into the next generation of GEO crops, which will have very specialized end-use characteristics designed for specific end-users. From a practical stand point, identity preserved grain and oilseeds will have to be segregated at the farm-level and grain industry officials are already telling producers that they will be responsible for that function. For producers to improve their returns on GEO and non-GEO crops they will need expanded storage and handling capacity to identity preserve their production.

Mr. Skeen: For the record, please provide the program authorization citation and a description of the use of the program in the last 15 years.

Response: Section 5 (b) of the Commodity Credit Corporation (CCC) Charter Act states that CCC is authorized to "Make available materials and facilities required in connection with the production and marketing of agricultural commodities." The Farm Storage Facility Loan Program was first established in 1949. USDA stopped making loans under the program in 1982 when studies showed that farmers had sufficient storage for their crops. In more recent years, the farm storage situation has changed substantially.

Mr. Skeen: The budget proposes to use existing authorities to maintain the maximum marketing assistance loan rates for the 2000 crop. For the record, please provide a comparison table by commodity of the differences between the proposal and current activities.

Response: The table below compares the 2000 crop loan rates presented in the FY 2001 President's Budget with the announced levels. The 2000-crop loan rates that were presented in the FY 2001 President's Budget are the same loan rates that were announced on February 14, 2000, except for barley. The higher loan rate for barley reflects updated market price data used when the final 2000 loan rates were determined.

[The information follows:]

Marketing Assistance Loan Rates for the 1999 Crop, 2000 Crop, and FY 2001 President's Budget

Crop	Unit	1999 crop loan rates	2000 crop loan rates	FY 2001 President's Budget
Wheat	Dollars per bushel	2.58	2.58	2.58
Corn	Dollars per bushel	1.89	1.89	1.89
Grain Sorghum	Dollars per bushel	1.74	1.71	1.71
Barley	Dollars per bushel	1.59	1.62	1.61
Oats	Dollars per bushel	1.13	1.16	1.16
Soybeans	Dollars per bushel	5.26	5.26	5.26
Minor Oilseeds	Dollars per hundred weight	9.30	9.30	9.30
Crambe	Dollars per hundred weight	8.77	8.77	8.77
Upland Cotton	Cents per pound	51.92	51.92	51.92
ELS Cotton	Cents per pound	79.65	79.65	79.65
Rice	Dollars per hundred weight	6.50	6.50	6.50

CIVIL RIGHTS

Mr. Skeen: In 1999, USDA was directed to provide the Committee with progress reports regarding Civil Rights claims in 6-month intervals. We have yet to receive the first report. Please provide for the record, a summary of the claims paid in FY 1999 and the status of claims pending against the Department to date.

Response: I understand that this report was to update you on progress in addressing the backlog of over 1,000 cases of alleged discrimination in USDA programs that existed at the beginning of FY 1999. We have nearly eliminated this backlog.

Many of the claims paid in fiscal year 1999 relate to the Black farmers class action lawsuit (Pigford v. Glickman). Under the terms of the settlement agreement, the Department of Justice coordinates a payment of $50,000 to many of the successful claimants. These claimants may also receive additional relief in the form of debt forgiveness on loans and some offset of tax liability. Those with substantial written evidence of non-credit discrimination receive the amount of the benefit that was wrongly denied, provided funds are available for this purpose.

Nearly 3,600 farmers have received a $50,000 settlement payment for a total of $180 million. I understand that the Department has also paid nearly $3 million and written off loans totaling nearly $3.2 million in FY 1999 related to over 30 claims. To date, 28 program complaints have been received in fiscal year 2000.

FOOD QUALITY PROTECTION ACT

Mr. Skeen: Please provide for the record the Food Quality Protection Act Implementation Report that was due to the Committee in February of 1999.

Response: We will provide a copy of the requested report for the record. Also, we apologize for the delay in its preparation.

[The information follows:]

Report to Congress on the Implementation of the Food Quality Protection Act

Submitted in Response to the Directives from the House and Senate Appropriations Committees

Prepared by ARS Office of Pest Management Policy

March, 2000

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Background:

The 1996 enactment of the Food Quality Protection Act (FQPA) created a challenge for U.S. farmers to produce quality food products which are competitive on the world market and at the same time increase the margin of safety regarding pesticide residues. Building on strong programs in research, extension, statistics, and marketing, FQPA adds specific responsibilities to the Secretary of Agriculture related to assisting the Environmental Protection Agency (EPA) in the pesticide registration and tolerance review processes as follows: 1) coordinating the development and implementation of dietary survey procedures with respect to food consumption patterns of infants and children; 2) improving the data collection of pesticide residues to provide guidelines to EPA on the use of comparable analytical and standardized reporting methods; 3) collecting data on the use of pesticides on major and minor crops; and 4) conducting a study in collaboration with EPA on the current status and potential improvement of the collection of pesticide use information.

On April 8, 1998, the Vice President issued a directive to the Secretary of Agriculture and the Administrator of the EPA concerning the implementation of FQPA. The Vice President established four principles to guide the implementation process. First, regulatory decisions should be based on the best science and data that are available. Second, the regulatory process should be transparent, consistent, and predictable. Third, The Department of Agriculture (USDA) and EPA must work together to provide a reasonable transition for growers to newer, reduced-risk pest control options. Finally, the agencies must continue to reach out and consult with all parties interested in the pesticide registration process. EPA and USDA have developed new policies, created new programs, and established new procedures - all rooted in these fundamental principles. This report on FQPA implementation is made in response to requests from the House and Senate Agriculture and Related Agencies Appropriations Subcommittees for a report on actions taken by USDA to comply with and carry out the Vice President's directive.

The Tolerance Reassessment Advisory Committee (TRAC) was established in May 1998 to assist both EPA and USDA in devising a process for developing complex science policies, and designing an effective pilot program for refining risk assessments for the organophospate pesticides (OP's). Co-chaired by Deputy Secretary Richard Rominger and EPA Deputy Administrator Peter Robertson, the TRAC committee is comprised of EPA and USDA officials, crop growers, pesticide manufacturers, food processors, representatives of farm labor, public interest advocacy groups, and others interested in pesticide registration decisions. One of the first actions of TRAC was to agree to a pilot effort to make the EPA risk assessment process more transparent and to involve more stakeholders, including growers and other interested parties. Prior to the establishment of TRAC, only the chemical registrants had the opportunity to review draft risk assessments and influence the decision-making process during the early stages of development.

Current Activities and Future Plans to Address Key Concerns:

Now, nearly two years after the Vice President's directive was issued, USDA continues to work closely with EPA to implement the specific provisions related to tolerance assessments being conducted under FQPA. This section will discuss the current activities undertaken by USDA in addressing each of the four principles issued by the Vice President in 1998. This portion of the report will also address current outstanding science policy issues related to FQPA implementation and future plans to further collaborate with EPA, industry, commodity producers, and other members of the agricultural sector.

A. Using Sound Science in Risk Analysis

USDA is currently collaborating with EPA on a number of outstanding science policy issues. Because FQPA was effective upon enactment, EPA was required to quickly institute procedures to guide early decision-making on new tolerances for emergency exemptions, new registrations, and tolerance reassessments. The Food Safety Advisory Committee, that was established shortly after FQPA was enacted into law, assisted EPA in developing an initial decision logic to ensure that the Agency would continue to make decisions while important science policies were being developed. In October 1998, USDA and EPA announced a framework for addressing nine key science policy issues, based on work done by the TRAC committee members. EPA published a schedule

used to indicate the release date of draft risk assessment documents for public comment on October 29, 1998. As of July 8, 1999, 14 papers out of 19, covering 8 of the following 9 science policy areas, have been released by EPA for public comment:

- **Applying the FQPA 10X Safety Factor.** Four documents are currently being published for public comment. The first document, entitled, Toxicology Data Requirements for Assessing Risks of Pesticide Exposure to Children's Health, provides guidance on the use of toxicity data in hazard characterization and in dose-response analysis relevant to decisions dealing with the use of the 10X Safety Factor. The report recommends a core toxicology data set for conventional pesticides, and describes the criteria used for assessing the overall degree of concern for children's health effects. The report generally recommends the use of the 10X safety factor in instances when the necessary toxicity data is missing.

  The second document entitled, Exposure Data Requirements for Assessing Risks to Children's Health from Pesticide Exposure, discusses issues that are specific to conducting exposure assessments for children. It contains criteria by which EPA evaluates data sets used in an exposure assessment. It states that the available exposure data must be of sufficient quality and quantity to provide a high level of confidence that the assessment is protective of infants and children. The document also describes the procedures used for estimating single pathway pesticide exposures from food, drinking water, and non-occupational sources.

  The third document entitled, The Office of Pesticide Programs' (OPP) Guidance Document on the Determination of the Appropriate FQPA Safety Factor(s) for Use in the Setting of Tolerances, describes EPA's policies for determining the appropriate safety factors to apply when establishing, modifying, leaving in effect, or revoking a tolerance or exemption. Specifically, the document describes the set of pesticides for which safety factor determinations could be made, the criteria used by EPA to determine the completeness of the toxicology data for conducting a high quality hazard characterization, and the determinations used in applying the additional safety factor.

  The fourth document entitled, Standard Operating Procedures (SOP) for the Health Effects Division FQPA Safety Factor Committee, is a working level document designed to obtain and organize scientific information to assess the usefulness of the available hazard data, the dose-response evaluations, and the exposure assessment in determining whether an additional safety factor is required. The Committee makes recommendations related to the use of the 10X factor on a case-by-case basis for each pesticide by incorporating the relevant risk assessment data.

- **Using Monte Carlo Analyses for Dietary Exposure Assessments.** The first document entitled Guidance for Submission of Probabilistic Human Health Exposure Assessments, published on November 5, 1998, establishes guidance for the submission and review of acute dietary exposure assessments using the Monte Carlo method. Under this approach, the individual data input values used to generate a point estimate are replaced by a computer-generated data distribution reflecting a range of potential values. The exposure assessments based on the Monte Carlo method incorporate data distributions of pesticide residues and dietary consumption, and are more accurate than the assessments based on previous deterministic methodologies.

  The second document entitled, Choosing a Percentile of Acute Dietary Exposure as a Threshold of Regulatory Concern, published on April 7, 1999, discusses the use of the 99.9th percentile as a regulatory criterion where EPA compares the percentile of estimated acute dietary exposure to the Population Adjusted Dose (PAD), a value that reflects a safe amount of a pesticide to which a person may be exposed to per day. If the 99.9th percentile is less than or equal to the PAD, then the safety standard is met. If the value is greater than the PAD, then EPA conducts additional sensitivity analyses. The paper addresses a number of concerns related to the use of this percentile, including the presence of data outliers, the limited size of the input data bases, the reliance on uncertain consumption values which fall at the extreme tails of the distribution, and the degree to which the percentile incorporates conservative default

assumptions. A notice on the Use of the Pesticide Data Program (PDP) in Acute Dietary Assessment, published on May 26, 1999, asks the public to comment on the use of the Monte Carlo methodology to estimate acute exposure to pesticide residues in foods based on the PDP reported data. EPA has identified a statistical methodology for applying existing information from USDA's PDP report to risk assessments of the acute exposure to pesticide residues in food. The methodology consists of extrapolating from data on pesticide residues in composite samples of fruits and vegetables to single units of fruits and vegetables. This information can then be incorporated into a probabilistic exposure model such as the Monte Carlo in order to estimate exposure to pesticide residues in foods.

- **Interpreting No Residues Detected for Exposure Assessments.** Three documents were published on December 4, 1998. The first document entitled, A Statistical Method for Incorporating Nondetected Pesticide Residues into Human Health Dietary Exposure Assessments, describes the statistical methods used by EPA for determining the distribution of non-detectable residues below the Limit of Detection (LOD). One method assumes a normal distribution of detected residues to calculate a mean and a standard deviation to incorporate residue data that lie below the detection limit. Another method is used to calculate the average residue concentration when no distributional assumptions about the data can be made.

  The second document entitled, Assigning Values to Nondetected/ Nonquantified Pesticide Residues in Human Health Dietary Exposure Assessments, describes the value that EPA will assign to nondetectable pesticide residues when it conducts a dietary exposure and risk estimate for a pesticide food use. The document presents circumstances when it is appropriate to assign numerical values to residue samples considered to be nondetected or nonquantified.

  The third document entitled, Proposed Threshold of Regulation Policy When a Food Use Does Not Require a Tolerance, discusses EPA's proposal to adopt a policy that sets forth conditions when there is no need to establish tolerances for pesticides. Such conditions would be based on either of the following criteria: 1) threshold of regulation based on essentially zero risks - when EPA cannot detect any residues in a commodity using an appropriately sensitive method; or 2) threshold of regulation based on essentially zero exposure - when EPA determines that there is zero pesticide residue in a food.

- **Estimating Dietary Exposure.** A document entitled, A User's Guide to Available EPA Information on Assessing Dietary Exposure to Pesticides, published on January 4, 1999, describes how the agency conducts dietary exposure assessments. These estimates are based on a variety of data sources, including the Pesticide Data Program (PDP) carried out by USDA to measure residue on ready-to-eat foods, the Total Dietary Study (TDS)conducted by FDA to measure residues on foods available in supermarkets, and the Continuing Survey of Food Intake by Individuals (CSFII)undertaken by USDA to keep track of foods consumed daily by individuals. The document differentiates between the acute and chronic exposure assessments, where the acute assessment measures the magnitude of exposure that an individual is likely to encounter on a single day, while the chronic assessment calculates the average exposure that an individual encounters over a lifetime. Both assessments are conducted based on a tiered approach, starting from a worst-case scenario where all foods are assumed to contain residues at the set tolerance levels, and gradually incorporating real world information based on the levels of residue actually present in the foods consumed by individuals.

- **Factoring in Drinking Water Exposure.** A paper entitled, Dietary (Drinking Water) Exposure Estimates, published by EPA on January 4, 1999, proposes to change the current policy for estimating pesticide concentrations in drinking water. The most significant changes include refining the existing screening methods for identifying pesticides to enable EPA to more accurately estimate the potential risks of residues from drinking water exposure to sensitive populations such as infants and children. EPA proposes the following changes: 1)to replace the farm field pond scenario with a drinking water reservoir scenario; 2)to incorporate into the model a factor to account for the area surrounding the reservoir that is cropped; 3)to evaluate the use of water monitoring

data in its assessment; and 4)continue efforts to obtain additional residue monitoring data in drinking water. A revised paper is scheduled for publication in the fall of 1999.

- **Assessing Residential Exposure.** Two documents were published on January 4, 1999. The first document entitled, Framework for Assessing Non-occupational, Non-dietary (Residential) Exposure to Pesticides, discusses how pesticides residues are calculated to measure residential exposure. The basic premise of residential assessments is that the exposure levels are related to the kind of equipment used during pesticide application, the physical form of the product, and the kinds of clothing and equipment worn by those applying the product. Proposals to refine the assessment include expanding the evaluation of residential exposure to include playgrounds, schools, and day care centers, identifying a range of available exposure variables, and identifying the exposure scenarios which are not a direct consequence of pesticide use.

  The second document entitled, Standard Operating Procedures (SOPs) for Residential Exposure Assessments, provides further guidance on how to conduct residential exposure assessments. Specifically, the paper presents information on the general principles of exposure assessments, background information on the development and use of residential SOPs, guidance on using labeling information to determine whether a pesticide is registered for use at residential sites, and obtaining information to determine formulation type, application methods, pesticide use-rates, and use frequency.

- **Aggregating Exposures from All Non-Occupational Sources.** A document is in preparation and is expected to be published in the fall of 1999. The methods for aggregating food, water, and residential exposures are currently being developed. The document will address the problems with using the current method for aggregating exposures which is based on simple addition. EPA will collaborate with the researchers from the International Life Sciences Institute (ILSI) to develop guidance on aggregating exposures that are based on probabilistic risk assessment methods which more clearly demonstrate the range of risks across the general population.

- **Conducting Cumulative Risk Assessments for OP Pesticides.** The first document entitled, Guidance for Identifying Pesticide Chemicals and Other Substances that Have a Common Mechanism of Toxicity, published on September 4, 1998, describes the approach that EPA will use for identifying and categorizing pesticides and other substances with common mechanisms of toxicity that cause common toxic effects. Specifically, it describes EPA's interpretation of a common mechanism with respect to making a determination of safety under FQPA the steps that need to be taken for identifying mechanisms of toxicity of pesticides and other substances that cause a common toxic effect, the types of data that are needed for doing this, and the criteria that EPA will use for categorizing pesticides and other substances for purposes of cumulative risk assessments.

  The second document entitled, Cumulative Risk Assessment Guidance, is scheduled to be released in two parts - the hazard section in September 1999 and the exposure section in December 1999. To date there are no standard methods for conducting cumulative risk assessments. EPA is pursuing an open, peer-reviewed process to develop the approaches to be used for conducting these assessments. The agency is collaborating with the ILSI scientists to develop an appropriate framework to be incorporated in the upcoming guidance document.

- **Selecting Appropriate Toxicity Endpoints for OP Risk Assessments.** A document entitled, OPP's Science Policy on the Use of Data on Cholinesterase Inhibition for Risk Assessment, published on November 5, 1998, describes the selection of the appropriate endpoints for assessing human health risks associated with the cholinesterase inhibiting (ChEI) pesticides which are presumed to adversely impact the nervous system. EPA proceeds to develop guidance for selecting the appropriate end-points to accurately characterize the risks of OP pesticides to determine the actual impact of ChEI pesticides on the human nervous system.

B. Data Collection and Analysis

The Department carries out a number of data collection and analysis activities, that are critical to EPA in the tolerance assessment and reassessment process. The President's FY 2000 budget requested funding at about $28 million for these critical activities. The 2000 current estimate funds these activities at around $27.5 million. See Attachment for funding comparisons. The Continuing Survey of Food Intake by Individuals (CSFII) data conducted by Agricultural Research Service (ARS) is a major input to EPA's dietary exposure assessments. The most recent CSFII base survey which was begun in 1994, collected data on 15,000 randomly sampled individuals over a three-year period, 1994-1996. The data were made available to EPA starting in 1996. In 1998 a supplemental survey was conducted to collect samples from an additional sample of 5,000 children. The full data set from this supplemental survey was available at the end of 1999 and when combined with data from the base survey, CSFII provides a sample size of 10,000 children. Future CSFII surveys will aim to collect food consumption data on a greater number of individuals from select age groups and will be conducted in coordination with the National Health and Nutrition Examination Survey (NHANES) conducted by the Department of Health and Human Service (HHS.

The Agricultural Marketing Service (AMS) Pesticide Data Program (PDP)develops methodologies and conducts studies to measure the amount of pesticide residue present in foods, with special emphasis on fruit, vegetables, and grains highly consumed by infants and children. An increase of $2.5 million above the 1999 level is recommended for PDP in the 2000 budget and provided in the 2000 current estimate to obtain more accurate residue measurements on single-serving commodities, funding the program at $13.3 million. The increase will be used to support additional efforts to collect residue data in drinking water, meat, poultry, and eggs. The 2001 Budget funds PDP at $14.3 million, an increase of $1.1 million above the 2000 Current Estimate. The additional funds will be used to collect data on pesticide residues found in drinking water to assist EPA in conducting exposure assessments.

The National Agricultural Statistics Service (NASS) carries out pesticide use surveys and provides comprehensive reports on chemical usage data on major field crops, fruits, and vegetables. An additional $1.6 million is recommended in 2000 budget to expand the availability of data on pesticide usage to include a survey on nursery and greenhouse industries and additional field crops. The most significant addition to the survey would be vegetable crops specifically identified as being important to the diets of infants and children. The 2000 current estimate provides $0.8 million of the requested amount for pesticide-use surveys. The 2001 budget funds pesticide use surveys at $7.3 million, the same as the 2000 Budget. Ongoing assessments are also being conducted under the Department's Pesticide Impact Assessment Program (PIAP) to assist policy officials in understanding the economic implications to agriculture resulting from the pesticide registration decisions.

There is intense public interest in the tolerance reassessment for OP pesticides, and the Department in collaboration with EPA, has been working with TRAC members to develop a well-defined and clearly communicated process. As a result of these discussions, a pilot process has been established for OP's, consisting of self-imposed deadlines for releasing the preliminary risk assessments, and providing for public participation on risk mitigation and practical transition strategies. The process consists of the following six phases: Phase 1 - EPA completes the preliminary risk assessment and sends it to the registrant and USDA for review; Phase 2 - EPA addresses the received comments and amends the document; Phase 3 - EPA releases the preliminary risk assessment for public notice and comment; Phase 4 - EPA addresses public comments and refines the risk assessment; Phase 5 - EPA releases the refined risk assessment document for public notice and comment; and Phase 6 - EPA and the Department collaborate on the development of risk mitigation strategies for OP's.

As of September 13, 1999, 27 OP risk assessments have made it to Phase 4, 18 OP's have been sent to USDA for review and comment, and the Department has completed its review of 15 revised risk assessments. USDA's review of the initial risk assessments is led by the Office of Pest Management Policy (OPMP), a small staff office established in 1997 with the responsibility for the coordination and integration of all Departmental activities related to pesticide regulation. In conducting its review, USDA relies on the experts from land-grant universities, in addition to the ARS, AMS, the Economic Research Service (ERS), NASS, and the Office of Risk Assessment and Cost-Benefit Analysis (ORACBA). The USDA review focuses on the extent to which EPA dietary exposure estimates are based on the

existing USDA data, such as pesticide usage data, pesticide residue data, and food consumption data, as well as the assumptions used by EPA, and possible strategies for risk management. In addition, the Cooperative State Research, Education, and Extension Service (CSREES) has also coordinated and funded the use of toxicological expertise provided by land-grant researchers for OPMP reviews of pesticide risks.

The Department and EPA believe that the pilot process has served as a useful model to provide greater transparency and encourage greater public understanding and participation in the pesticide registration process. USDA is especially pleased that the new public notice and comment process has resulted in the submission of additional health and environmental effects data, use data, and other relevant information which EPA can in turn use in refining the initial risk assessments. USDA's future plans to enhance data transparency will focus on obtaining more accurate data for estimating residue exposure among all pesticide handlers and workers, expanding the NASS pesticide use data, and obtaining residue data for meat, eggs, poultry, and drinking water. The improved and expanded data collection efforts, will be particularly useful to EPA in estimating the total residue exposure encompassed in the risk cup.

C. Reasonable Transition for Agriculture

The Department has supported extramural Integrated Pest Management (IPM) research and extension activities carried out by the CSREES for many years, and since 1994 these programs have increasingly been focused on FQPA-related issues. In addition, the Department has also established new pest control programs to specifically address FQPA needs. The 2001 budget funds these pest control transition programs at $75.5 million, an increase of $29.2 million above the 1999 appropriation, and $22 million above the 2000 current estimate.

Proposed funding in the 2001 budget for ongoing IPM research and extension components totals $15 million. IPM activities are carried out in four geographic regions in the United States - North Central, North East, Southern, and Western. Within each region, committees consisting of Government agencies, land-grant universities, and food processing industry representatives, are formed to develop and implement the appropriate IPM strategies.

The Department is also continuing to support the development of ARS areawide pest management projects that have proven to be highly successful in replacing certain chemical pesticides in a large area setting. The areawide projects are funded at about $6.2 million in the ARS 2001 budget, an increase of $1 million above the 1999 appropriation. Specific projects needs will be identified through a stakeholder and scientific review process aimed at addressing at-risk pesticides used on food products consumed by infants and children. Projects will be selected on the basis of scientific validity, likelihood of success, and the degree of risk posed by the pesticide. A carefully coordinated effort is required, involving Federal research extension agencies, and cooperating State institutions.

The Department also continues to support research on alternatives for methyl bromide. The 2001 budget provides an increase of $1.6 million in the ARS budget to develop methyl bromide alternatives for floriculture and minor-use crops, funding the program at $16.5 million. The CSREES 2001 budget provides $5 million for competitive research grants to develop alternatives for commodities affected by the methyl bromide phase-out, an increase of $3 million above the 2000 current estimate.

The stricter FQPA safety standards placed on pesticides used on foods consumed by infants and children, substantially increased the urgency for the Department to develop viable and cost-effective pest control alternatives. Since the Vice President's 1998 directive, the Department has enhanced its overall efforts to come up with short, intermediate, and long-term pest control alternatives for major acreage and minor-use crops. Pesticide alternatives are developed by private industry in most cases. Through the land-grant partnership system, CSREES provides supporting research, efficacy testing, and tolerance data for pesticides used on minor-use acreage crops.

The Department's top priority is to facilitate the development of the much needed short-term pest control alternatives for major at risk crops under its Pesticide Management Alternatives Program (PMAP) administered by CSREES. At a recent workshop co-hosted by USDA and EPA, Deputy Secretary Rominger referred to PMAP as a foreword-thinking program that is extremely effective in

finding practical alternative applications for some of the at-risk pesticides currently under regulatory review. PMAP and PIAP programs have combined efforts to develop over 100 commodity specific crop/pest profiles which contain valuable information used in preparing risk assessments, re-registration eligibility documents, risk mitigation proposals, transition strategies, and Section 18 emergency use exemptions. The Department's 2001 budget funds PMAP at about $4.2 million, an increase of about $2.6 million above the 1999 appropriated level and the 2000 current estimate. Additional funding is sought to enhance the development of short-term replacement tactics needed to maintain the pipeline of alternatives for pesticides currently under consideration for regulatory action by EPA, and for which effective pest control alternatives are currently limited.

As a result of the impending loss of certain pesticides through implementation of FQPA, several crops and cropping systems face potentially severe economic impacts. The crops at-risk include both the small-acreage fruit and vegetable crops as well as large-acreage grain, forage, and fiber crops. CSREES has provided leadership through the PIAP regional coordinators in organizing stakeholder groups to address the key production issues associated with a specific crop. CSREES has also developed the OPMP/PIAP web page on which all crop profiles are published and available for use by regulators and other pesticide user groups. In the 2001 budget, the Department is an additional $2 million above the 2000 current estimate for the Crops-at-Risk (CAR) Program, an intermediate-term integrated research, extension, and education program that primarily targets at-risk crops, or cropping systems. Under OPMP's guidance, State-level agencies will be responsible for developing commodity and pest management profiles for at-risk crops in each State. State priorities will then be assessed at the regional level to identify crosscutting challenges and opportunities for multi-State cooperation. The final assessments will serve as the basis for priority setting for specific projects to be funded under a competitive grants program that will be coordinated by CSREES in consultation with OPMP.

There is currently a critical need to devise pest management systems which consider all aspects of crop production from the planted seed to the marketed product. The new approach to risk mitigation needs to have a food and grain production system focus that integrates food safety and water quality considerations impacted by FQPA. To address these needs, the Department is requesting an additional $6 million above the 2000 current estimate for the FQPA Risk Mitigation Program for Major Food Crop Systems, a long-term integrated research, extension, and education competitive grants program targeting major acreage crops such as corn, soybean, wheat, cotton, and rice as well as those fruits and vegetables most consumed by children. The main goal of this program is to eliminate, or minimize pesticide residues in key foods and in ground and surface water used for human consumption. The specific research needs for these projects will evolve from in-depth discussions with stakeholders. The projects will be multi-State or regional in scale, and involve multiple cropping systems with emphasis on enhanced stability and sustainability of pest management systems, and will be coordinated by CSREES in consultation with OPMP.

The 2001 budget includes $1 million in new funds for Organic Transition grants to enhance the development of organic production systems as alternatives to conventional pesticides. Funds will be distributed through a competitive process with input form the regional Sustainable Agriculture Research and Education program and the IPM research and extension regional coordinators.

The Department also recognizes the importance of developing viable pest control alternatives for minor-use crops, funding the Minor Crop Pest Management Program (IR-4) at about $13 million in the 2001 budget, an increase of $1.7 million over the 2000 current estimate. This program, carried out jointly by CSREES and ARS, is the principal public effort supporting the registration of pesticides and biological control agents for use on minor crops in instances where the economic incentives to do so by private industry are insufficient. FQPA's more stringent standards can seriously impact the availability of pest management tools for minor-use crops. IR-4 will continue to be proactive in developing alternatives for OP pesticides and carbamates, working on reduced risk products, strengthening EPA alliance, and expanding partnerships with growers, commodity groups, other USDA agencies, crop protection companies, and land-grant education and extension institutions.

Implemented jointly by USDA and EPA, the Pesticide Applicator Training

(PAT) program targets risk mitigation by training over 500,000 producers and commercial applicators each year in the safe and proper use of pesticides. FQPA requires that aggregate and cumulative exposures be considered as part of the risk assessment. It is critical that pesticide applicators be trained properly, not only in use of currently registered products but also be informed of changes in use patterns through pesticide label training and updates. PAT programs can reduce pesticide exposure not only to applicators, but farm workers and consumers though education and training programs that teach applicators how to manage pesticide usage.

Future transition strategies will place additional emphasis on developing viable pest controls for specific commodities that are most affected by FQPA implementation. As a follow up to earlier discussions with the TRAC committee members, OPMP will proceed to engage commodity groups, crop consultants, public interest groups, food processors, and other stakeholders in establishing a foundation for developing and implementing broad-based, commodity-specific plans outlining future pest control needs. Upon reviewing these plans, the Department will be in a better position to identify and develop the appropriate research and education programs required to establish viable pest control strategies for specific at-risk commodities on a case-by-case basis.

Prescriptive use may be an alternative strategy, whereby pesticides that may ultimately be lost due to risk cup analysis, can be used by prescription, thereby minimizing both occupational and dietary exposure. Through its pesticide applicator training programs, the PAT program is an excellent position to train competent professionals in the field to make recommendations for prescriptive use.

The Department will also continue to collaborate with EPA in finding new ways to address the issue of imported produce. Currently, any imported produce containing residues above the tolerance level, or any detectable residues for a pesticide that does not have a U.S. tolerance for that food, will be considered adulterated and subject to seizure by enforcement authorities. Some possible options would include encouraging advancements in technology to improve the ability to detect minute residues, promoting increased monitoring by the Government and the private sector, or requiring some form of certification or testing on the production end to ensure that there is a U.S. tolerance established for the commodity and that residues are within the acceptable tolerance level. USDA will continue to work with EPA, the Food and Drug Administration, as well as with our major trading partners through the North American Free Trade Agreement and other international forums to ensure all food consumed in the United States meets our standards.

Interagency Coordination and Communication with Other Federal Agencies

The Department recognizes that ongoing consultation with stakeholders and EPA is an essential part of the FQPA implementation process. The TRAC process enabled the Department to discuss a wide range of scientific, economic, and political issues pertaining to the new pesticide registration requirements. Given that TRAC was established on a temporary basis, the Department will collaborate with EPA on pursuing other means of communication aimed at addressing ongoing issues pertaining to FQPA implementation. In addition, USDA's OPMP will continue to work closely with other USDA agencies such as ARS, CSREES, AMS, ERS, and NASS to develop more accurate data on dietary consumption, pesticide residues and uses, and methodology used in conducting pesticide risk assessments. USDA will also continue to collaborate with crop produces and other stakeholders in the agricultural sector in attempts to develop viable pest control transition strategies for major acreage commodities and minor use crops.

The 2001 budget funds OPMP at $2.6 million, an increase of $1.5 million above the 2000 current estimate. Additional funds will be used to enhance USDA's ability to proceed with FQPA implementation through an improved integration and coordination of pest management and pesticide data programs, and by strengthening communications with the existing network of grower organizations and crop specialists at land-grant institutions.

The 2001 budget also provides $1 million for Regional Crop Information and Policy Centers. The centers targeting fruit and vegetable crops will be established in select regions to support the pest management needs of Federal and State regulators, extension personnel, and the public through a coordinated effort at the regional level. Stakeholder involvement will

identify and prioritize studies needed for commodity-based programs.

Conclusion:

As agriculture continues to change in this country and throughout the world, U.S. producers must keep pace to remain profitable. New technologies, global markets, fluctuating commodity prices, and Government regulations affect not only producers, but also consumers. The stricter FQPA regulatory provisions pose significant challenges to the U.S. agricultural sector to remain competitive in the world market while producing foods that meet the new standards. However, the new law also provides opportunities for the Department and our university and private sector partners to develop and encourage the adoption of viable and cost-effective pest control alternatives for major acreage commodities and minor-use crops. Meeting the FQPA mandates demands a pro-active effort to develop the appropriate pest management strategies and the pipeline of both short- and long-term alternatives.

To date, the Department has been closely collaborating with EPA in complying with the four principles outlined in the Vice President's directive. USDA is currently carrying out a number of important programs aimed at enhancing the data collection and analysis used by EPA in conducting tolerance assessments. The Department has also been forward-thinking in either supporting existing activities or developing new programs aimed at providing a reasonable transition for growers to newer, reduced-risk pest control options. In anticipating the future impacts of FQPA implementation, USDA will continue to be pro-active in collaborating with its stakeholders to ensure a safe and sustainable food supply in the future.

ATTACHMENT

PROGRAMS RELATED TO USDA RESPONSIBILITIES UNDER FQPA
Program Level
(Dollars in Thousands)

Program	1998 Actual	1999 Current Estimate	2000 Budget	2000 Current Estimate	2001 Budget
Data Collection & Analysis					
AMS Pesticide Data Program	$7,902	$10,747	$13,229	$13,150	$14,287
ARS Food Intake Survey	5,000	0	0	0	0
NASS Pesticide Use Surveys	5,700	5,700	7,300	6,500	7,300
ERS Pesticide Use Analysis	1,700	1,700	1,700	1,700	1,700
CREES/ERS/FS PIAP	5,202	5,202	5,300	5,201	5,300
CSREES PMIDSS	177	177	260	177	260
FSIS Residue Sampling/Analysis	a/	654	a/	735	754
Total, Data Collection	**$25,681**	**$24,180**	**$27,789**	**$27,463**	**$29,601**
Reasonable Transition for Agriculture					
ARS Areawide IPM Research	$5,249	$5,186	$6,186	$5,000	$6,000
ARS Alternatives to Methyl Bromide	14,571	14,380	14,380	14,855	16,475
CSREES Methyl Bromide Transition	0	0	5,000	2,000	5,000
CSREES IPM Research Grant Program	2,731	2,731	2,731	2,731	2,731
CSREES IPM Extension	10,783	10,783	12,269	10,783	12,269
CSREES Pest Management Alternatives	1,623	1,623	4,200	1,623	4,200
CSREES Crops-at-Risk	0	0	3,000	1,000	3,000
CSREES Risk Avoidance & Mitigation	0	0	10,000	4,000	10,000
CSREES Pesticide Applicator Training	0	0	1,500	0	1,500
CSREES Organic Transition Grants	0	0	0	0	1,000
ERS IPM Research	500	500	500	500	500
ARS Minor-Use Crops (IR-4)	2,093	2,068	2,068	2,067	2,067
CSREES Minor-Use Crops	8,990	8,990	10,711	8,990	10,711
Total, Reasonable Transition	**$46,540**	**$46,261**	**$72,545**	**$53,549**	**$75,453**

PROGRAMS RELATED TO USDA RESPONSIBILITIES UNDER FQPA
Program Level
(Dollars in Thousands)

Program	1998 Actual	1999 Current Estimate	2000 Budget	2000 Current Estimate	2001 Budget
Interagency Coordination					
ARS OPMP	$406	$1,089	$2,589	$1,089	$2,589
CSREES Regional Crop Centers	0	0	0	0	1,000
Total, Interagency Coordination	**$406**	**$1,089**	**$2,589**	**$1,089**	**$3,589**
Total, FQPA Related Activities	**$72,627**	**$71,530**	**$102,923**	**$82,101**	**$108,643**

Mr. Skeen: Please provide for the record the report on the status of Market Loss Assistance funds requested in the Omnibus Conference Report 106-479. Please note that the first report was due December 29, 1999 and subsequent reports are due quarterly.

Response: The initial report has been prepared and will be forthcoming shortly.

APPROPRIATION LANGUAGE

#86. Mr. Skeen: We note that the budget proposes such sums as necessary be appropriated for all costs of the crop insurance programs in order to provide maximum flexibility. What assurance does Congress have under such a proposal that the program will be administered effectively and efficiently?

Response: The budget requests such sums as necessary due to the nature of crop insurance. Natural disasters cannot be predicted. However, the crop insurance contract requires that losses be paid to eligible producers within 30 days of the date the amount of the loss is determined. It is only right that producers should be paid promptly whenever a loss due to adverse weather or other covered circumstances has occurred. If the budget did not contain such a provision but instead appropriated a stated amount, this commitment could not be honored in a year that the losses exceeded the amount appropriated.

The Federal Crop Insurance Act contains provisions that direct the Federal Crop Insurance Corporation to operate the program in an actuarially sound manner. In particular, section 507(o)(2) directs the Corporation to take such steps as are necessary to achieve, on and after October 1, 1998, an overall projected loss ratio of not greater than 1.075.

As a result of these performance measures, the Department does not believe that this language condones laxness in administering the crop insurance program.

CONTROLS FOR FRAUD OR ABUSE

#86a. Mr. Skeen: What internal and external controls do you have in place that ensures that the program is not subject of fraud, misuse or abuse?

Response: Together with the Office of Inspector General the Risk Management Agency conducts formal reviews to assure the Integrity of its crop insurance policies. In addition the Agency requires all Reinsured companies to maintain a quality control program of it's policy service. Risk Management Agency, in turn, conducts annual reviews of reinsured companies to assure compliance with these contract terms. Finally, the Risk Management Agency actively investigates all suspected or reported instances of possible program abuse. If these investigations show that fraud has occurred the case is referred to the USDA Office of Inspector General for criminal investigation and prosecution. RMA will provide a detailed briefing on its efforts at your convenience.

PRIVATE INSURANCE COMPANY AUDITS

#87. Mr. Skeen: What new controls have you implemented that would improve the Risk Management Agency's monitoring of private insurance companies?

Response: The Risk Management Agency has recently completed a Business Process Re-engineering (BPR) initiative that included enhancing the relationship with the Reinsured companies. This process targeted three primary areas: communication, shared roles and targeted reviews. The end result should be more effective and coordinated oversight of the crop insurance program. One of the products of this process (operations and error rate reviews) has recently been reviewed and supported by the General Accounting Office. In addition, RMA through a contract with Montana State University and Illinois Institute of Technology and Research, is developing a process to access data and will employ automated analyses techniques to oversee the business integrity of the crop insurance program.

BIOBASED PRODUCTS INITIATIVE

#88. Mr. Skeen: The budget proposes an increase of $1 million for evaluating the possibility of developing a crop insurance program for biobased products. Why is this needed?

Response: A feasibility study to develop risk management tools for biobased products is needed because biobased products have significant potential to generate renewable agricultural resources with many uses and economic benefits. As an example, USDA estimates about 17,000 jobs will be created for every billion gallons of fuel produced

from biomass. However, changes in planting and management strategies associated with the production of biobased products have significant risk management implications. As an example, the current crop insurance program guaranteeing corn for grain or silage would likely not be appropriate for the production of biomass. Other risk management implications include the production of biobased crops on marginal land which previously would not support the production of the same crops for other purposes; the introduction of pests to an area or to other crops for which they have not previously been a problem; and the opportunity for producers to decrease expenses and produce at new optimum levels.

ADVERSE IMPACT FROM MULTI-YEAR COVERAGE CONTRACTS

#89. Mr. Skeen: Please provide for the record a table showing, by state, the number of farmers or multi-year coverage contracts that would be adversely impacted under current law if the proposed premium discounts were not authorized.

Response: In crop year 1999, the latest year for which statistics are available, nearly 950,000 insurance policies reported acreage insured at the limited or additional coverage levels. These policies were eligible to receive the premium discount authorized for that year. A crop policy insures the interests of one or more persons in a single crop in a single county. A state by state listing of the numbers of crop policies reporting acreage for crop year 1999 is provided.

(The information follows:)

NON-INSURED ASSISTANCE PROGRAM

Mr. Skeen: Please explain the benefits of having a disaster declaration versus the current area-wide trigger loss for non-insured assistance program participation. Who would designate the disaster?

Response: Authorizing legislation states NAP should parallel Risk Management Agency's Catastrophic (CAT) level of protection to the maximum extent possible. CAT provides coverage for any producer who suffered a loss in excess of 50% of their historic yield. In contrast, NAP requires additional eligibility thresholds. A producer is eligible for NAP coverage on crops which suffered a greater than 35% loss in a delineated geographic area impacted by an event. Currently NAP area is defined as 320,000 acres, $80 million or a single county. As proposed, an area would be defined as primary (vs primary and contiguous) counties designated in a Secretarial and/or Presidential Disaster Declaration. Under a disaster declaration concept, defining area eases administrative burden although it maintains the
CAT vs. NAP inequity in which producers outside the delineated boundaries of an impacted geographic area cannot receive NAP benefits. A disaster area can be declared if the President declares a major disaster or emergency, or the Secretary of Agriculture, at the request of a Governor or Indian Tribe, determines a natural disaster of significant magnitude occurred.

Mr. Skeen: Does the disaster declaration proposal open the program up to potential fraud in any way?

Response: The Agency requires annual reporting of producers' acreage, prior year production, plus reporting of losses within 15 days of when crop damage becomes evident. A producer is ineligible for NAP benefits if evidence of the crop, crop acreage and crop loss is unavailable. Defining an area under a disaster declaration versus the current 320,000 acres, $80 million or county area definition should not increase the program exposure to potential fraud.

BIOCONTAINMENT FACILITIES

Mr. Skeen: Mr. Secretary, you stated at your February 7 press briefing that the budget did not include the substantial funding needed for Plum Island, NY, and Ames, IA facilities. Please provide for the record the total estimated needs for each facility and a time frame of when this funding would be needed.

Response: The total estimated needs and time frame for funding of combined ARS and APHIS facilities in Ames, Iowa, is $379 million over 10 years (2001 - 2010); ARS will require $246.2 million, and APHIS will require $132.7 million.
However, the Administration has not made a decision on funding for this project.

Funding for the Plum Island Animal Disease Center in New York is about $11 million for ongoing modernization, to be provided by ARS and APHIS. This is the only project that has been approved by the Administration at present.

BIOTECHNOLOGY

Mr. Skeen: What is the nature of the genetic research that is being proposed in the fiscal year 2001 budget?

Response: A total of $11.95 million in increases is proposed to enhance genetic research. The funding is provided for research targeting livestock and poultry, plant crops, and microbe genes to strengthen USDA's efforts in: 1) developing automated analytical tools that reduce the time and effort needed to identify genes related to production traits; 2) developing technologies for analyzing and interpreting gene mapping sequencing information; and 3) mapping and identifying genes related to preferred production traits in livestock and poultry.

The increase will also support the sequencing the genetic material of pathogenic microbes to identify the genes directly responsible for plant and animal diseases.

The research will also target the development of animal gene banks and associated scientific infrastructure to maintain the much needed diversity of existing agricultural animal germplasm, and to acquire, preserve, and evaluate the germplasm.

QUESTIONS SUBMITTED BY MR. SKEEN

BIOBASED PRODUCTS/BIOENERGY RESEARCH

Mr. Skeen: How much is ARS currently spending on biobased product studies?

Response: The current spending on biobased product research amounts to $45,736,400 in FY 2000; $39,564,100 for Biobased Products and $6,172,300 for Bioenergy. In FY 2001, ARS proposes to increase this amount to $62,536,400; $49,364,100 for Biobased Products and $13,172,300 for Bioenergy.

Mr. Skeen: What is the nature of these studies?

Response: The nature of these studies include:
(1) New and advanced technologies are developed, modified, and utilized to convert animal and plant components--protein, oil/fat, starch, fiber, and processing by-products--to new products and to develop new crops to meet niche market opportunities.

(2) Primary focus is on the development of industrial and bioenergy products that offer opportunity to meet environmental needs, replace exports and petroleum-based products, and expand market opportunities.

(3) Areas of emphasis include development of advanced materials and manufacturing technologies in the conversion of plant and animal products to biobased plastics, biofuels, soy ink, fiber products, biopesticides, and ingredients (particularly those currently imported) for the lubricants, specialty chemicals, paint, and health care industries.

(4) Enhanced emphasis is proposed on production, harvesting and handling of energy crops.

EFFECTS OF HUMAN NUTRITION INITIATIVE STUDIES

Mr. Skeen: Please provide some examples of how past and existing studies under the Human Nutrition Initiative have impacted human health and weight-loss in individuals. What justification can you provide that illustrate the real need for the $17.3 million in additional funding?

Response: The Human Nutrition Initiative is a comprehensive multi-year plan to enhance the ability of ARS to address critical needs through nutrition research. It is widely recognized that obtaining and maintaining a healthy body weight encompasses more than diet. Physical activity and genetic predisposition to obesity are factors that influence body weight. Although great emphasis has been placed on management of obese individuals and strategies for weight reduction, relatively little is known about health risks associated with mild to moderate increases in weight or the risks associated with being under weight.

ARS research is targeted toward determining the true energy expenditures of children, pregnant women, adults, and the elderly with different genetic makeups and patterns of physical activity. ARS scientists are examining the roles of genetic inheritance and environmental factors in determining body fat content. The results of this research will help to define healthy weight and help determine how food consumption and physical activity habits can be modified. ARS research has shown that dietary restriction impaired iron status in women which in turn was associated with the inability to concentrate. In healthy men, an inability to concentrate on a task was associated with an elevated iron status depletion rate resulting from dietary restriction. ARS research have shown that energy requirements in very young children are lower than current recommendations for intake. The research has also shown that senior citizens should eat smaller, more frequent meals to insure sufficient intake of nutrients. Seniors should also engage in exercise to increase skeletal muscle and fitness.

The research shows that hormonal differences between African-American females and Caucasian females may be a factor impacting weight gain in adulthood. The research suggests that a high variety of sweets, snacks, entrees, and carbohydrates, coupled with a low variety of vegetables, promotes long-term increases in energy intake and body fat.

To date, the Human Nutrition Initiative has received a total of $7.75 million. The proposed increase of $17.3 million in FY 2001 will be used for research aimed at determining healthy body weight, increasing the understanding the role of nutrition in impacting bone growth and development, cognitive brain function, and the immune function. The additional funds will also be used to update the National Nutrient Databank and

enhance dietary survey methodology. The proposed research is especially critical at a time when obesity is steady increasing in the U.S., particularly among children. By better understanding the causes of obesity and developing ways to control weight gain, the research will directly contribute to a healthier population.

PROJECT TERMINATIONS

Mr. Skeen: The budget proposes to terminate funding for animal vaccines, Asian bird influenza, Lyme diseases, aquaculture research, fish diseases, formosan subterranean termite control, and other projects funded by Congress each year. Please explain why these projects are lower priority.

Response: The projects proposed for termination are recognized as important research by the Department our customers, and our stakeholders. The projects proposed for termination have been identified as being less critical to the Nation's broader interests that to Administration priorities such as climate change, food safety, human nutrition, and ecosystem sustainability. To be able to meet these top priorities at a time of tight budget constraints, it is necessary to identify projects of lower priority.

All of the projects are evaluated within the ARS research portfolio. Decisions are based on the following criteria: 1) the relevance of the research project in addressing pressing issues in agriculture; 2) the availability of sufficient funds to conduct the research; and 3) the overall impact of the research on American agriculture. The projects are numerically ranked according to these criteria, and those with lower priority rankings are proposed for terminations.

GLOBAL CLIMATE CHANGE

Mr. Skeen: Why do you need a $6.8 million increase for an Integrated Science for Ecological Challenges and a $7.9 million increase for global climate change?

Response: Integrated Science for Ecological Challenges: A $6.8 million increase for "Integrated Science for Ecological Challenges" is needed to enhance the natural resource base and the environment. Agricultural research has a major role in providing American Agriculture with the tools and technologies needed to ensure an abundant supply of clean air and water and a greater diversity of plants, animals, and ecosystems. On-farm agricultural technologies and practices are needed to increase environmental benefits and farm income.

The proposed research addresses challenges associated with changes in land and resource use, the introduction of invasive species, increasing levels of agricultural pollutants and excessive nutrients, the expanding potential of floods and droughts, and atmospheric and climatic change. The research reflects a cooperative effort of the science agencies within USDA, the U.S. Environmental Protection Agency, the U.S. Department of Interior, the Department of Transportation, the National Science Foundation, and others to provide solutions to natural resource, conservation and environmental challenges. ARS will be expanding its watershed-scale research to determine better methods and procedures to monitor, measure and predict runoff of agricultural chemicals from agricultural, suburban, and urban areas. Farm and watershed scale research will be conducted to determine on-site and off-site practices and strategies that will prevent eutrophication, harmful algal blooms, and hypoxia in the Nation' s water bodies. New and improved manure management practices and treatment technologies will be developed to protect water and air quality. Increased research will be conducted to determine the effectiveness, design, and management of conservation buffers to reduce environmental hazards and provide wildlife habitat. In collaboration with NRCS, researchers will experimentally demonstrate concepts of cost-benefit and environmental risk assessment under the Environmental Quality Incentives Program (EQIP).

The ARS national program on global change research funded at $7.9 million will target research to achieve the following: 1) maintain a sustainable and predictable supply of food and fiber associated with weather extremes and long-term climate changes; 2) take advantage of altered patterns of temperature and precipitation; 3)avoid adverse impacts of climate change on food and fiber production; and 4)help mitigate climate change.

GLOBAL CLIMATE CHANGE

Mr. Skeen: What would be the impact if the additional funding were not provided?

Response: Without additional funding, farmers, ranchers, commodity groups, environmental interests, and the general public will wait much longer for the quality-of-life enhancing tools and technologies envisioned by this initiative. These constituencies are requesting that science-based approaches be taken to protect natural resources, increase environmental benefits, protect human health, and expand economic opportunities in farm

and rural areas. Without the much needed research to provide cleaner air, cleaner water, and a more diverse ecosystem, agriculture will not have the strategies and technologies needed to restore and protect the rivers, lakes, coastal waters, and wetlands Americans love. New technologies for environmental monitoring, eutrophication control, algal bloom prevention, hypoxia prevention, livestock manure management systems improvement, conservation buffers management and restoration, and methods for risk assessment will not be developed.

BIOTERRORISM

Mr. Skeen: In your opinion Mr. Secretary, how much of a threat is there in bio-terrorism through agriculture and the nation's food supply?

Response: Biological weapons are aimed at four targets: humans, materiel, animals and plants. USDA has direct responsibility for protecting animals and plants and has a role with other agencies in protecting public health against biological agents delivered through the food supply or deliberate infection with animal pathogens that also cause disease in humans.

It is clear that US agriculture and the food supply system, which often begins abroad, are very vulnerable to deliberate attack with a wide range of animal and plant pathogens and toxins, some of which also cause disease in humans. However, the scope and extent of the threat - what nations, organizations or individuals are involved and the exact nature of the biological agents concerned - is much less clear. Certainly, there are many naturally-occurring animal and plant pathogens and toxins that should cause grave concern by their physical properties and capacity to inflict serious economic damage - foot and mouth disease virus attacking cattle, sheep and swine has recently caused over $6 billion in losses in Taiwan. Bovine spongiform encephalopathy has destroyed the British cattle industry over the past decade. Many of these pathogens can be obtained without access to specialized laboratories and are widely found throughout Africa, the Middle East and Asia. There is evidence from defectors, Congressional testimony and the open literature that several nations developed biological weapons targeting agriculture - the Soviet Union and Iraq are examples. However, there has not been a specific effort by the US intelligence community to gather intelligence on current domestic or foreign threats to US agriculture and the food supply system. USDA is working with the intelligence community to improve this situation.

Mr. Skeen: Is the science available to support the necessary diagnostic tests being contemplated?

Response: No. USDA and other agricultural research programs currently prioritize animal and plant diseases and food safety threats that are already recognized as urgent problems in the U.S. or are imminent threats offshore. here are no funds currently budgeted for biological weapons threats. e U.S. offensive biological weapons research program was halted over 30 years ago by President Nixon. Since its closure, there has been no defensive research program to guard against biological weapons targeting humans or agriculture and the food supply system because the U.S. was unaware until recently of the extent of offensive biological research underway in countries that had apparently subscribed to the Biological and Toxin Weapons Convention. The President has proposed to start research to defend against agricultural and food threats in his FY 2001 budget.

There are two thrusts in the FY 2001 budget proposal. The first is to ensure we have tests to detect diseases that may be deliberately introduced, especially diseases that normal risk assessments would rate as low probability. Such tests would likely be used during or after an attack when the nation would have already suffered substantial economic loss and the perpetrator's goals may have been achieved. The second thrust, therefore, is to develop an advanced microbial forensic system, in conjunction with the FBI and other federal agencies in defense and public health, that would enable the US to deter or prevent attacks in the first place by increasing the possibility that those responsible would be identified and prosecuted by definitively tracking the pathogen to its point of origin in a manner that would support retribution.

EARMARKED GRANTS

Mr. Skeen: We note that once again, the fiscal year 2001 budget proposed to zero out mos of the CSREES projects authorized by Congress in fiscal year 2000, citing the Administration's belief that the most effective use of taxpayer dollars is through competitively awarded, peer-reviewed grants. Fro each of the projects proposed for termination, please provide an evaluative score that would be consistent with a competitively awarded, peer-reviewed system. Include in your explanation the methodology you used to devise your evaluative score.

Response: CSREES does not score proposals. Proposals are submitted in response to project solicitations, or Requests for Proposals (RFPs) which specify program objectives and the scientific goals that will be used to evaluate and rank the proposals against the outlined criteria. Proposal submitted under the National Research Initiative (NRI), must undergo an extensive peer review. The following factors are used in peer-reviewing the NRI proposals: 1) the scientific merit of the proposal; 2) the qualifications of the proposed project personnel and the adequacy fo the research facilities; and 3) the relevance of the project to long-range improvements in the sustainability of U.S. agriculture.

ESTIMATED FY 2000 WIC CARRYOVER WITH PARTICIPATION OF 7.1 MILLION

Mr. Skeen: According to the latest USDA data, WIC participation at the end of November was 7.1 million. Based on that participation level, what would be the end-of-year carryover amount in the WIC program?

Response: Average WIC participation for fiscal year 2000 at the end of November was just under 7.2 million. If average participation for fiscal year 2000 were to continue at this level for the balance of the fiscal year, carryover would be approximately $180 million. However, FNS anticipates year-end participation to reach 7.4 million persons and a fiscal year 2000 average of just over 7.3 million persons. Given this level of participation, carryover from fiscal year 2000 would be $130 million, as indicated in the fiscal year 2001 Explanatory Notes.

PROJECTED MONTH-BY-MONTH WIC PARTICIPATION FOR FY 2001

Mr. Skeen: Once again the budget proposes to reach a year-end participation level of 7.5 million participants. Provide for the record a detailed month-by-month projected participation in the WIC program for fiscal year 2001 broken down by women, infants, and children.

Response: FNS expects the breakdown of participants among the WIC categories, that is, women, infants and children, to be similar in 2001 to the current distribution. Currently the distribution is 1.74 million women, 1.90 million infants, and 3.67 million children. FNS anticipates fiscal year 2001 year end participation of 7.5 million persons, and an average monthly participation of 7.47 million. But there is no way to accurately foretell month by month data.

CATASTROPHIC COVERAGE (CAT) PROGRAM

#102. Mr. Skeen: The Office of Inspector General Semiannual Report to Congress for the second half on fiscal year 1999 reports that it cost over $2 to deliver the CAT Program for every $1 paid out to producers for crop losses ($506 million versus $250 million) from 1995 through 1998. At the same time, the number of CAT Program policies that were retained by the private reinsured companies dropped from 84,000 to 42,000. How do you explain the increased costs to deliver the program while less than half the number of CAT Program policies are in place?

Response: In fact, the number of reinsured company CAT policies has increased from a low of 298,000 in 1996 to 396,000 in 1998. With respect to the costs to deliver the CAT program, whereby OIG alleges it costs $2.00 to deliver the CAT program versus $1.00 paid in losses, this type of disparity may occur in many insurance programs if the loss ratio is low, which CAT is by design. Since OIG also included underwriting gains, which are not assured every year, the ratio is also higher. The CAT loss ratio during 1995 to 1998 ranged from a low of 10 percent to a high of 23.5 percent, averaging 26.1 percent during this 4 year period. However, if underwriting gains are excluded, the program delivery costs are $.55 of every $1.00 paid in losses.

If the loss ratio reaches 1.0 (premium and losses the same), and underwriting gains are excluded, then the ratio becomes $.14 for every $1.00 in losses.

#103. Mr. Skeen. Has the Office of the Secretary actively worked with the Risk Management Agency to ensure that RMA is monitoring the transfer and servicing of CAT Program policies? Tell the Committee specifically what the Office of Secretary has done.

Response: The Office of the Secretary follows the crop insurance program very closely and is kept informed, through Under Secretary Schumacher, regarding the status of the CAT program and changes within the program, including the transfer and servicing of CAT policies by reinsurance companies.

To facilitate the transfer of CAT policies from the Farm Service Agency to private companies, the Secretary issued a letter to all CAT policy holders informing them of the transition from public to private service. An assignment of CAT policies to private insurance companies was performed by RMA on a proportional basis depending on the size of the individual private insurer's sales volume. The proportional assignment assured that each insurance company had the necessary infrastructure to properly service all assigned policies.

To facilitate service and to quickly resolve any misunderstandings or other problems, RMA established a 1-800 hotline phone number and developed Transition Teams at the field level. Any CAT policyholder who was not transferred as a result of insufficient data was quickly assigned to a private insurance company by the Transition Team.

SPECIAL SERVICES TO LIMITED-RESOURCE PRODUCERS

#104. Mr. Skeen: Why has the Risk Management Agency been reluctant to provide any guidance to the reinsured companies on how to provide special service to limited-resource producers?

Response: RMA has not been reluctant to do so, but the issue is complex. First, in 1997 and 1998 RMA issued at least three Manager Bulletins to provide companies guidance for the limited resource producers. On June 10, 1997, RMA issued a bulletin to the reinsured companies with procedures on identifying and contacting limited resource producers. RMA also provided procedures for transferring policies from the Farm Service Agency County Offices to the reinsured companies.

The reinsured companies did indicate that they would service all producers. To RMA's knowledge, no eligible producer has been denied a policy, which is the essence of what the companies are obligated to do - to sell policies to those individuals seeking policies. Unfortunately, a CAT policy does not provide any meaningful assistance to limited resource producers. Regardless of who sells CAT policies, limited resource producers do not get significant benefit from the program. Furthermore, in a survey conducted of these producers, 74 percent indicated they did not want a CAT policy, but would be interested in a better policy. Lack of sales is believed to be due more to the nature of CAT than to who delivers it.

#105. Mr. Skeen: Addressing issues and concerns of small and socially disadvantaged farmers has been a priority of yours over the last five years. Why hasn't there been any improvement in the CAT Program for small and socially disadvantaged farmers?

Response: The CAT policy was initially developed as a replacement for disaster. However, based on surveys, we have learned that the current CAT policy is of little value to these producers. Because, the expected return based on the frequency and size of indemnity payments is only a few dollars.

#105a. Mr. Skeen: Do you foresee any improvements in the CAT Program for small and socially disadvantaged farmers?

Response: The Outreach Staff and Product Development Division are reviewing existing products for their potential as effective and efficient risk management tool for small and socially disadvantaged producers. The Adjusted Gross Revenue (AGR) insurance product, which is based on a whole farm concept, may have great potential for many producers, including the small and socially disadvantaged farmer.

Mr. Skeen: According to various media reports, some farmers may have found a lucrative loophole in USDA's marketing loan program. Further, USDA changed the program after discovering that some producers had found this loophole. Please tell the committee to what extent producers exposed this loophole. How many were involved?

Response: Once the Department became aware of the use of the reconcentration combined with a locked in repayment rate, the procedures were changed within a matter of days to prevent continued misuse. At this time, actual volume of activity before the procedural change is unavailable.

Mr. Skeen: How widespread was its misuse?

Response: Before the Department changed the policies regarding locking in a repayment rate, farmers in the Pacific Northwest and to a lesser extent in the Midwest used the procedures.

Mr. Skeen: What is the dollar amount in question?

Response: We have not determined the dollar amount.

Mr. Skeen: Will there be any repercussions for the producers that abused this loophole?

Response: No, because the producer's actions were not prohibited by the policies in effect while the loophole was being used.

Mr. Skeen: Have any sugar companies forfeited sugar to the government in lieu of repaying their government loan?

Response: Not yet; the last forfeiture of sugar pledged as collateral for a CCC commodity loan occurred in 1994.

Mr. Skeen: How many additional staff years will the USDA require to implement the proposed $11 billion Farm Safety Net Initiative?

Response: Staffing needs associated with the portion of the proposed Farm Safety Net Initiative to be administered by FSA have not yet been determined.

Mr Skeen: How many additional staff years will the USDA require to implement the proposed conservation security program?

Response: It is estimated that 1,385 staff years would be needed to implement the program.

Mr Skeen: Please provide a detailed analysis that compares and contrasts the USDA's proposed conservation security program with Senate bill 1426 introduced last year in the United States Senate.

Response: The proposed legislation has not been finalized. As soon as it is completed, we can provide this analysis.

Mr. Skeen: How many additional staff years will the USDA require to implement the proposed expansion of the conservation reserve program?

Response: Requested technical assistance funding levels for CRP would support approximately 950 staff years.

Mr. Skeen: What is the annual level of technical assistance required to provide for the expansion of the conservation reserve program?

Response: The current Farm Services Agency estimate of the technical assistance required for NRCS and the Forest Service to carry out the expanded CRP is $86.4 million and $93.8 million for fiscal years 2001 and 2002, respectively. These are only estimates and will change due to CRP signup 20 acceptance levels and continuous signup activity.

Mr. Skeen: What is the current law level of technical assistance being provided in the conservation reserve program?

Response: Under current law, FSA estimates technical assistance for CRP to be $69.7 million in FY 2000 and $77.1 million for FY 2001.

Mr. Skeen: What is the funding level for conservation reserve program technical assistance being provided out of the commodity credit corporation?

Response: For FY 2000, $35 million is available from funds provided in last year's supplemental. Any technical assistance in excess of $35 million is currently unfunded.

Mr. Skeen: How many additional staff years will the USDA require to implement the proposed expansion of the wetlands reserve program?

Response: Under current law, approximately 40,000 acres need to be enrolled in FY 2001 to reach the maximum 975,000 enrolled acres for WRP. As a result, it is estimated that 116 staff years are required to enroll the additional 40,000 acres and to administer the existing 935,000 acres.

The proposed enrollment of 250,000 acres in FY 2001 would require an additional enrollment of 210,000 acres above current law. This increased activity would require approximately 259 additional staff years.

Mr. Skeen: What is the annual level of technical assistance required to provide for the expansion of the wetlands reserve program?

Response: To enroll 250,000 WRP acres annually, technical assistance must be funded at $22.550 million (i.e., 375 FTEs), annually.

Mr. Skeen: What is the current law level of technical assistance being provided in the wetlands reserve program?

Response: Under current law, for FY 2001, to enroll the remaining 40,000 acres and to administer the existing 935,000 acres enrolled in the program, technical assistance needs are $6.760 million. Since carryover balances of discretionary appropriations will be exhausted in FY 2000, full funding of the FY 2001 technical assistance will be from the Commodity Credit Corporation.

Mr. Skeen: What is the funding level for Wetlands Reserve Program technical assistance being provided out of the Commodity Credit Corporation?

Response: For FY 2000, approximately $14 million in technical assistance is being provided to implement the authorized 150,000 acres in WRP and to administer the 785,000 acres previously enrolled in the program. Of the required technical assistance cost needed to enroll the authorized acreage, the CCC is expected to fund $12 million. With WRP carryover funds of $2.5 million added to this balance, WRP technical assistance is essentially fully funded.

For FY 2001, at the 250,000 acres WRP enrollment, total technical assistance is estimated at $22.5 million.

Mr. Skeen: How many additional staff years will the USDA require to implement the proposed expansion of the environmental quality incentives program?

Response: The President's Budget proposes an increase of 472 staff years.

Mr. Skeen: How many additional staff years will the USDA require to implement the proposed expansion of the wildlife habitat incentives program?

Response: To fully implement the proposed expansion of WHIP to $50 million, approximately 111 staff years will be needed in support of this program.

Mr. Skeen: How many additional staff years will the USDA require to implement the proposed expansion of the farmland protection program?

Response: The President's Budget proposes 104 staff years to implement the Farmland Protection Program.

Mr. Skeen: How many acres of farmland would be purchased under the proposal?

Response: If funded at $65 million, 130,000 acres would be permanently protected from conversion to non-agricultural uses.

Mr. Skeen: What is the cost in fiscal year 2001 for the proposed adjustment to the CCC section 11 restrictions?

Response: Legislation was proposed to fund CRP/WRP technical assistance, outside of the Section 11 cap, in the amount of $75 million for FY 2001.

Mr. Skeen: What is the total cost?

Response: The total cost of the proposed legislation is $265 million from FY 2001 through 2005. The $265 million is spread over the five year period as follows: $75 million for FY 2001, $69 million for 2002, $60 million for 2003, $30 million for 2004, and $31 million for 2005.

SECTION 4 COMPUTER CAP

Mr. Skeen: If the section 4 computer cap is raised, how much will USDA spend in 2001 for data processing and related delivery of FAS, FSA, and CCC programs?

Response: The President's FY 2001 budget assumed legislation passage providing $35 million in CCC funds. The $35 million will cover minimum basic operations (contractor support for software maintenance, telecommunications, help desk, maintenance costs of existing mission critical systems) by FSA in support of CCC programs and will be entirely spent for that purpose.

Mr. Skeen: Please provide a table showing all USDA agencies involved in the food safety initiative including fiscal year 1999 actuals and 2000 and 2001 estimates.

Response: I would be happy to provide that information for the record.

[The information follows:]

QUESTIONS SUBMITTED BY MR. SKEEN

FARM SAFETY NET PROPOSAL

Mr. Skeen: How will the proposed farm safety net initiative help beginning, small, socially disadvantaged, and limited resource farmers?

Response: The President's Farm Safety Net proposals will help beginning, small, socially disadvantaged, and limited resource farmers by reducing the volatility in farm income. Over the past two years, Congress has authorized ad hoc emergency assistance in

the form of supplemental Agricultural Market Transition Act (AMTA) payments to counter the drop in crop prices and incomes. Supplemental ATMA payments do not target assistance to producers based on need or necessarily to producers who grow a specific crop. In addition, there is no way for farmers to predict how much aid Congress will provide in any year or in the future. In contrast, producers of feed grains, oilseeds, wheat, rice and cotton would be eligible for payments under the President's Farm Safety Net initiative if gross income for the crop drops below 92 percent of the previous 5-year average. These payments would reduce the volatility in farm income by preventing gross income, including government payments, from falling below 92 percent of the previous 5-year average. Payment limits will also limit assistance to the very large producers and channel more assistance to family size farms including small, disadvantaged and limited resource producers

Mr. Skeen: How many acres are enrolled in the CRP continuous signup program?

Response: As of February 2000, there are continuous signup practices on approximately 1,022,000 acres.

Mr. Skeen: What is the value of the contracts enrolled in the CRP continuous signup program?

Response: The average rental payment for continuous signup practices of $90 per acre is approximately twice the rental rate of general CRP acreage. Rental payments for continuous signup contracts are $92 million a year. Producers generally receive fifty percent of the cost of installing the required practices.

In addition, many practices installed under continuous signup provisions generally benefit more acres than just the actual acreage on which the practice is installed.

PREMIUM SUBSIDY FOR BUY-UP COVERAGE

#121. Mr. Skeen: What is the estimated cost for the proposal to increase the premium subsidy on buy-up coverage for the 2001 crop?

Response: Several ideas for changing the premium subsidy formulae for additional coverage have been advanced in both the House and the Senate. The House passed H.R. 2559 during calendar year 1999 and referred it to the Senate. The Congressional Budget Office scored the increase in premium subsidies in that bill at approximately $1.0 billion per year for 2001 to 2004. This estimate includes delivery expenses on additional business as well as the premium subsidy.

QUALITY SAMPLES PROGRAM

Mr. Skeen: Provide an object class breakout of the $2.5 million being requested for the Quality Samples Program

Response: Under the Quality Samples Program, samples of U.S. agricultural products are provided to foreign importers in order to promote a better understanding and appreciation of their high quality. This program is undertaken through cooperative agreements, object class 2557, with commodity organizations and agricultural trade associations. These agreements fund only the costs of commodity acquisition and related transportation costs to the demonstration site.

CURRENT FOOD STAMP PARTICIPATION

Mr. Skeen: What is the current participation level of the food stamp program?

Response: Our most recent information indicates that, during the first quarter of fiscal year 2000, an average of 17.5 million persons a month participated in the Food Stamp Program.

FOOD STAMP PARTICIPATION ESTIMATE FOR FY 2001

Mr. Skeen: Does the estimated participation of 18.8 million assume a decreased level, or increased participation level for 2001?

Response: The projected average monthly Food Stamp Program participation level of 18.8 million persons in fiscal year 2001 is an increase from the fiscal year 2000 estimate of 18.1 million persons per month. This increase is driven by the Office of Management and

Budget's (OMB's) official economic assumptions that show the unemployment rate rising from its current level of 4.2 percent to 4.8 percent by the end of fiscal year 2001; and also by our proposed legislation.

FOOD STAMP ELIGIBLES NOT PARTICIPATING

Mr. Skeen: How many people does USDA estimate are eligible for the food stamp program, but not participating?

Response: The most current data available show that approximately 32.4 million people were eligible for food stamps while 22.0 million people actually participated in calendar year 1997. About 10.4 million people, almost a third of the people eligible for benefits that year, did not receive them. Between 1994 and 1997 the percentage of eligible people who actually received food stamps fell nine percentage points from 72 percent to 68 percent. These trends suggest that many poor families have left food stamps despite their continuing eligibility.

EXAMPLES OF FOOD STAMP INFORMATION EFFORT

Mr. Skeen: Provide specific examples of the initiatives that have been launched to help make sure that those who are eligible for food stamps know that they can participate. How much did USDA spend on these initiatives in fiscal year 1999, and what is the projected expenditure level in fiscal year 2000 and 2001?

Response: In July 1999, President Clinton announced executive actions to help make sure that families eligible for the Food Stamp Program know they are eligible. He kicked off a public education campaign to promote and enhance the FSP toll free number, develop public education materials and to create Program Access Guides to do this. He also announced some actions making it easier for families to own a reliable car and maintain eligibility, as well as providing States with new options to simplify income reporting rules.

In July, we at USDA launched a Food Stamp Program National Public Education Campaign. The campaign goals are to increase public awareness of the role that the Food Stamp Program plays in the transition from welfare to work and to increase food stamp participation rates for all of the individuals and families who are eligible. Let me send some additional detail on this.

[The information follows:]

The public education campaign includes posters, flyers and brochures, in both English and Spanish. Limited quantities of these materials have been distributed to States and nonprofit organizations for their use in distributing to potentially eligible individuals. Also, CD ROMs containing camera-ready copies of the materials have been made available at no cost to any organization interested in printing the materials. The materials are also available on our web site and can be downloaded by States and nonprofit organizations.

Enhancements to the FSP toll free number have been made. Callers now have the option of hearing the message in English and Spanish and of obtaining their State's toll free number.

In Fiscal Year 1999, FNS spent approximately $200,000 for the development of the toll free number and its enhancements and for the development and printing of materials. From April 1999 through January 2000, 4,444 calls were answered on our toll free number. We anticipate that, in Fiscal Year 2000, we will spend $180,000 for printing and distributing of the materials and for the toll free number. In Fiscal Year 2001, we hope the funds requested in the President's budget will be appropriated for use in supporting the campaign efforts.

QUESTIONS SUBMITTED BY MR. SKEEN

LEGAL IMMIGRANT ADULTS WHOSE CHILDREN ARE ELIGIBLE

Mr. Skeen: What is the estimated cost in 2001 to restore eligibility to legal immigrant adults whose children are eligible for food stamps?

Response: This proposal, which would be effective April 1, 2001, would cost $15 million in FY 2001.

LEGAL IMMIGRANTS WHO HAVE TURNED 65

Mr. Skeen: What is the estimated cost in 2001 to restore eligibility to legal immigrants living in the United States at the time of welfare reform who have since turned 65?

Response: This proposal would cost $10 million in FY 2001.

REDUCING FOOD STAMP PROGRAM ERROR RATES

Mr. Skeen: Tell the Committee what USDA would do to reduce program error rates?

Response: Food Stamp Program error rates have seemed intractable over the years. Without some special effort for which funds are requested for FY 2001, it looks like around 16 percent of households will get about 50 percent more than they should, much like the program saw in 1998, and has generally seen for several decades. About half that number of households receive 25 percent less than they should too.

I have asked the Food, Nutrition and Consumer Services people to use some of the new resources requested for integrity efforts to get a handle on these food stamp error rates and reduce them, while at the same time reducing participation barriers and increasing participation rates. As you know, the relatively low participation rates among food stamp eligibles is a real concern to this Administration and, I think, really for the success of the welfare to work transition that we are all trying to promote. I will ask the Food, Nutrition and Consumer Services to provide some additional details of their plans.

[The information follows:]

FNS continues to evaluate its payment accuracy strategies while simultaneously working to ascertain the root causes of errors. In addition, FNS is expanding its efforts to rally State management, particularly the highest levels, to commit to promoting payment accuracy. These efforts are combined with FNS' ongoing payment accuracy activities. These activities include:

1. Working with selected States to develop plans and strategies for reducing errors through reinvestment of past liabilities and establishing individual target rates of error reduction. These strategies have produced improvements in several States.

2. Coordinating the exchange of information on program management initiatives among States by funding interstate exchange of expertise through both State Exchange funding and slightly over one million in special error reduction funds.

3. Encouraging and supporting regional and Nation-wide inter-State error reduction activities and conferences to ensure that successful payment accuracy techniques are known and implemented as widely as possible.

4. Producing various National and regional publications to provide States with collections of "best practices" and periodic reminders of the importance of error reduction.

In addition, the Department is requesting additional resources so the Food Stamp Program can broaden the scope of its current payment accuracy improvement activities to ensure that efforts to achieve payment accuracy do not inadvertently lead to practices that discourage program participation. The Department will assist State in improving and maintaining a high level of payment accuracy while ensuring access to food stamps for all eligible households by disseminating bets practices and providing training and technical assistance. Funds will also be used to ensure that States are effectively providing training and technical assistance. Funs will also be used to ensure that States are effectively implementing procedures set forth in regulations which are designed to guarantee that households moving from welfare to work continue to receive nutrition assistance for which they are eligible.

MOST RECENT WIC PARTICIPATION DATA

Mr. Skeen: The fiscal year 2000 appropriation for WIC includes funding to support a monthly average of 7.4 million participants. What is the monthly average participation rate to date in fiscal year 2000?

Response: Data for the first two months of FY 2000 reflect an average monthly participation of 7.2 million women, infants and children.

FARMERS' MARKET NUTRITION PROGRAM SEPARATE FROM WIC

Mr. Skeen: What is the rationale for proposing funding for the WIC farmers' market nutrition program separately from the WIC program?

Response: As you know, recent Agriculture Appropriations Acts have made Farmers' Market Nutrition Program funding available only if not needed to maintain WIC caseloads. The Department believes the Farmers' Market Nutrition Program needs stable, predictable funding to operate effectively. We believe it would work better if funding were not contingent on maintenance of WIC participation. As such, the Farmers' Market Nutrition Program was placed in the commodity account in an effort to ensure that funding for the program is continued uninterrupted.

WIC EBT EXPENDITURES

Mr. Skeen: According to your witness statement, $6 million is being requested to further State implementation of WIC EBT. How much was spent in fiscal year 1999, and what are the estimated expenditures for fiscal year 2000 and 2001?

Response: Let me ask for some details to be provided on that. What I do know is that the WIC Program transaction at the cash register is more complicated and time consuming than food stamp or cash ones are. The cashier has to identify WIC foods and make sure that the WIC vouchers match up to them. So, in addition to the accounting and audit trail advantages we see with food stamp EBT, WIC EBT can speed things up in the check out lane. Meanwhile, the complexity and the lack of dedicated funding has slowed WIC EBT down. Food stamps has had specific funds earmarked for EBT development for years, and still does. WIC faces more of a challenge, and we are just asking for the earmark we need now.

[The information follows:]

Actual fiscal year 1999 electronic benefit transfer (EBT) outlays will not be available until the third quarter of fiscal year 2000. However, $3.5 million of infrastructure grant funding was made available to WIC State agencies for EBT system development and implementation. These funds were competitively awarded to five WIC State agencies for multi-year EBT projects. States requested approximately $6.5 million in 1999.

In fiscal year 2000, $2.6 million will be made available for multi-year WIC EBT projects and technical assistance through infrastructure (multi-purpose grant) funds. The fiscal year 2000 EBT grant proposals are due to FNS March 15, 2000; therefore, the total amount requested is unknown at this time.

In addition to the $2.6 million set aside for EBT projects in fiscal year 2000, FNS regional offices have allocated an additional $1,130,875 to WIC State agencies for EBT initiatives through the use of additional infrastructure and discretionary administrative resources.

Given the current level of EBT development, the President's Budget Request of $6 million for EBT funding in fiscal year 2001 will be used largely to support current EBT projects. Currently there are eight current WIC EBT projects, involving 14 WIC State agencies: Wyoming, Texas, New Mexico, Ohio, Michigan, PARTNERS (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont), New Jersey, and Health Passport (Nevada, North Dakota, and Wyoming). Our goal is to further develop WIC EBT in those States so that EBT will become available to more WIC participants. Once operational in these States, effective EBT technology and practices can be implemented in additional States.

PARTENRSHIP FOR CHANGE FUNDS USE

Mr. Skeen: Provide an object class breakout for the $5 million requested in 2001 for Partnership for Change.

Response: I would be pleased to provide this detail.

[The information follows:]

FOOD AND NUTRITION SERVICE
CLASSIFICATION BY OBJECTS
PARTNERSHIP FOR CHANGE
Data Shown in Thousands

Personnel Compensation:	FY 2001
11.0Total Personnel Compensation	$58
12.0Personnel Benefits	13
13.0Benefits for Former Personnel	0
Total Personnel Compensation and Benefits	71

Other Objects:	
21.0Travel	750
22.0Transportation of Things	55
23.1Rent Payments to GSA	
23.2Rental Payments to Others	
23.3Communications, Utilities, and Misc. Charges	
24.0Printing and Reproduction	1,900
25.1Advisory and Assistance Services	
25.2Other Services	824
25.3Purchase of Goods and Services from Government	480
25.4Operation and Maintenance of Facilities	
25.5Research and Development of Contracts	
25.7Operation and Maintenance of Equipment	
26.0Supplies and Materials	800
31.0Equipment	120
41.0Grants, Subsidies and Contributions	
42.0Insurance Claims and Indemnities	
43.0Interest and Dividends	
Total Other Objects	4,929
Total Direct Obligations	5,000

Dietary Guidelines Promotion Funds Use

Mr. Skeen: Also, provide an object class breakout for the $2 million requested to promote the Dietary Guidelines.

Response: I would be pleased to provide this detail.

[The information follows:]

FOOD AND NUTRITION SERVICE
CLASSIFICATION BY OBJECTS
DIETARY GUIDELINES INITIATIVE
Data Shown in Thousands

Personnel Compensation:	**FY 2001**
11.0Total Personnel Compensation	$43
12.0Personnel Benefits	9
13.0Benefits for Former Personnel	

	Total Personnel Compensation and Benefits	52
	Other Objects:	
21.0	Travel	3
22.0	Transportation of Things	
23.1	Rent Payments to GSA	
23.2	Rental Payments to Others	
23.3	Communications, Utilities, and Misc. Charges	
24.0	Printing and Reproduction	111
25.1	Advisory and Assistance Services	
25.2	Other Services	831
25.3	Purchase of Goods and Services from Government	1,000
25.4	Operation and Maintenance of Facilities	
25.5	Research and Development of Contracts	
25.7	Operation and Maintenance of Equipment	
26.0	Supplies and Materials	1
31.0	Equipment	2
41.0	Grants, Subsidies and Contributions	
42.0	Insurance Claims and Indemnities	
43.0	Interest and Dividends	
	Total Other Objects	1,948
	Total Direct Obligations	2,000

PROGRAM INTEGRITY FUNDS USE

Mr. Skeen: Provide an object class breakout for the $8 million requested to improve program integrity.

Response: I would be pleased to provide this detail.

[The information follows:]

FOOD AND NUTRITION SERVICE
CLASSIFICATION BY OBJECTS
FOOD STAMP/CHILD NUTRITION INITIATIVES
Data Shown in Thousands

Personnel Compensation:	**FY 2001**
11.0 Total Personnel Compensation	$5,792
12.0 Personnel Benefits	1,131
13.0 Benefits for Former Personnel	1
Total Personnel Compensation and Benefits	6,924
Other Objects:	
21.0 Travel	184
22.0 Transportation of Things	8
23.1 Rent Payments to GSA	
23.2 Rental Payments to Others	33
23.3 Communications, Utilities, and Misc. Charges	280
24.0 Printing and Reproduction	3
25.1 Advisory and Assistance Services	
25.2 Other Services	239
25.3 Purchase of Goods and Services from Government	94
25.4 Operation and Maintenance of Facilities	
25.5 Research and Development of Contracts	
25.7 Operation and Maintenance of Equipment	42
26.0 Supplies and Materials	67
31.0 Equipment	126
41.0 Grants, Subsidies and Contributions	
42.0 Insurance Claims and Indemnities	
43.0 Interest and Dividends	
Total Other Objects	1,076
Total Direct Obligations	8,000

RATE OF CAMPLYOBACTER AND SALMONELLA INFECTIONS

Mr. Skeen: According to your witness statement, "data released from the FoodNet disease surveillance system indicates that during 1998, the rate of Camplyobacter and Salmonella infections declined nationwide." Please describe the extent of the relevance of this statement.

Response: The decline in several of the major bacterial and parasitic causes of foodborne illness indicated in 1998 FoodNet data indicate that steps being taken to improve the safety of the food supply and consumer handling practices are having a beneficial impact.

Mr. Skeen: Is the $654 million that you describe on page 30 of your witness statement the discretionary level or the mandatory level for conservation technical assistance?

Response: The $654 million level is for the discretionary Conservation Technical Assistance program.

Mr. Skeen: Your witness statement indicates that you will redirect $11 million to animal feeding operations in fiscal year 2001. Where will that money come from?

Response: The redirection of the $11 million will be made from the conservation technical assistance program. Staff who would traditionally work on a variety of activities would be redirected to focus on providing assistance to animal feeding operations.

Mr Skeen: Are you concerned that the implementation of the Administration's Clean Water Action Plan at the field level will disturb the trust that NRCS field employees have developed with farmers and ranchers over the last several years?

Response: The Clean Water Action Plan utilizes the authorities of the involved agencies to deliver services in a coordinated and cooperative manner. The major objectives of the Plan focus around partnerships and locally led efforts, voluntary and incentives-based approaches, and enhancing natural resources stewardship. These objectives form the basis for the vision that NRCS has for addressing conservation needs on private lands. The action items in which NRCS plays a role have not changed the way we conduct our field-based activities. We are continuing to provide conservation technical and financial assistance through a variety of conservation programs using a voluntary, incentive-based approach. In order to protect the trust that USDA has with farmers, it continues to be NRCS policy that conservation plans and cooperator case files that have been developed through voluntary technical and financial assistance programs are confidential and may not be released to the public except under special circumstances provided for in the Freedom of Information Act (FOIA) and the Privacy Act of 1974 (i.e., in the case of a specific investigation to enforce the law).

Mr. Skeen: Provide an object class breakout for the $87 million in technical assistance being proposed in fiscal year 2001.

Response: We will provide an object class breakout of the data requested.

[The information requested follows:]

CONSERVATION OPERATIONS
FY 2001 Estimated Object Class Schedule
Total Requested Increase over FY 2000
(Dollars in thousands)

Object Class	Amount
Personnel compensation	
11.1 Full-time permanent	$34,504
11.3 Other than FTP	1,283
11.5 Other personnel Compensation	562
11.9 Total personnel Compensation	36,349
12.1 Personnel benefits	8,836
13.0 Benefits, former personnel	684
21.0 Travel	838
22.0 Transportation	196
23.2 Rental payments to others	584
23.3 Communications, utilities, & miscellaneous	1,413
24.0 Printing & reproduction	175
25.2 Other services	16,009
26.0 Supplies & materials	828
31.0 Equipment	3,490
32.0 Lands & structures	2

41.0 Grants	17,000
42.0 Insurance claims	23
43.0 Interest & dividends	4
Total Direct Obligations	$86,431

Mr. Skeen: Provide an object class breakout for the $12 million request for conservation technical assistance related to global climate change activities.

Response: The information requested follows:

CONSERVATION OPERATIONS
FY 2001 Estimated Object Class Schedule
Global Climate Change - Soil Carbon Studies
(Dollars in thousands)

Object Class	Amount
Personnel compensation	
11.1 Full-time permanent	$6,001
11.3 Other than FTP	233
11.5 Other personnel Compensation	98
11.9 Total personnel Compensation	6,332
12.1 Personnel benefits	1,539
13.0 Benefits, former personnel	12
21.0 Travel	181
22.0 Transportation	42
23.2 Rental payments to others	126
23.3 Communications, utilities, & miscellaneous	305
24.0 Printing & reproduction	38
25.2 Other services	2,816
26.0 Supplies & materials	179
31.0 Equipment	423
32.0 Lands & structures	0
42.0 Insurance claims	5
43.0 Interest & dividends	2
Total Direct Obligations	$12,000

Mr. Skeen: Provide an object class breakout for the $3 million request to fund demonstration and research projects related to carbon sequestration.

Response: The information requested follows:

CONSERVATION OPERATIONS
FY 2001 Estimated Object Class Schedule
Global Climate Change Assessments
(Dollars in thousands)

Object Class	Amount
Personnel compensation	
11.1 Full-time permanent	$1,286
11.3 Other than FTP	47
11.5 Other personnel Compensation	217
11.9 Total personnel Compensation	1,354
12.1 Personnel benefits	329
13.0 Benefits, former personnel	3
21.0 Travel	72
22.0 Transportation	17
23.2 Rental payments to others	50
23.3 Communications, utilities, & miscellaneous	121
24.0 Printing & reproduction	15
25.2 Other services	756
26.0 Supplies & materials	71
31.0 Equipment	210
42.0 Insurance claims	2
Total Direct Obligations	$3,000

Mr. Skeen: Provide an object class breakout for the $5 million request to help communities plan, develop, and implement conservation based biomass production systems.

Response: The information requested follows:

CONSERVATION OPERATIONS
FY 2001 Estimated Object Class Schedule
BioMass Products Initiative
(Dollars in thousands)

Object Class	Amount
Personnel compensation	
11.1 Full-time permanent	$536
11.3 Other than FTP	23
11.5 Other personnel Compensation	9
11.9 Total personnel Compensation	568
12.1 Personnel benefits	138
13.0 Benefits, former personnel	1
21.0 Travel	38
22.0 Transportation	9
23.2 Rental payments to others	26
23.3 Communications, utilities, & miscellaneous	64
24.0 Printing & reproduction	8
25.2 Other services	21
26.0 Supplies & materials	37
31.0 Equipment	88
41.0 Grants	4,000
42.0 Insurance claims	2
Total Direct Obligations	$5,000

Mr. Skeen: Provide an object class breakout for the $5 million request for the community/federal information partnership.

Response: The information follows:

CONSERVATION OPERATIONS
FY 2001 Estimated Object Class Schedule
Community/Federal Information Program
(Dollars in thousands)

Object Class	Amount
Personnel compensation	
11.1 Full-time permanent	$1,072
11.3 Other than FTP	47
11.5 Other personnel Compensation	17
11.9 Total personnel Compensation	1,136
12.1 Personnel benefits	276
13.0 Benefits, former personnel	2
21.0 Travel	69
22.0 Transportation	16
23.2 Rental payments to others	48
23.3 Communications, utilities, & miscellaneous	116
24.0 Printing & reproduction	14
25.2 Other services	92
26.0 Supplies & materials	68
31.0 Equipment	161
41.0 Grants	3,000
42.0 Insurance claims	2
Total Direct Obligations	$5,000

Mr. Skeen: I read in your witness statement that you are seeking $60 million for a new loan program that will provide loans for the rehabilitation of 10,000 project dams that have been installed over the last 50 years. Do you have the legal authority for this program?

Response: Yes, the legal authority is available to operate the loan program. Although this new program will provide up to $60 million in loans to state and local governments for dam rehabilitation, the subsidy budget authority necessary to make these loans available is only $4 million, thereby providing a highly cost-effective solution an an expensive problem.

MANDATORY PRICE REPORTING

Mr. Skeen: How much is included in the fiscal year 2001 request for mandatory price reporting?

Response: An appropriation of $5.9 million is requested in FY 2001 budget for the Agricultural Marketing Service to continue the program. In addition, an increase of $0.4 million is requested by the Grain Inspection, Packers and Stockyards Administration to establish a swine contract library and an increase of $0.6 million by the National Agricultural Statistics Service to increase the frequency of hog and pig reports from quarterly to monthly.

Mr. Skeen: How much to you expect to spend in FY 2000?

Response: We expect to spend $4.7 million to establish the program with funds allotted from the Commodity Credit Corporation.

NATIONAL ORGANIC STANDARDS

Mr. Skeen: What is the current status of the national organic standards rulemaking process?

Response: USDA will release its revised organic standards proposal in early March for a public comment period of 90 days. We expect to have a final rule in place by the end of 2000.

Mr. Skeen: How much has been spent, to date, by USDA since 1990 on national organics standards?

Response: USDA spent nothing on national organic standards in 1990 and 1991. Since 1992 to date, USDA has spent $5,179,518 on establishing national organic standards.

Mr. Skeen: How much is included in the fiscal year 2001 request for national organics standards?

Response: The budget request for fiscal year 2001 includes $1,701,000 for Organic Standards, of which $639,000 is for one-time costs associated with accrediting certifying agents and conducting outreach.

COMMON COMPUTING ENVIRONMENT IMPLEMENTATION PLAN

Mr. Skeen: The fiscal year 2000 agriculture appropriations act includes $12.6 million for the common computing environment upon congressional approval of an overall plan for common computing environment implementation. When can we expect that plan to be submitted? Has USDA obligated any of the $12.6 million appropriated for fiscal year 2000?

Response: The Department expects to send the Service Center Modernization Plan to the Congress within a few weeks. None of the $12.6 million has been obligated. Although we have specific plans for the funds, we will be consulting with the Congress before taking any action to obligate the funds.

OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS PROGRAM

Mr. Skeen: What actions has the Department taken to review the funding and management requirements for the Outreach for Socially Disadvantaged Farmers Program? To our knowledge the program has never been audited and has been transferred to at least three agencies in the past few years. What specific actions have you implemented to ensure that the funding provided for the program is being used effectively and without a high risk for fraud or abuse?

Response: The Department has taken several actions to review the funding and management requirements for the Outreach for Socially Disadvantaged Farmers Program. To address management requirements, in August 1999, USDA appointed a new Office of Outreach Acting Director. USDA hired a contractor to review the application and award process for the program. USDA has begun to implement organizational and procedure changes to strengthen program management. Every year each funded project submits a detailed budget to USDA's Office of Outreach. The budgets include specific amounts for staff, equipment, travel, and other direct and indirect costs. Each project submits a detailed quarterly report to the USDA Office of Outreach which includes: the number of target counties, the number of small and disadvantaged farmers/ ranchers served, and the number of participants in USDA programs and services. The Report also includes a summary of major accomplishments from each project area. USDA also conducts on-site reviews to evaluate the projects' progress and verify accomplishments. In addition, each project recipient is subject to annual audit requirement. The audits are conducted by independent firms and are submitted to the USDA Office of Outreach.

P.L. 480 RICE PROGRAMMING

Mr. Skeen: The Committee has been told that rice is the only remaining major farm commodity that our government generally refuses to make available to potential customers in its unprocessed form under the P.L. 480 and other food aid programs. For example, USDA currently provides for the fulfillment of recipient country requests for the export, not only of flour, but also of wheat. Similarly, recipient countries can successfully request and receive soybeans, or soybean meal, or soybean oil. Rice, except for one recent shipment, has for 50 years been limited to shipments of either milled or brown rice, but not rough rice. Is this correct and, if so, what is the reason for this policy?

Response: Except for one request last year, USDA has received no requests for rough rice through P.L. 480. USDA, in consultation with the concerned industries, does try to balance the market development objectives of the program with jobs that are generated as a result of U.S. food aid programs.

Mr. Skeen: Late last year, USDA allowed a small shipment of rough (unprocessed) rice to Jamaica, pursuant to a food aid request. The Committee understands that Jamaica has requested that this policy be continued. Will the Department honor individual country requests for rice under P.L. 480 and other food aid programs that is consistent with the policy for all other major commodities?

Response: Yes, the Department will endeavor to honor individual country requests for commodities under P.L. 480 Title I.

1999 CROP LOSS DISASTER ASSISTANCE PROGRAM

Mr. Skeen: Please provide the committee with a status of program signup and payment activity for the 1999 Crop Loss Disaster Assistance Program enacted under Title VIII of P.L. 106-78.

Response: Signup for the 1999 Crop Disaster Program (CDP) will run until February 25. Any late-filed CDP applications for highly meritious cases will be accepted through March 27. We anticipate making a national upload of all CDP applications during the latter part of March. Also, advance payments will be made to eligible producers as quickly as possible to help soften the economic impact resulting from the disaster loss.

Mr. Skeen: The Environmental Protection Agency proposed rules to revise the Total Maximum Daily Loads program and the National Pollution Discharge Elimination System published in the Federal Register on August 23, 1999, along with the guidance manual for the permitting of concentrated animal feeding operations published on August 6, 1999. The Department of Agriculture provided comments to EPA via letter, as signed by Under Secretary Lyons on October 22, 1999, which raised serious questions as to the effect the proposed rules would have on the USDA, land owners, farmers, and ranchers. As recently as yesterday, Under Secretary James Lyons stated in testimony to the Transportation Subcommittee on Water Resources and the Environment that the positions expressed in the letter were no longer the position of the Department. Why has the Department, particularly the NRCS, changed its position? What does that change do to the ability of Congress to take the testimony, correspondence and statements of the Department as statements of fact and position versus statements of convenience?

Response: On October 22, 1999, Mr. Lyon's office sent a letter to Administrator Browner commenting on EPA's proposed Total Maximum Daily Load (TMDL) revised rule. During my testimony to the Senate Committee on Agriculture, Nutrition, and Forestry on February 23, 2000, I stated that the letter does not represent USDA' s official position. I have concerns about the proposed rule, but believe adjustments can be made without undermining the intent or the letter of the law. USDA has formed an interagency group with EPA to work through the concerns. I understand that the interagency group is making progress in addressing them.

EMERGENCY FINANCIAL ASSISTANCE PREMIUM DISCOUNT PROGRAM

Mr. Skeen: Mr. Secretary, the Administration has requested $640 million for additional crop insurance premium subsidy for the 2001 crop. We also understand that the funding for the crop year 1999 crop insurance premium discount is insufficient to pay for the full 30 percent discount promised to farmers; we understand that you have a funding shortfall of roughly $12 million. This creates a problem of farmers being billed this year for the premium subsidy they had been promised by their government. What is the Administration's plan to fund this 1999 shortfall?

Response: We are working with the Office of Management and Budget to obtain additional resources for the shortfall from the 1999 Emergency Financial Assistance Premium Discount Program. If supplemental funding is not forthcoming, the only other alternative will be to bill the producers for the amount not covered by the available funds.

Mr. Skeen: Why would the Administration request new funding without funding the current discount?

Response: The premium discount program was a successful program in 1999, and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Act for the fiscal year ending September 30, 2000 again authorized funding to assist farmers suffering from crop and economic losses. This is fiscal year funding which is limited to the fiscal year for which it was appropriated and cannot be used to offset another years' program costs.

QUESTIONS SUBMITTED BY MR. DICKEY

P.L. 480 RICE PROGRAMMING

Mr. Dickey: Mr. Secretary, late last fall, the Department of Agriculture made a P.L. 480 allocation of rough rice to Jamaica. Historically, P.L. 480 rice allocations had been milled or partially milled (brown) rice. When this allocation was made, it was my understanding that the fall-1999 P.L. 480 sale was not to be a precedent. Now, however, the Jamaican rice mill is requesting a second P.L. 480 allocation of rough rice.

Two-thirds of the Arkansas rice crop, and nearly one-half of the Missouri rice crop, is marketed by farmer owned cooperatives whose rice farmer members have invested in rice milling facilities. By allocating rough rice under P.L. 480, USDA is choosing to benefit a rice mill in Jamaica instead of rice farmers in the U.S. Can you share your thoughts on this possible allocation and the impact it may have on domestic producers? Does the USDA intend to return to its traditional policy of allocating only milled rice under the P.L. 480 program?

Response: FAS is currently reviewing the appropriate commodity to provide Jamaica under this year's P.L. 480 Title I agreement. We will apprise you of our decision once it is made.

Mr. Dickey: Mr. Secretary, this year's cotton prices have been extremely low, and producers are suffering. Congress responded to the needs of cotton producers by providing emergency assistance to producers. The reinstatement of the Step 2 program, additional Marketing Loss Payments, doubling the payment limitation for Loan Deficiency Payments have helped cotton producers tremendously. However, more needs to be done.

Congress has given the Department of Agriculture the authority to establish a Cottonseed Assistance Program. Such a program will prove to be most beneficial and payments will be more quickly distributed if Cottonseed Assistance payments are delivered to first handlers or ginners. The question has now been raised as to whether or not the Department of Agriculture will implement a program in this fashion. What are your thoughts on providing payments to first handlers, and can you give us some time frame for implementation?

Response: That detail has not been worked out yet. We understand that first handlers or ginners have a valid case to receive the payments. Our concern is that producers somehow should be assured of receiving the benefit from the payments, even if that benefit is in the form of cancellation of unpaid ginning charges or the rebate of ginning charges already paid. Certainly, co-operative gins are in a good position to deliver the benefit to growers.

QUESTIONS SUBMITTED BY MR. KINGSTON

POND IRRIGATION/SURFACE WATER RETENTION

Mr. Kingston: Mr. Secretary, I'm hearing from a lot of people about a serious need for better irrigation/pond construction assistance through USDA. It appears that there may be a couple avenues to better address this need for FY01: an increase in EQIP (Environmental Quality Incentives Program) or your new proposal for Conservation Security Payments (or "Green Payments"). What are your recommendations? What does the department propose in this regard and how would you recommend that I pursue this for FY01?

Response: Irrigation/surface water retention issues are currently addressed in the NRCS Environmental Quality Incentives Program (EQIP). Technical, financial and educational assistance is provided to participants in EQIP. At this point in time, EQIP is the best avenue to pursue since the Conservation Security Program has not yet been developed. However, most other NRCS programs continue to provide upon request technical assistance to landowners/operators with irrigation and surface water retention concerns.

To date, we are able to fund only 1 out of every 3.3 EQIP applications received which is probably the reason you have heard there is a serious need for better irrigation pond construction assistance. An increase in program funds to include both technical and financial assistance needs in the EQIP and the appropriation of funds by Congress for the Conservation Security Program could provide the funds needed to address these concerns.

An increase in program funds to include both technical and financial assistance needs in the EQIP and the appropriation of funds by Congress for the Conservation Security Program could provide the funds needed to address these concerns.

At present there are 23 states that are using the Small Watershed Program to address irrigation-related projects. Federal investments to date on these projects total $220,241,000 for PL-566 and an additional $25,204,000 for PL-534. There is an additional $32,500,000 backlog of authorized Small Watershed projects, which include irrigation that, have not been implemented due to lack of appropriations.

The benefits of these projects include water conservation, erosion reduction, and sediment reduction. Associated possible outcomes include drought relief, reduced need for irrigation water diversion from rivers and streams, reduced demands from critical aquifers such as the Edwards Aquifer, enhanced wildlife habitat, and water-based recreation opportunities resulting from water impoundment.

FSIS INSPECTOR SHORTAGE

Mr. Kingston: The committee understands that a judicial ruling in a recent case filed by the meat inspectors union against the department gives USDA very broad authority on the statutory continuous inspection requirement. Does that give the department the authority to adopt alternative staffing arrangements when there is an unforeseen, emergency inspector shortage?

Response: The District Court decision gives the Department some discretion in how to conduct the inspection required by statute. However, the decision would not permit emergency redeployment of inspectors due to shortages that would compromise the requirement to conduct a post-mortem inspection of each carcass.

Mr. Kingston: Another area I'm receiving complains about from local farmers is under staffing of FSA offices. They are upset that offices are being cut back when work isn't getting done and offices were already understaffed. The main concern is usually a feeling that the programs are not administered in a timely manner. How can we be assured that local FSA offices are equipped to deal with citizens in a timely manner?

Response: Every effort is being made for FSA offices to provide timely delivery of programs and handle producer requests. In order to achieve this, FSA will likely spend all funding available for temporary staff years in the

first 6 months of the fiscal year. Although these temporary employees have allowed the Agency to remain current on most workload, we expect continued high program and payment workload during the last 6 months of the fiscal year. We anticipate some difficulty in completing timely sign-ups for some of the disaster assistance programs and an increasing lag in providing payments to producers, including loan deficiency payments.

Mr. Kingston: More on FSA - Charles Finch, a peanut farmer from Jenkins County, Georgia, followed FSA regulations by visiting the office to sign his temporary lease transfer form. According to interoffice operations, Jenkins County FSA is to forward the transfer forms to the Bullock County FSA office for registration and approval. The paperwork should return to the Jenkins Office. Mr. Finch has some 23,000 pounds of peanut quotas which were not forwarded to the Bullock County office. His request for these pounds has been forwarded to the GA state office and the answer he has been given by State officials is that "he should have caught this." Mr. Finch simply wants the credit for his peanut pounds (23,000) and doesn't feel he is at fault. FSA has given Mr. Finch credit for the pounds for the '99 crop year. This is still a loss because '99 is over and all claims have been settled. Can RMA, FCIC simply go back and adjust his claim for '99? This would be easier than trying to add the pounds to the 2000 crop year. The local adjuster, however, says no.

Response: The Risk Management Agency (RMA) is reviewing the matter specific to Charles Finch, a peanut farmer from Jenkins County, Georgia, concerning the transfer of peanut quota and the effect on his 1999 crop insurance claim. RMA will be able to provide information specific to Mr. Finch under separate cover after all the facts have been assessed.

In general, producers are required by the Peanut Crop Provisions to report the effective poundage marketing quota for the current crop year on their acreage report which is due June 30, 1999 in Georgia. The information on the acreage report establishes the liability for the crop year and generates the premium due for the crop insurance coverage.

Insured producers receive a schedule of insurance and are generally able at that time to identify and correct reporting errors. Liability can be added to a policy (such as increasing quota pounds, increasing acreage, etc.) after the acreage reporting date provided that the acreage is inspected and can produce at least 90% of the yield on which the guarantee is based. Federal Crop Insurance Corporation procedure does not allow liability to be increased after damage or loss has occurred.

Mr. Kingston: Is there any strategy in place to protect peanut farmers from this assessment they're facing, through no fault of their own?

Response: Currently there no strategies or provisions that would allow peanut producers to avoid an increased assessment for the 2000 peanut crop.

Mr. Kingston: Does the Administration have any kind of relief proposal? The coming assessment could be devastating in the Southeast.

Response: Congress could appropriate $36 million and direct CCC to recover any 1999 crop quota loss in excess of that amount from future marketing assessments rather than through an increased assessment. Congress could also, without appropriating money, direct CCC not to recover the 1999 quota loss through an increased assessment, but to recover it solely through future marketing assessments.

Mr. Kingston: What are the chances that USDA could buy tonnage at full quota price to clear out the inventories by using existing programs like the school lunch program or PL480?

Response: FSA can provide peanuts acquired under price support legislation

(Section 416 of the Agricultural Act of 1949) to the school lunch program as a bonus commodity or FSA can purchase commodities with funds appropriated to FNS using their entitlement dollars. However, peanuts that have not been forfeited to CCC cannot be used for the school lunch program as bonus commodity. Additionally the peanuts we acquire using FNS entitlement dollars for their domestic feeding programs are competitively purchased in the open market. Our average cost has been approximately $360.00 per metric ton which is considerably less than the $610/ ton.

Under section 5(d) of the Commodity Credit Corporation Charter Act. CCC has the authority to remove and dispose of or aid in the removal or disposition of surplus agricultural commodities. While we are authorized to remove surplus peanuts under the CCC Charter Act, we also must consider outlets for the purchased peanuts. At this time no interest has been expressed for raw peanuts under the export food assistance programs including P.L. 480.

FUNDING FOR INSPECTOR GENERAL

Mr. Kingston: Why doesn't the Interior Department help pay the USDA Inspector General (IG) to carry out its duties? They share the IG but only the USDA provides the funding.

Response: The Forest Service is part of the USDA but, unlike other USDA agencies, it is funded through the Interior and Related Agencies appropriation. The budget request for the OIG that is before this Committee includes funding for OIG work related to the Forest Service. I ask that you provide support for these audits and investigations and allow Congress the opportunity to consider how best to fund this work.

FINES FOR SMUGGLING CRIMES

Mr. Kingston: I am also aware that the IG also needs incentive money to handle the Smuggling/Interdiction Pests and Prohibitive Fruits and Vegetables. Another possibility, could they (administratively) raise the level of the smuggling crime and apply penalty by volume of prohibitive fruits "with intent to sell/distribute?" Currently the fine for importing a ton of prohibitive fruits infested with fruit flies is only a couple of nights in county jail. That's not a big deterrent. What are your thoughts on these issues?

Answer: I agree that the penalties for smuggling are not severe enough to act as a deterrent. As a result, the Office of Inspector General is currently working with the Animal and Plant Health Inspection Service and the Office of the General Counsel to include felony-level violations in proposed legislation. Felony violations would provide the means to impose significant jail time, and an asset forfeiture provision would provide a means to strip violators of proceeds derived from their smuggling.

RURAL DEVELOPMENT

Mr. Kingston: Rural Development - George Powell from Vidalia owns and operates Handy Andy Supply Company. USDA made a Farm Labor Housing Loan to a local individual. The Regional USDA RD office closed the loan and distributed the money without a checkoff inspection. Mr. Powell is left with some $82,000 (includes interest) outstanding because the contractor did not pay him. When Mr. Powell visited with District Office to find out if he could withhold some of the loan funds to satisfy his account, he was informed that the loan had been closed and the money disbursed. Why would RD close and disburse funds before a project is 100% complete?

Response: Stanley Farms was the party who received the Farm Labor Housing loan to build an on farm FLH facility. Stanley Farms contracted with Oglesby Construction to build the facility. Oglesby Construction purchased the materials that were used to build the facility. Some of the material was purchased from Handy Andy Supply Company. Unfortunately, Oglesby, the contractor was unable to perform the contract and was ultimately fired by our borrower. The owner, Stanley Farms, used the remaining loan funds to hire another contractor to finish the job. Handy Andy Supply Company filed a mechanic's lien on Stanley Farms for debts owed by Mr. Oglesby. Before the project was closed out and there was a final disbursement of funds, the parties negotiated a settlement for the mechanic's lien. Mr. Powell agreed to

a reduced settlement because much of the credit extended was not for materials used on the Stanley Farms project.

MIGRANT LABOR HOUSING

Mr. Kingston: Migrant Labor Housing - Bill Brim, of Lewis Taylor Farms in Georgia has spent thousands of dollars on a migrant labor housing application. He is trying to conform with all agency requirements (INS, DOL/OSHA, SSA, USDA) to provide housing. His loan was denied at the state level simply because he is a corporation and not a family-farm. His corporation is comprised of two families operating under Lewis-Taylor Farms. This could have been explained before he spent thousands of dollars. Why can't the two families, who are trying to do the right thing, qualify for a farm labor housing loan?

Response: Our regulation requires that at least 90 percent of the stock or interest be owned and controlled by members of the same family in order to qualify as a family farm corporation or partnership. At the request of the Georgia State Director, we have granted an exception to this provision in our regulation so that the applicant, Bill Brim of Lewis Taylor Farms, can qualify as a family farm.

FOOD QUALITY PROTECTION ACT

Mr. Kingston: Food Quality Protection Act -- USDA's involvement in EPA's implementation of the FQPA is of deep concern to many of my farm constituents. Many of them are concerned that EPA is more interested in fulfilling an agenda of environmental extremists instead of ensuring the competitiveness of US farmers. My farmers believe EPA later this year will move to cancel many effective pesticides which they've long considered safe when used properly. They believe EPA will exaggerate the risks to justify canceling pesticides. The loss of some of these pesticides would raise the cost of production to many farmers, and make worse the current squeeze on farm income. Mr. Secretary, have you discussed lately with EPA Administrator Browner the need for science-based decision making with FQPA?

Response: Although I have not spoken directly with Administrator Browner lately, Deputy Secretary Rominger has routinely communicated with EPA Deputy Administrator McCabe on FQPA implementation issues. In addition, USDA's Office of Pest Management Policy (OPMP) maintains almost daily contact with the EPA Office of Pesticide Programs on all matters relating to FQPA implementation. USDA takes its role very seriously. Our role is very broadly defined and includes: 1) supplying the best possible data for EPA to use in the risk assessment process; 2) reviewing those risk assessments for completeness and technical accuracy; 3) involving growers and land-grants in the process; and 4) developing risk mitigation approaches that can reduce the risk to acceptable levels and maintain critical uses.

Mr. Kingston: And can you assure us that USDA takes its role seriously enough to challenge EPA if they propose to make decisions about the fate of pesticide uses without complete and reliable information in hand?

Response: OPMP is also developing "crop profiles" to identify basic agronomic and pest management baseline information and working with growers and crop production experts to develop strategic pest management plans that lay out the priorities for research and registration of improved pest management tools. We believe this planning process will put the Department and the growers in a more proactive position that will allow US agriculture to maintain and improve cost-effective and environmentally safe pest management programs. The President's budget request for FY 2001 again seeks additional funding for OPMP to carry on this important work.

FOOD QUALITY PROTECTION ACT

Mr. Kingston: If the Food Quality Protection Act results in the arbitrary loss of some pesticide uses, how would you explain to U.S. farmers that they will not be put at a competitive disadvantage to foreign competitors who may continue to have access to crop protection tools which have been canceled

here?

Response: I do not believe there will any arbitrary decisions to cancel pesticides. Any decision to cancel a product must be based on sound science and quality risk assessment. The process that we have established with EPA will ensure broad stakeholder input and consider the implications of regulatory actions on all aspects of agriculture including competitiveness. If we identify significant impacts, the Department will work with EPA to mitigate those impacts. Historically, EPA has made use of emergency exemptions as a way of avoiding significant agricultural impacts that result from any number of unforeseen events, including the appearance of a new pest, the development of pest resistance, and the loss of currently registered products due to regulatory action.

Mr. Kingston: What is the Department doing to ensure that if pesticide uses are lost that U.S. farmers have access to equally effective substitutes, and that production of some crops -- such as some fruits and vegetables -- doesn't shift to other countries?

Response: We do recognize that the sudden loss of a pest management chemical can have severe consequences and are committed to working with EPA to assure growers that a reasonable transition is allowed. One of the main reasons for the strategic plans mentioned earlier is to document the pest management status, needs, priorities, and vulnerabilities of agricultural producers. Given the health importance of a diet rich in a variety of fresh fruits and vegetables, we are especially sensitive to factors that may have an impact on their cost and availability.

FOOD QUALITY PROTECTION ACT

Mr. Kingston: As EPA works to implement the FQPA, many questions are arising concerning the prospects of retaining important minor crop uses and public health uses, like mosquito control. What effort is USDA making with EPA and the Department of Health and Human Services to protect and preserve these important pesticide uses?

Response: Because of limited pesticide market potential, minor crop and public health uses are the most vulnerable. The Department's Inter-regional Project Number 4 (IR-4) program continues to focus efforts on gathering data to support the registration of new generation pesticides for minor crops. That program has been remarkably successful and we have identified budget increases as a priority need for FQPA implementation. In addition the Pest Management Alternatives Program (PMAP) is now in its 4 th year. That program has focused on short-term research projects to develop alternative pest management options for vulnerable crops. Historically, funded projects have been minor crops and minor uses. The 2000 budget includes funding for a new program known as Crops-at-Risk. This program will focus on intermediate-term pest management research for especially vulnerable crops. The budget contains another new program known as the Risk Avoidance and Mitigation Program. This program focuses on long-term pest management research for major crops including those that most frequently consumed by children.

Public health pesticide uses are also particularly vulnerable because they are typically produced and used in relatively small quantities. In most cases the small market does not provide an adequate economic base to support the cost of developing and registering alternative products. When public health pesticide uses are under review, USDA has worked to involve the appropriate organizations in the risk assessment review and risk mitigation discussions.

FOOD QUALITY PROTECTION ACT

Mr. Kingston: Would you please explain how the Pesticide Data Program (PDP) works?

Response: The PDP was begun in 1991 and collects food samples at terminal markets or distribution centers. These facilities are the points nearest to the retail outlets. They are chosen because they are as close as possible to the consumer yet the packer or country of origin can still be identified. Samples are sent to labs for pesticide residue analysis using analytical

chemistry methods that are far more sensitive than methods used for tolerance enforcement. The data are summarized and reported each year. The original focus of the program was on fresh fruits and vegetables but has evolved to include milk, grains, and processed foods. In FY 2000, we plan to sample poultry. The commodities sampled and pesticides analyzed vary over the years depending on needs and priorities identified by EPA and other USDA agencies.

Mr. Kingston: What is its purpose and its objective?

Response: The purpose of the program is to gather accurate data on the levels of pesticides in foods. The data permit the most accurate calculation of potential consumer exposure to pesticide residues. The objectives are to assure consumers of the quality of the food supply and to provide EPA with the best possible data for dietary risk assessment.

Mr. Kingston: How does it benefit American agriculture?

Response: American agriculture benefits from the program by having a statistically sound and very sensitive data base on pesticide residues. The data are used to assure consumers and foreign customers of the quality of the food supply. The data demonstrate that American farmers are doing a good job using pest management tools and misuse or tolerance violations are very rare.

FOOD QUALITY PROTECTION ACT

Mr. Kingston: What role does data from the PDP play in the Environmental Protection Agency's Pesticide reregistration tolerance reassessment, and risk assessment programs?

Response: As stated above, EPA now uses PDP data as the preferred data in dietary risk assessment. When PDP data are lacking for a particular commodity or pesticide, EPA must use another data base that over-estimates residues. Early in the implementation of FQPA, EPA used other estimates of dietary exposure and calculated risk that were many hundreds of times greater than they are today using accurate PDP data.

Mr. Kingston: How does the development and utilization of real data impact on EPA's risk assessments?

Response: As a result of PDP data, we believe that exposure assessments are credible and realistic. Although EPA's review is far from complete, only a few pesticides are presenting dietary risk concerns.

QUESTIONS SUBMITTED BY MR. NETHERCUTT

FOREIGN MARKET DEVELOPMENT

Mr. Nethercutt: Would you support an increase in the authorization for the Market Access Program (MAP) and the Foreign Market Development (FMD) or "Cooperator" Program?

Response: I would support those actions that help promote and expand U.S. agricultural export levels. Such actions would have to be consistent with the President's overall budgetary objectives of course.

POSTED COUNTY PRICE

Discrepancies in differentials between Posted County Prices (PCPs) have caused distress to many of the producers and grain companies in the Pacific Northwest. These unrealistic county differentials have disrupted the movement of grain. (Example: Transporting grain less than a mile down the highway from Whitman County into Garfield County allows a $.05 increase in the loan price.)

As you are probably aware, these unfair differentials caused producers to circumvent the process by using the "Reconcentration Authorization" to offset the losses caused by these unfair differentials. FSA issued LP-1720, then LP-1721 on February 4, that canceled this authorization. There is one small farmer cooperative in my district (Odessa) that claims to have lost over $130,000 last year due to unfair county differentials and fears that it may not survive another year like last year ($.12 differential between Adams and Lincoln counties' PCPs). Is USDA going to modify the loan differentials between counties to correct this serious problem before the 2000 crop is harvested?

Response: We are reviewing both the county loan rates and the posted county prices for the 2000 crop year to determine if adjustments can be made to alleviate the situation. The Department has proposed the use of a uniform LDP rate; however the notice and request for comments has not been cleared by the Office of Management and Budget for publication in the Federal Register.

QUESTIONS SUBMITTED BY MR. BONILLA

EPA's PLANT PESTICIDE RULE

Mr. Bonilla: The Environmental Protection Agency plans to release its Final Plant Pesticide Rule sometime this spring. How has USDA been working with EPA on this rule?

Response: USDA submitted comments on EPA's Proposed Rule on February 23, 1995. A USDA scientist participated in discussions with the EPA drafting group during the first year and a half of the drafting process for the Final Rule. Since that time, USDA and EPA officials have met on a number of occasions to discuss how EPA plans to address the concerns raised in comments provided to EPA during the comment period for the Proposed Rule. EPA has consulted with USDA on the content of the Final Rule and this process is continuing.

In all of our work with EPA on the Final Rule, USDA officials have voiced strong support for science and risk-based oversight of agricultural biotechnology. USDA supports the overall approach adopted by EPA and believes that it is necessary that EPA's rulemaking process be completed for the public to continue to have confidence that oversight of biotechnology products in the United States is adequate and appropriate. We believe that it is critical that the Final Rule set up a series of clear, broad categories of exemptions that will eliminate or greatly ease existing regulatory oversight where risks to human health or the environment are not posed, and set up appropriate processes to facilitate exemptions for additional classes of plant pesticides for which such action is appropriate.

Mr. Bonilla: All biotechnology Bt conditional crop registrations approved by the EPA are due to expire on April 1, 2001. Are you working with EPA to ensure that our farmers will continue to have access to these vital tools? Please detail any efforts in this area.

Response: USDA and EPA scientists and officials interact on a daily basis to discuss relevant information on the use of Bt crops in agriculture. USDA has been actively engaged in the development, coordination, and analysis of research data relevant to two key issues: appropriate agricultural practices to detect and manage Bt-resistant insect populations. USDA has funded and continues to fund research and sponsor workshops at which research results and strategies are discussed. USDA officials have stressed the need for measures that are understandable and can be implemented by farmers. USDA is now making additional research money available under the new Initiative for Future Agriculture and Food Systems to further these efforts. We will work closely with EPA and with farmers to ensure that regulatory decisions and time-lines are science-based and reasonable.

Mr. Bonilla: The United States and the European Union are working together to address the need for approval of biotechnology crops through the Transatlantic Economic Partnership process in which USDA participates. Can you detail the status of the project and whether we will see some product approvals in the European Union anytime soon?

Response: The original intention with the Transatlantic Economic Partnership Biotechnology Pilot Project was to encourage simultaneous applications for scientific assessments in the U.S. and with member States of the European Union (EU). The project is now designed to provide a forum for discussion between the scientists who conduct the safety reviews that precede the decisions that allow the new varieties to go into the agricultural production systems.

On February 10, 2000, representatives of the EU Member States met in Brussels with DG-Environment of the European Commission to discuss their progress on the Biotechnology Pilot Project. We are waiting for their suggestions on how to proceed.

HACCP INSPECTION MODELS

Mr. Bonilla: Please detail the time line for any new staffing configurations due to the implementation of the HACCP models program.

Response: The Food Safety and Inspection Service (FSIS) has developed a time line for implementing changes as a result of the HACCP-based Inspection Models Project (HIMP). I have asked FSIS to provide information on the time line for the project.

[The information follows:]

In the models phase of the HIMP the staffing of each plant is reduced to the complement needed for HIMP inspection procedures. In inspection activities the 30 plants scheduled to participate in the models phase of the HACCP-based Inspection Models Project are operating under new staffing configurations. Data are being collected about inspection workload to validate the staffing configurations in use in the models plants, and to determine further staffing configuration proposals. If the new inspection procedures are proven to be effective, based on data collected by a third party, the Agency plans to publish a proposed rule this summer that would propose extending HIMP procedures to all young chicken slaughter plants under Federal inspection. Consultations and negotiations with the National Joint Council (NJC), representing inspectors, would be necessary to discuss the impact on inspector working conditions, including changes in staffing configurations. FSIS will not make any permanent changes until the new system is demonstrated to be effective, the rule has been presented to the public for comment, and is reviewed prior to any final decision.

NEW INITIATIVES

Mr. Bonilla: What is the dollar total of new initiatives in the USDA budget for FY 2001 not including the farm safety net proposal? If you could please provide a brief summary today and then follow up with a summary and dollar figure for each project.

Response: I will provide for the record a list of our major initiatives that are included in the 2001 budget.

[The information follows:]

Major Initiatives

Food Stamp Enhancement

The budget proposes legislation to restore benefits to certain legal immigrants and to help the many working poor families for whom owning a vehicle is the one item that makes them ineligible for food stamps. These proposals include:

- Restoring eligibility to legal immigrants who resided in the U.S. on August 22, 1996 and who subsequently turn age 65. Benefits would be restored to 10,000 immigrants by 2005.
- Restoring eligibility to legal immigrants who resided in the U.S. on August 22, 1996 and who reside with eligible children effective on April 1, 2001. Benefits would be restored to 85,000 adults in the first year and 155,000 adults by 2005.

- Offering States the option of conforming their rules on resource value of vehicles with a more generous Temporary Assistance to Needy Families Program (TANF), effective September 1, 2001. This proposal, when fully implemented, would make it easier for 245,000 individuals in working families to own vehicles and receive food stamps. The proposal also provides States with the option to conform food stamp and Medicaid income definitions.

Food Safety Initiative

For 2001, eight USDA agencies are requesting a total of $164 million, an increase of $29 million over the 2000 level, to support the President's Food Safety Initiative. Research and data collection on food safety hazards continues to be a high priority activity for USDA. Of the requested increase, $17.9 million would support food safety research aimed at developing the most effective means to detect and identify pathogens, minimize their presence in the food supply, and respond to outbreaks of foodborne illness. Microbial data would be collected to establish the level of microbial contamination on fruits and vegetables. An increase of $3.7 million would be used to conduct quantitative risk assessments needed to support implementation of Hazard Analysis and Critical Control Points (HACCP) programs and to understand the potential for food safety hazards to contaminate the food supply at each step in the farm to table continuum. In order to continue USDA's success in reducing microbial contamination of meat, poultry, and eggs, the budget includes an increase of $5.8 million to enhance Federal-State partnerships and implement the Shell Egg Action Plan.

Biobased Products/bioenergy Initiative

Increased investments in the development of biobased products and bioenergy will help to strengthen farm income, create new jobs in rural communities, broaden opportunities for rural businesses, enhance U.S. energy security by providing alternatives to foreign oil sources, and reduce air pollution and greenhouse gas emissions. The President has asked Federal agencies to report on activities to further the development and use of biobased products, with a goal to triple the U.S. use of biobased products and bioenergy by 2010. The budget proposes a total of $268 million, an increase of about $96 million (56 percent) above the 2000 level, to support research and development, demonstration and commercialization, and outreach and education activities. The increase is proposed to expand the research efforts of the Agricultural Research Service (ARS), the Cooperative State Research, Education, and Extension Service (CSREES) and the Forest Service (FS) to develop methods to transform biomass into energy and exchange technology transfer activities. Research will also be conducted to develop new biobased materials, such as lubricants, adhesives, and building materials; new crops for value-added products; increase knowledge of fundamental biomaterials science; and improve conversion of agricultural materials into biofuels. In addition to research programs, increased funds will be used to initiate new programs for providing technical and financial assistance for producers of bioenergy or biobased products, including development of pilot crop insurance policies for growers of crops to be used for biobased products or bioenergy; business and industry loans for cooperatives processing or marketing biobased products; and grants for bioenergy community projects. In addition, $3.6 million will be provided from EQIP funding to expand AgSTAR, which is a program that focuses on working with farmers on technologies that capture the methane released from manure management systems. The Commodity Credit Corporation (CCC) will provide up to $100 million in 2000, and up to $150 million in 2001, in bioenergy incentive payments to encourage increased production of fuel grade ethanol and biodiesel from grain.

Lands Legacy Initiative

As the Nation's population and prosperity grows, there are new challenges to preserve the natural heritage and green spaces that Americans have come to treasure. The 2001 budget proposes a governmentwide $1.4 billion dedicated Lands Legacy Initiative to protect great places and to provide the tools for States, localities and tribes to plan for smart growth and open space preservation. Of the $1.4 billion, $236 million is proposed for USDA through the FS. In addition, the Farmland Protection Program (FPP), administered by NRCS, remains part of the Lands Legacy Initiative, but is outside of the dedicated Lands Legacy funding and is part of the Farm Safety Net proposal.

FS land acquisitions will continue to add lands valuable for recreation, wildlife habitat, and watershed protection to the National Forests. The Forest Legacy Program provides funds for the acquisition of easements on private lands to protect critical environmental habitat threatened with development. The Urban and Community Forestry Program provides grants to States and localities to establish, maintain, or expand urban and community forests and related green spaces that serve to support viable communities and neighborhoods. The new Smart Growth Partnership Program provides subsidized loans from a revolving loan program to States and municipalities for smart growth land acquisition and management. This will help communities to protect open spaces, limit sprawl, enhance air and water quality, reduce greenhouse emissions and increase greenspace. The FPP shares with State, local, tribal governments the costs of acquiring easements to limit conversion of agricultural lands to non-agricultural lands.

Invasive Species

A total of $561 million, an increase of $136 million or 32 percent, is proposed for the Department's efforts to exclude, detect and eradicate incipient populations and manage established species. The 2001 Invasive Species Initiative continues to strengthen the Department's on-going programs which have been addressing problems caused by invasive plant and pest species. Increases are provided for the Animal and Plant Health Inspection Service (APHIS), the front line of defense for preventing the introduction of exotic plant pests and animal diseases, for detecting and mitigating introductions at ports of entry, and providing control of new introductions. Funding will support a new early warning system that will assist in the early detection and rapid eradication of newly introduced invasive species. Increases totaling $6.6 million are also proposed to support research efforts at ARS labs, universities and with other cooperators, including research to support identification of weeds and insects, integrated weed management systems, and biocontrol for weeds and insects. Included in the funding for research efforts is $1.5 million for a CSREES competitive grants program for research, education and extension activities in collaboration with representative individuals, groups, and agencies at the local level to address invasive species on an ecoregional basis. An increase of $4 million will provide additional resources for the FS to expand control, restoration and monitoring for invasive species within the National Forests.

Food Quality Protection Act

The enactment of the Food Quality Protection Act (FQPA) in 1996 established stricter safety standards for pesticide registration, particularly for pesticides used on foods consumed by infants and children. While the Environmental Protection Agency (EPA) has primary responsibility for pesticide registration, USDA has significant responsibilities to develop alternative pest controls, promote widespread adoption of safer pest control practices, and collect and develop residue data and information on pesticide use. On April 8, 1998, the Vice President issued a directive to the Department and EPA to work jointly in implementing FQPA to ensure safer food for consumers and sufficient pest control tools for use by producers. The 2001 budget provides $108 million to fund research, technology transfer, and pesticide data

programs that are needed for USDA and EPA to implement the FQPA requirements. Increases total $25 million or 30 percent above the 2000 level, including $24 million for research and extension projects to develop and test integrated pest management systems, biological controls, and other less chemically-intensive methods to control pests of fruits, vegetables, grain, forage, and fiber crops. Increases are requested for programs which target short-, intermediate- and long-term alternatives for pesticides that are most at risk for being taken off the market due to FQPA, such as organophosphates and carbamates. An increase is also proposed for establishing a program to monitor pesticide residues in drinking water.

Clean Water Action Plan

The budget proposes an increase of $284 million for USDA Clean Water Action Plan activities, for a total funding level of more than $1 billion. The budget proposes an increase of $195 million for NRCS Clean Water Action Plan activities, including $151 million to increase the EQIP to a total program level of $325 million. A total of $10 million is provided for a new competitive Partnership Grants Program to provide coordination for locally-led conservation efforts and direct technical assistance to private landowners to promote: (1) effective nutrient management; (2) water quality and quantity improvements; and (3) natural resource protection of watersheds. An increase of $3 million is provided for environmental monitoring of watersheds to collect data and information needed to assess water quality. An increase of $31 million is also included to provide technical assistance for animal feeding operations. The Clean Water Action Plan also includes funding from several FS programs such as Soil, Water and Air Management, Rangeland Management, Forest Stewardship, Road Maintenance and Construction, and Inventory and Monitoring. The FS programs included in the Clean Water Action Plan will increase $85 million over the 2000 enacted levels. Lastly, ARS is provided an increase of $4 million above the 2000 level to carry out research on hypoxia, harmful algal blooms, and related problems.

Global Change Research Program

The budget proposes $85 million, an increase of $32 million for the U.S. Global Change Research Program (USGCRP), which supports research to understand the human and natural forces that influence the earth's climate and understand the consequences of climatic change. USDA's Global Change Research Program is aimed at understanding the effects of climate change, such as temperature changes, rising carbon dioxide levels and other plant stresses, on agricultural production and forest heath and productivity. Within the total are increased funds ($8 million) for ARS and FS to study the role of agriculture and forests in the carbon balance and examine ways to increase carbon storage in soils and forests. An additional $12.3 million is provided to NRCS to construct soil carbon inventories and develop a soil carbon database. Increases are also provided for studying the economic consequences of climate change, including the economic value of sequestering carbon on agricultural lands. An increase is included for climate change research under the National Research Initiative Competitive Grants Programs and for the UV-B monitoring network. Additional funding is included to continue USDA participation in National Assessment activities, which are designed to synthesize scientific results, improve communication between scientists and the public, and identify gaps in the USGCRP.

Climate Change Technology Initiative

The budget proposes $24 million to support the President's Climate Change Technology Initiative (CCTI) to develop and demonstrate technologies that reduce greenhouse gas emissions from agriculture and forestry and examine strategies to adapting to climate change. Within the total, ARS will provide $4 million to develop technology for predicting and adapting agricultural production to global change effects. The FS will provide $3 million for increased research on forest and rangeland carbon sequestration and the NRCS

will use $3 million to support projects that demonstrate and test various greenhouse gas mitigation strategies and monitoring mechanisms. A total increase of $14 million will support ARS and FS work on converting biomass to energy, which plays a pivotal role in the Bioproducts/Bioenergy Initiative to expand opportunities for rural communities, reduce U.S. dependence on foreign oil sources, and provide a cleaner alternative energy source. Of the $14 million, FS will provide $9.5 million for research on small diameter and short-rotation trees and ARS will devote $4.5 million in program increases focused on biomass conversion technologies.

Initiatives
Program Level
(Dollars in Millions)

Initiatives	2000 Current Estimate	2001 Budget
Food Stamp Program:		
Restore Eligibility to Legal Immigrants	0	$25
Conform Vehicle Policy With TANF Vehicle Policy	0	1
Income Definition Conformity With Medicaid	0	5
Total, Food Stamp Enhancement	0	31
Food Safety Initiative:		
Food Safety and Inspection Service	$21	29
Food and Nutrition Service	2	2
Agricultural Research Service	82	88
Cooperative State Research, Educ., & Extension Service		27
36		
Economic Research Service	1	1
Agricultural Marketing Service	b/	6
Office of the Chief Economist	b/	b/
National Agricultural Statistics Service	3	3
Total, Food Safety Initiative	136	165
Biobased Products/Bioenergy Initiate:		
Agricultural Research Service	46	63
Commodity Credit Corporation	100	150
Cooperative State Research, Educ. & Extension Service		11
19		
Forest Service	9	19
Natural Resources Conservation Service	5	9
Office of the Chief Economist	1	2
Rural Development	0	4
Risk Management Agency	0	1
Department Administration Staff Offices	b/	b/
Office of the Secretary	0	1
Total, Bioproducts/Bioenergy	172	268
Lands Legacy Initiative:		
Forest Service:		
Land Acquisition	156	130
Forest Legacy	30	60
Urban and Community Forestry	31	40
Smart Growth-Budget Authority	0	6
Total, FS	217	236
Natural Resources Conservation Service:		
Farmland Protection Program (CCC-Funded)	b/	65
Total, Lands Legacy Initiative	217	301
Invasive Species:		
Agricultural Research Service	75	78
Animal and Plant Health Inspection Service	307	434

Cooperative State Research, Educ. & Extension Service		12
14		
Economic Research Service	b/	b/
Forest Service	29	33
Natural Resources Conservation Service	2	2
Office of the Chief Economist	b/	b/
Total, Invasive Species	425	561
Food Quality Protection Act (FQPA):		
Agricultural Research Service	23	27
Cooperative State Research, Educ. & Extension Service		36
56		
Economic Research Service	3	3
National Agricultural Statistics Service	7	7
Food Safety and Inspection Service	1	1
Agricultural Marketing Service	13	14
Total, FQPA Activities	83	108
Clean Water Action Plan:		
Agricultural Research Service	1	5
Natural Resources Conservation Service:		
EQIP (mandatory)	174	325
Monitoring		03
Partnership Grants	0	10
Animal Feeding Operations Strategy	56	87
Total, NRCS	230	425
Forest Service	542	627
Total, Clean Water Action Plan	773	1,057
Global Change Research Program (USGCRP):		
Agricultural Research Service	27	36
Cooperative State Research, Educ. & Extension Service		7
14		
Economic Research Service	1	2
Natural Resources Conservation Service	1	13
Forest Service	17	20
Total, USGCRP	53	85
Climate Change Technology Initiative (CCTI):		
Agricultural Research Service	0	8
Natural Resources Conservation Service	0	3
Forest Service	0	13
Total, CCTI	0	24

a/ Rental Payments on CRP acres are made in the subsequent fiscal year.
b/ Less than $500 thousand.

Mr. Bonilla: The acceptance and regulatory approvals of biotechnology crops internationally is important to the success of this vital tool for American producers. In the past, USDA, through APHIS, has used funding and staff time to work with foreign countries to help ensure that fair regulatory approval processes are put in place. In recent years, work in this area has decreased. This comes at a critical time for the use of GMOs. Does your FY 2001 budget proposal include funding and staff for these efforts?

Response: The APHIS FY 2001 budget proposal includes an increase of $1,282,000 and 6 staff years to meet the increasing needs for biotechnology permits/notification, petitions for deregulation (commercialization), and licensing of international activities.

Mr. Bonilla: The FY00 Agriculture Appropriations bill provided authority and funding to cover weather related 1999 crop losses. You were authorized to make advance payments for qualifying claims filed by eligible producers. Can you provide an estimate of the percentage of qualifying losses that can be covered by the funds made available in the appropriations bill?

Response: We will not know how much of the qualifying losses will be covered by the appropriations bill until early April. We do believe, however, that the funding level will not be adequate to provide 100 percent coverage.

Mr. Bonilla: Will the Administration submit a request for supplemental funds if current funding is insufficient to cover 100% of qualifying losses?

Response: We do not plan to submit a supplemental requesting additional crop loss funds.

Mr. Bonilla: When will final payments for 1999 crop loses be made to producers?

Response: Final payments will be made during the first half of April.

Mr. Bonilla: The legislation authorizes you to utilize unspent supplemental AMTA funds, made available for FY99 and FY00, for both cottonseed assistance and thee Pima competitiveness program. Do you intend to set aside some of the unused AMTA funds to operate the Pima competitiveness program in FY00?

Response: We intend to fund the ELS competitiveness payment program at $10 million, to remain available until spent.

Mr. Bonilla: If so, what is the estimated cost of operating the Pima competitiveness program for the remainder of FY00?

Response: Program details, such as the method for determining the payment rate, have not been developed in final form. We do not think the payments will be large this fiscal year, perhaps totaling no more than $5 million to $8 million.

Mr. Bonilla: Since the Pima program is authorized to operate for the remainder of the 1996 farm bill, do you intend to use CCC funds to operate the program in FY01 and beyond?

Response: We are of the opinion that the language in the Consolidated Appropriations Act, Pub.L. 106-113, will not permit us to operate the program through CCC borrowing authority. Rather, the funding appears to be limited to an amount allocated from the unspent supplemental AMTA funds. We do agree, however, that the program is authorized through July 31, 2003, and that the $10 million allocated may remain available until spent or until that date.

BOLL WEEVIL

Mr. Bonilla: Please provide a detailed accounting of the overhead to be charged to the FY 00 Boll Weevil Eradication Program by APHIS.

Response: Agency level support is provided to all APHIS programs including the boll weevil program. Agency level support includes traditional administrative functions such as procurement, personnel, budget, travel management, auditing, and cooperative agreement functions. We also include costs associated with providing automated information technology, economic analysis, regulatory drafting, and public awareness and education. The appropriation structure does not specifically provide for these types of expenses, so they are implicit in each budget request and the ultimate appropriation. These activities allow all programs, including the boll weevil program to operate as efficiently and effectively as possible and use about 8 percent of the funding.

There is also program level support, which provides overall program direction and operational support. These costs include allocating funding according to eradication zones or areas within active States, coordinating technical assistance, monitoring program progress. These activities use about 6 percent of the funding.

Mr. Bonilla: Please provide a detailed accounting of the proposed overhead to be charged to the FY 01 BWEP by APHIS.

Response: The answer would be the same for FY '00.

Mr. Bonilla: Please provide a detailed accounting of the proposed use of FY 2001 funds as proposed in the USDA budget.

Response: We are in the final stages of transferring full operational responsibility to the growers in eradicated and non-infested areas. In FY 2001, we will maintain oversight and technical support responsibilities in these areas, but we will discontinue cost-sharing program activities where the boll weevil no longer exists. In addition, APHIS will provide an equitable, but less than customary cost-share percentage, to all active eradication zones. The boll weevil eradication foundation in these areas will be encouraged to make optimal use of up to $100 million in loans available from the Farm Service Agency. In addition, we will contribute toward program expansion into new areas, if funds are available after addressing the financial needs of all active eradication zones. We expect to remain on pace to eradicate boll weevil from all cotton growing areas of the U.S. and northern Mexico by the year 2003, in cooperation with States, the cotton industry, and Mexico. Also, the program's continued oversight in eradicated and non-infested areas would demonstrate APHIS' ability to effectively managing plant pests which threaten agriculture, natural resources, or public health. Following is a State-by-State breakout of our proposed FY 2001 program:

Funding	($000)
Arkansas	322
Louisiana	396
Mississippi	456
Missouri	6
New Mexico	60
Oklahoma	66
Tennessee	230
Texas	1,293
Mexico	27
TOTAL	$2,856

Mr. Bonilla: Please provide an estimate of the acres under treatment in FY99, projections for FY00 and FY01.

Response: In FY 1999, 6.6 million acres were involved in active eradication. In FY 2000, 7.2 million acres are involved, with an additional 4.7 million acres having moved into the weevil-free, post-eradication phase of the program. In FY 2001, we expect to add an additional 1.95 million acres to the active program, for a total of 9.145 million acres, or 61 percent of U.S. cotton production. When combined with what has been completed, this means that in FY 2001, 13.8 million acres or 92 percent of the nation's cotton will be weevil-free or in the process of eradication.

Mr. Bonilla: Please provide an analysis of the financial and environmental losses which result from interruptions in the operation of the BWEP.

Response: In FY 1997, the Texas program experienced such an interruption when the constitutionality of the Texas boll weevil law was challenged. As a result of the litigation and legislative remedy, field operations in the three active zones were discontinued for a 6-week period in mid-season. Two of these zones had just begun the previous season with a series of fall treatments. As a consequence of not being able to apply effective follow-up treatments during the interruption, the previous season's activities had to be repeated when the program resumed in late 1997. The program essentially lost a year and doubled the cost of the first year's activity. This 6-week interruption cost the program about $32 million in additional operating expense. The program is largely funded through grower assessments, with the collection amount and timeframes specified in grower referenda. Any program delays or any significant increase in program cost puts the program in a position where the objective cannot be accomplished within the timeframes or budgets which were projected in the referenda. This forces a second referenda before the program is complete--one which asks growers to pay more than what was initially projected. Such a proposal is not popular among growers, making the prospect of a failed referendum very real. If this second referendum fails, the program will have to stop and the area will revert to a condition of general infestation and continual grower applications. In summary, any delay in program operation is likely to have very negative consequences.

Mr. Bonilla: The FY00 Agriculture Appropriations bill included $1,548,000 for APHIS to assist in the operation of the pink bollworm program in California and Arizona and for an expansion on the program to West Texas to begin an eradication effort. Producers contribute a majority of the cost through a self-assessment program. APHIS provides some supervisory services and operates the sterile-moth facility in Phoenix which was purchased by growers. As you may know, this program has been continually complimented for its success in using bio-based measures to control a devastating pest and eliminate the need for applications of millions of gallons of pesticides in the Central Valley of California. What funding level for this program is proposed in your FY 01 budget?

Response: APHIS' FY 01 proposal for pink bollworm is $1,074,000, basically the same as in FY 1999.

Mr. Bonilla: Please advise whether the cuts in the FY 00 funding will jeopardize start-up of the West Texas program.

Response: Due to the rescission that was part of the Consolidated Appropriations Act of FY 2000, APHIS' appropriation for the pink bollworm program totaled $1,316,000 instead of $1,548,000. In FY 2000, APHIS received a $267,000 increase to prepare the Phoenix Rearing Facility for the production of 25-30 million sterile insects per day for eventual aerial release in the San Joaquin Valley. We will complete the development of space now held in reserve for this expected program. Activities will include fabricating and installing pupae emergence racks (moth collection system), constructing aerial drop machines for sterile insect release, and other specialized, time-consuming fabrications in the facility egg layer area. However, there will be insufficient funding for larval cut out racks (where pink bollworm eggs feed on an artificial diet until they hatch into larvae), pupal maturation racks (where the larvae spin into cocoons and begin maturing into moths), and upgrades to the existing electrical utilities and will delay the bollworm eradication program in New Mexico, Texas, and Mexico.

EDUCATION

Mr. Bonilla: The U.S. Department of Agriculture has a wealth of information that could be packaged into instructional component and made available to educators and students in our nation's schools. Do you have any plans to make USDA information more useful and readily available to educators and students in our nation's schools?

Response: USDA agencies have made significant progress in posting information of potential interest to students and educators on our web site. The USDA home page has an icon USDA for Kids that links to approximately 25 web sites and reflects many of our agencies' efforts to provide such information. Also, we recently introduced an ARS web site in Spanish Ciencia Para Ninos.

On this same issue, a no cost extension was provided on a grant to The Council for Agricultural Education to evaluate the penetration of three specific USDA informational products into the secondary school system. USDA is awaiting the final report on this activity.

EDUCATION

Mr. Bonilla: Would the U.S. Department of Agriculture encourage and support a coordinated and structured partnership for increasing agricultural awareness/literacy among all school students and educators?

Response: USDA already is supporting a coordinated approach to agricultural literacy through the Agriculture in the Classroom program. USDA is providing national leadership to this program and inviting the States to join with us to enhance the knowledge base of educators, integrate the topic of agriculture across the curriculum, and increase the effectiveness of classroom teaching. It is helping students in grades K-12 acquire knowledge needed to become agriculturally literate and is encouraging and assisting educators to teach more about the food and fiber system and its role in our economy and society. Agriculture in the Classroom is a subject matter resource to over 150,000 teachers reaching approximately 5 million students nationwide. USDA also is working with the National FFA and 4-H programs across the Nation in promoting youth leadership development and agriculture awareness programs.

EDUCATION

Mr. Bonilla: Are you aware of any current efforts or proposals that focus on increasing agricultural awareness among students and teachers in our nation's schools?

Response: The USDA Ag In The Classroom efforts are our primary mechanism for enhancing agricultural awareness and literacy. For the past several years the Food, Land, and People project has proposed an initiative to advance ag literacy among teachers and students. We have been pleased to provide modest

support for this project. In the past month, The Council for Agricultural Education has shared some ideas, in the early developmental stage, that they are exploring for a similar purpose.

FY 2000 RESCISSION

Mr. Bonilla: How did the Department determine priorities for the FY 2000 0.38% across-the-board rescission called for in the Consolidated Appropriations Bill?

Response: In total, the Department's share of the government-wide cut was about $96 million, to be taken from discretionary and emergency appropriations. In allocating the reduction, we avoided taking an "across-the-board" approach but instead targeted the reduction within the guidelines of the language in the appropriation act, which provided that no single program could be cut by more than 15 percent. The cuts were taken from lower priority programs, administrative funding and areas where other sources of funding such as carryover funds and the Fund for Rural America were available. We also avoided taking reductions that would cut projects below the funding level provided in FY 1999.

QUESTIONS SUBMITTED BY MR. LATHAM

Mr. Latham: The Administration's farm proposal imposes a combined payment limitation on $30,000 of AMTA and the new Supplemental Income Assistance Program. What kind of economic analysis or economic model did the Department use to arrive at this figure or is it arbitrary?

Response: The proposed Supplemental Income Assistance Program (SIAP) includes a combined payment limit of $30,000 for both SIAP and Agricultural Marketing Transition Act (AMTA) payments. This combined payment limitation, however, does not affect the existing $40,000 payment limitation for AMTA payments. For example, a producer who received more than $30,000 in AMTA payments would not be eligible for SIAP payments, but a producer eligible for $10,000 in AMTA payments would be eligible for up to $20,000 in SIAP payments. As I have indicated, the purpose of SIAP is to target smaller producers who have lower farm income. For that reason, SIAP payments will supplement farm incomes of those producers who already receive less than $30,000 in AMTA payments. Our preliminary analysis indicates that only 2 percent of all producers will be ineligible for some level of SIAP assistance, but the actual level of each producer's SIAP support will depend on his current AMTA payments. The $30,000 payment limit was selected based on preliminary analysis of AMTA payments for 1998. At the $30,000 level, SIAP support would be available to 98 percent of all producers currently receiving AMTA payments. By reducing the amount of payments that go to the very largest producer, supplemental assistance to small- and medium-sized family farms would increase by more than 20 percent. SIAP payments will also offset reductions in AMTA payments that are required in 2000-2002 under Freedom to Farm.

Mr. Latham: Is there Department evidence that suggests the 30,000 U.S. farm families who would break this cap do not face the same hardship caused by these record low prices?

Response: As you are aware, large producers suffer financial hardships as a result of low prices just as do small producers. We have no reason to suggest otherwise; however, the purpose of the Supplemental Income Assistance Program is to target smaller producers. In general, we believe that larger producers are more financially resilient than smaller producers because they have more risk management alternatives that can better offset production and price risks, greater asset values, and greater flexibility in production and marketing practices because of economies of scale.

Mr. Latham: May we see the data used to arrive at this number?

Response: The preliminary count of 30,000 you mention does not necessarily identify family farms, or for that matter individual producers. Actually that number reflects identifiable producer entities which received Agricultural Marketing Transition Act (AMTA) payments greater than $30,000 in 1998. The 30,000 count figure is based upon a frequency distribution of producer payments.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY
PRODUCER PAYMENTS REPORTING SYSTEM

CURRENT DATE 8/24/99
AS OF 6/30/99

AMTA FREQUENCY DISTRIBUTION OF PRODUCER PAYMENTS
FOR PROGRAM YEAR 1998 - NATIONAL

PAYMENT RANGE	NET COUNT	GROSS COUNT						
		WHEAT	CORN	SORGUM	BARLEY	OATS	U-COTTON	RICE
$0 < $10,000	1,135,791	699,662	803,174	280,908	160,307	334,357	100,399	19,484
$10,000 < $15,000	58,155	44,202	44,723	18,581	15,372	30,231	6,914	1,979
$15,000 < $17,500	18,536	14,665	13,958	6,556	5,243	9,434	2,676	833
$17,500 < $20,000	14,589	11,728	10,670	5,465	4,350	7,227	2,417	823
$20,000 < $22,500	11,707	9,520	8,475	4,426	3,637	5,772	2,043	785
$22,500 < $25,000	9,627	7,907	6,912	3,927	3,053	4,682	1,816	723
$25,000 < $30,000	13,932	11,583	9,901	5,911	4,371	6,618	2,924	1,408
$30,000 < $35,000	9,373	7,949	6,513	4,371	2,916	4,203	2,291	1,334
$35,000 <= $40,000	7,815	6,403	5,059	3,889	2,158	3,150	2,071	1,961
$40,000 / OVER	13,853	11,695	8,588	7,423	4,014	4,983	5,099	4,286
SUBTOTAL	1,293,378	825,274	917,973	341,457	205,421	410,657	128,650	33,616
**0.00/UNDER	2,322							
NET TOTAL	1,295,700							

FARM SAFETY NET PROPOSAL

Mr. Latham: Is this proposal tied to production and, if it is, what does a farmer that has a crop disaster do to benefit from your countercyclical proposal? Who gains?

Response: A farmer suffering from a crop disaster would benefit from the President's Farm Safety Net proposal in two ways. First, the Federal crop insurance reforms included in the Farm Safety Net proposal would make crop insurance more affordable and extend coverage to additional crops and livestock. These reforms would enable a producer to purchase at lower premium costs a crop insurance policy that provides higher levels of coverage, thereby providing more benefits to producers affected by crop disaster. Second, producers affected by crop disaster would be eligible for supplemental income assistance payments, since those payments would be paid on a producer's actual plantings multiplied by the 5-year average county yield. That way the producer whose crop was damaged or lost due to natural disaster could still benefit from any supplemental income assistance payments made available for the crop.

BIOSAFETY ANIMAL HEALTH FACILITIES

Mr. Latham: The budget includes $9 million to start a process to modernize the APHIS and ARS animal health facilities in Ames, Iowa to meet the national needs for research, diagnosis and product testing for animal health. Is the Department and the Administration fully committed to this long-term project?

Response: ARS and APHIS have developed a Preliminary Master Plan that represents a cooperative agreement between both agencies to modernize facilities in Ames, Iowa. The Plan requires funding support from FY 2001 through FY 2010, estimated at $379 million. The Plan calls for ARS and APHIS to jointly construct a facility to replace the aging facilities in Ames, Iowa. The new facility is critical to supporting the international competitiveness of the U.S. livestock industry. The Department, ARS and APHIS are committed to the well-being of the livestock industry through the state-of-the-art facilities and programs for research, diagnostics, and product testing.

BIOTECHNOLOGY

Mr. Latham: As part of last year's Senate hearing record for the FY 2000 bill, the Department stated that a static budget for the National Plant Germplasm System (NPGS) would have severe programmatic ramifications. Recognizing this, it is my understanding that your 2001 budget request to OMB for the NPGS included an increase of $19.4 million. Is that correct?

Response: It is correct that the USDA FY 2001 budget request to OMB for the NPGS was $19.4 million.

Mr. Latham: If so, please explain why the budget provides ARS a significantly reduced increase for this critical research yet suggests boosting unrelated research by almost $24 million (climate change, etc.)

Response Competing priorities for existing USDA research, and the need to undertake new USDA budget initiatives to address agricultural problems of national importance required difficult decisions within a constrained budget environment. The total budget available for USDA research was insufficient to fully fund all of the proposed increases. Funds were allocated to cover some, but not all, of the pressing needs for increased funding in such areas as plant genetic resource management in the National Plant Germplasm System.

LOAN DEFICIENCY PAYMENTS

Mr. Latham: This year there were thousands of requests for Loan Deficiency Payments (LDP's). How is the FSA standing up to the pressures of harvest, the large amount of paperwork and why do our offices continue to receive complaints from FSA employees that the President's budget is inadequate?

Response: Actually, there have been millions of LDP payment requests this year. Because FSA anticipated the large volume of activity associated with LDP's, the decision was made to maintain a very high level of temporary employees during the first 6 months of the fiscal year within available funding. These temporary employees have allowed the Agency to remain current in most workload and late-payment interest being paid to producers has dropped considerably from FY 1999. Many states will soon be required to significantly reduce temporary employees and payment and other delays will gradually increase.

FSA county office employees are under a great deal of pressure to deliver over 20 new programs in FY 2000, in addition to regular ongoing activities. It is difficult from their perspective to "see a light at the end of the tunnel". Although FSA is hopeful that workload associated with crop and market loss assistance will decrease in FY 2001, field level employees are concerned about the proposed temporary staffing reductions for FY 2001 because they know that these temporaries have allowed them to keep up so far this year.

POSTED COUNTY PRICE

Mr. Latham: Once again, I have received a large number of complaints about the Posted County Price and the wide discrepancies witnessed among counties. In fact, in Iowa we had producers going out of their way to get the best County Price. There was some indication last year there would be adjustments. What should we expect to see this year?

Response: Last year, the Department moved forward with a recommendation to implement a uniform LDP rate. Our recommendation is awaiting OMB clearance. For the 2000 crop year, the county loan rates will be reviewed to determine what, if any changes should be made.

PREMIUM DISCOUNT FOR CROP INSURANCE

#7. Mr. Latham: The President proposes to extend the crop insurance premium discount for 1 year - - not even through the expiration of the 1996 Farm Bill. How does a 1-year extension of the crop insurance premium discount permanently enhance the farm safety net?

Response: The one additional year containing the premium discount is an interim measure to bring farmers forward to the point when long-term legislation can be adopted and put into effect.

#7a. Mr. Latham: Are you aware that the House-passed crop insurance reform already extends and increases the premium discount permanently?

Response: Yes, we are fully aware of the changes in the House passed bill. The Senate Agriculture Committee has also approved a bill that would incorporate increased levels of subsidy depending upon farmer levels of crop insurance purchased. We look forward to working with both the House and Senate to adopt the longer term legislative proposals.

ADMINISTRATION'S PROPOSAL TO EXPAND CRP ACRES

Mr. Latham: The Administration proposes to expand the CRP by 3.6 million acres when more acres than that nearly 5 million acres now authorized remain unenrolled. While I support expanding the CRP program, why do you continue to leave such vast authority unused at any one time?

Response: We agree that CRP is an important tool in addressing some of the most serious environmental problems associated with agricultural production. It allows farmers to voluntarily protect environmentally sensitive land while receiving fair compensation. Our position is to fully utilize our acreage authority to enroll agricultural lands that will yield the greatest environmental benefits. If acreage authority is expanded we will fully utilize the authority and enroll land that will best protect and enhance our natural resources in a cost-effective manner.

To date, USDA has not accepted the maximum number of acres allowed under the 36.4-million-acre cap for two reasons:

First, experience from past sign-ups indicates that we will be better able to maximize the long-term benefits of the Conservation Reserve Program by accepting only the most environmentally beneficial acreage in each signup, rather than accepting much lower rated acreage solely for the purpose of meeting the legislated enrollment cap and then being unable to accept more highly environmental desirable land in future sign-ups.

Second, we believe that it is important to maintain room under the cap for high priority practices (e.g., filter strips, riparian buffers, and grass waterways) enrolled under the continuous signup program and Conservation Reserve Enhancement Program (CREP). Less than one million acres has been reserved under CREP which is a Federal-State partnership that targets financial and technical assistance to resource concerns of National and State significance.

EXPANDING CRP ACRES

Mr. Latham: Does the benefit from leaving these acres unenrolled outweigh the harm it is causing?

Response: Program experience has shown that maintaining high environmental standards for enrollment in CRP substantially improves its cost-effectiveness. Environmental benefits could be compromised and substantially lower environmental gains could be obtained by fully using CRP enrollment authority. However, under current law, doing so would prohibit enrollment of land for contracts soon to expire and forgo enrollment of highly desirable environmental land which program experience shows is expected to be offered in the future.

BIOBASED PRODUCTS/BIOENERGY

Mr. Latham: The Administration says it will exercise its discretion and allocate up to $100 million in 2000 and $150 million in 2001 and 2002 in bioenergy incentive payments to expand production of bioenergy fuels. Consistent with the Administration's goal of supporting bioenergy, will the President insist that California comply with the oxygenated fuels requirement of the Clean Air Act?

Response: The California Resources Board (CARB) has petitioned EPA to waive the oxygenate requirement for Federal reformulated gasoline (RFG) in California. For EPA to legally grant such a wavier, CARB must make the analytical case that there are air quality disbenefits from requiring California to use oxygenates in Federal RFG. We expect an interagency review and discussion within the Administration before EPA rules on the waver request, sometime in the summer. Whatever the outcome, the Administration proposal will help lower the cost of ethanol and enhance its competitiveness in California.

BIOTECHNOLOGY

Mr. Latham: Has the Department come out with an official opinion on genetically modified organisms?

Response: Biotechnology has enormous potential to do the following: 1)benefit American farmers; 2)assist decision-makers in addressing difficult environmental issues; and 3)combat hunger worldwide and improve nutrition. Biotechnology is one of the many tools that USDA is using in approaching these highly complex problems. In addition, genetically modified organisms (GMOs) can potentially assist U.S. farmers in increasing their crop yield while implementing production practices that are less chemically intensive and more environmentally-sound.

However, the ability to realize the benefits of GMOs depends on increasing the public's confidence in our regulatory system and in resolving some fo the current problems related to the international acceptance of GMOs, particularly among the European countries. We will continue to communicate with the public to address the various scientific, economic, and social issues surrounding the future production and marketing of GMOs.

BIOTECHNOLOGY

Mr. Latham: Does the Administration intend to try and help industry regain control of an issue that has been politicized by activists that want to eliminate all GMOs?

Response: The Department has developed a web site on GMOs to address key questions for the public, and has formed an internal Biotechnology Communications Committee to ensure that the various Federal agencies provide consistent messages on issues related to GMOs as they arise. This Committee is also working with the Food and Drug Administration and the Environmental Protection Agency to improve interagency coordination in public outreach.

A key responsibility of the Department is to defend the integrity of the regulatory process and decision-making. It is vital that we continue to operate in this capacity, and are viewed as being balanced and impartial. To ensure that we can address any scientific issues related to GMOs, I have asked the National Research Council of the National Academy of Sciences to set up a Standing Committee on Biotechnology. The membership on this Committee and its charge will be announced shortly. The first task of the Committee will be to examine the scientific risk assessment process and the basic assumptions underlying it, as used by the USDA's Animal and Plant Health Inspection Service in reviewing GMOs available for agricultural use. The Committee will also consider how to most appropriately monitor biotechnology products that have been approved for commercial use.

In addition, a new Advisory Committee on Agricultural Biotechnology was formed on February 4, 2000 to address various social and economic issues related to GMOs. The committee met for the first time on March 29-30, 2000. We believe that it is essential to provide accurate information related to the economic and environmental impacts associated with GMOs and are increasing our efforts to fill in the gaps in these area.

Finally, USDA is also setting up a reference laboratory through the Grain Inspection, Packers, and Stockyards Administration, to evaluate and validate the various testing claims targeting the safety of GMOs available for export.

QUESTIONS SUBMITTED BY MRS.EMERSON

FOOD EMBARGOES

Mrs. Emerson: Do you think that the Administration's policy of embargoing food and medicine to other nations puts the U.S. at risk of being considered an unreliable supplier?

Response: For sanctions to be effective, they must have broad multilateral support. Our ability to deny food and agricultural commodities to any country on a unilateral basis is sharply limited because many other nations can supply the same commodities.

Mrs. Emerson: In July of 1999, the Administration announced a partial lifting of the food aid embargoes on Iran, Libya, and Sudan. However, the Administration still required licensing on a case-by-case basis. How has this affected food exports to those countries? Is the private sector able to ship commodities to these 3 countries or are the rules too restrictive?

Response: Since the implementation of the sanctions reform policy in July 1999, exporters have reported corn sales to Iran and durum wheat sale to Libya. Approximately 604,000 metric tons of corn have been shipped to Iran. This translates to roughly $60 million of product.

Mrs. Emerson: If we are starting to see exports to those countries (Iran, Libya, and Sudan), that is most certainly a positive step forward, but it begs the question as to how much better we could be doing if all restrictions of food embargoes were lifted in these markets. Can you comment on what portion of these markets remain off-limits to America's farmers and ranchers?

Response: The changes that have been implemented provide for the issuance of licenses -- on a case-by-case basis and with appropriate safeguards -- which permit commercial sales of food, medicine, and medical equipment to approved buyers in Iran, Libya, and Sudan. The commercial sales are limited to entities that are independent of the governments of the sanctioned countries.

Mrs. Emerson: The Congressional Research Service estimates that current food embargoes cost the U.S. about $1.2 billion in economic activity. What do the Department's latest figures show?

Response: FAS analysis of the effects of sanctions showed they may have reduced U.S. farm income by about $500 million and lowered overall U.S. economic activities by an estimated $700 million in calendar year 1998.

Mrs. Emerson: Farmers in my District in southern Missouri continue to be highly concerned about food embargoes that block their access to overseas markets. Is there anything in the Administration's budget request that would address the embargoes issue?

Response: The Administration is committed to the expansion of U.S. agricultural export opportunities, and we will not restrict exports except in the most compelling circumstances. The administration has worked and continues to work to rationalize U.S. sanctions policy. This needs to be done in cooperation with Congress and will involve the enactment of legislation. This really is not a budget question, and USDA's 2001 budget proposals do not have any specific proposals related to sanctions reform.

FSA TEMPORARY EMPLOYEES

Mrs. Emerson: Mr. Secretary, I am hearing some very disturbing reports at home in my Congressional District that the Department of Agriculture is on the verge of laying off thousands of temporary FSA employees. I am advised this could occur within the next two weeks. This at a time when workload is as heavy as it has ever been and when farmers need the program support of county personnel. What is USDA's intent with regard to temporary FSA county employees and will there be a supplemental funding request in the next two weeks to support program delivery at the county offices?

Response: Every effort is being made for FSA offices to provide timely delivery of programs and handle producer requests. In order to achieve this, FSA will likely spend all funding available for temporary staff years in the first 6 months of the fiscal year, and a majority of these employees will be off the rolls by mid-March. Although these temporary employees have allowed the Agency to remain current on most workload, we expect continued high program and payment workload during the last 6 months of the fiscal year. We anticipate some difficulty in completing timely sign-ups for some of the disaster assistance programs and an increasing lag in providing payments to producers, including loan deficiency payments. FSA is working with the Department to review supplemental needs.

REDUCING FSA COUNTY EMPLOYEES

Mrs. Emerson: Mr. Secretary, your budget request calls for reducing FSA county employees by 622, which you would achieve by eliminating temporary personnel. Yet, I see no evidence in my Congressional district that workload has decreased or that farmers don't need their county office personnel. Your own budget request states that "Workload demands are expected to remain at relatively high levels due to the continuing farm crisis." Given these circumstances, shouldn't we actually be hiring on these temporary employees on a permanent basis, not letting them go?

Response: We are hopeful that we will see a reduced need for temporary staffing due to the completion of some of the disaster and income assistance programs this year. The use of temporary employees is vital to our ability to provide service where and when it is needed during periods of peak workload. Many of FSA's disaster programs fluctuate regionally from year to year and by using temporary employees to perform these activities, FSA is able to provide timely delivery of the programs on a cost-effective basis as long as sufficient funding is available. We believe our permanent employee workforce levels in FSA are adequate, so making temporaries permanent would be unnecessarily costly.

DECLINE IN FSA COUNTY EMPLOYEES

Mrs. Emerson: Mr. Secretary, since 1993 FSA county office personnel have declined from 14,953 to approximately 11,388 today, about a 24 percent decline. How are you able to justify further reductions when we find ourselves in one of the worst farm economies in the last 30 years?

Response: Mrs. Emerson, I would just refer you to my earlier responses and add that as the Administration and Congress work together on our legislative proposals, that we are certainly willing to consider necessary program delivery resources, as has been the case the last two years.

SUPPLEMENTAL FUNDING FOR FSA COUNTY OFFICE PERSONNEL

Mrs. Emerson: Mr. Secretary, over the past 3 years, Congress has appropriated supplemental funds for county office personnel at least 3 times - $40 million in the fall of 1998, $42.7 million in the spring of 1999, $56 million in the fall of 1999. Does this not suggest to you that further reductions are unnecessary and that we should actually be increasing our personnel at the local level?

Response: FSA FY 2001 non-federal staff year levels are based on performing workload activities similar to FY 2000, with the exception of assumed decreases for crop and market loss assistance programs and somewhat lower loan deficiency payments. These activities account for the proposed decrease of 622 temporary FTE's, while permanent staffing is maintained in 2001 at 2000 levels. If producer financial assistance does not decline dramatically from the record levels of FY 2000 as projected in the budget, then staffing resources would need to be revisited.

NATIONAL APPEALS DIVISION

Mrs. Emerson: The February 2000 edition of the Farm Journal contained an article highlighting a very disturbing trend at USDA's National Appeals Division (NAD). The article detailed the fact that in 1997 and 1998, the NAD reversed 86 percent, 86 percent! of regional hearing officer decisions that had favored producers over the Department. In the words of one attorney who had represented a producer, there is "strong and compelling evidence of biased conduct against farmers." Importantly, the article goes on to explain how Freedom of Information Act requests to examine the NAD's hearing record went unheeded until a court ordered the NAD to make public its decision record. So, what we have here is a USDA division demonstrating a clear bias against producers, and this is occurring at a time when we are in the middle of one of the worst farm economies in decades. What do you intend to do about this unjust situation?

Response: The Department has taken a close look at this issue and is concerned with the misconceptions that have been raised. While it is unclear what specific figures were used by the Farm Journal, the Department's analysis shows similar trends. However, it is important to consider the fuller context of the roles of the parties in the adjudicative process in order to understand why these numbers are not indicative of bias. Provided for the record is the most recent Departmental analysis of this matter.

[The information follows:]

Each NAD appeal is adjudicated on its own merits. The basis for NAD determinations and its procedures are specified in Title 7 Code of Federal Regulations, Part 11. The NAD Director has no control over the numbers or merits of any case for which a review of a hearing officer's determination is timely requested by a party. By law, Title II, Subtitle H, of the Federal Crop Insurance Reform and Department of Agriculture Act of 1994, the Director upholds, reverses, modifies or remands hearing officer determinations on review.

If a hearing officer determines error in an agency's administrative decision, only the head of an agency may seek a review. In most cases, however, no error is found by hearing officers. In FY 99, for example, no agency error was determined by hearing officers in 75 percent of the cases appealed to NAD. If error is determined by a hearing officer, and the agency head decides to appeal to the Director of NAD, the head of the agency must state specific reasons why the hearing officer's decision is wrong, including violations of statutes and regulations. Under USDA regulations, the Director must base his decision on the laws and regulations of the agency and their generally applicable interpretations. Moreover, an appellant cannot challenge the validity of agency regulations because only a federal court can determine that agency regulations are invalid.

NAD has no jurisdiction over the appropriateness of agency regulations. Agencies promulgate their own regulations. Given agency expertise with respect to its own regulations, the head of an agency will select for review only those cases in which the hearing officer's determination is not consistent with the agency's laws and regulations. This results in a higher

NATIONAL APPEALS DIVISION

Mrs. Emerson: The February 2000 edition of the Farm Journal contained an article highlighting a very disturbing trend at USDA's National Appeals Division (NAD). The article detailed the fact that in 1997 and 1998, the NAD reversed 86 percent, 86 percent! of regional hearing officer decisions that had favored producers over the Department. In the words of one attorney who had represented a producer, there is "strong and compelling evidence of biased conduct against farmers." Importantly, the article goes on to explain how Freedom of Information Act requests to examine the NAD's hearing record went unheeded until a court ordered the NAD to make public its decision record. So, what we have here is a USDA division demonstrating a clear bias against producers, and this is occurring at a time when we are in the middle of one of the worst farm economies in decades. What do you intend to do about this unjust situation?

Response: The Farm Journal article is wrong in concluding that "the deck is stacked against farmer appeals" based on a limited examination of reversal rates in Director reviews of hearing officer determinations. In 1997, the USDA Inspector General issued a comprehensive report on NAD covering part of the period from which Farm Journal derived its numbers. The report found that, at that time, "NAD hearings were not appropriately focused on whether adverse decisions were consistent with laws, regulations, and agency policies and procedures, and that NAD hearing officers exceeded their authority and substituted their judgment for that of the agency." Thus, reversal rates resulted from an appropriate exercise of authority by the NAD Director and do not reflect any bias. The report recommended that NAD update its written guidelines, improve its management information system, and provide employee training on the proper exercising of authorities and responsibilities. In response, NAD has published its latest rules of procedure in the Code of Federal Regulations (Title 7, Part 11, Subpart A), is continuing improvements to its management information system, and has conducted employee training on topics surrounding the adjudicative process and exercising of authorities. Included in NAD's 2001 budget request is a funding increase that would allow the Division to set in motion a comprehensive and continuous employee training program. A copy of the report is provided for the record. (Evaluation report No. 50801-2-AT, March 1997)

Each NAD appeal is adjudicated on its own merits. The basis for NAD determinations and its procedures are specified in Title 7 Code of Federal Regulations, Part 11. The NAD Director has no control over the numbers or merits of any case for which a review of a hearing officer's determination is timely requested by a party. By law, Title II, Subtitle H, of the Federal Crop Insurance Reform and Department of Agriculture Act of 1994, the Director upholds, reverses, modifies or remands hearing officer determinations on review.

If a hearing officer determines error in an agency's administrative decision, only the head of an agency may seek a review. In most cases, however, no error is found by hearing officers. In FY 99, for example, no agency error was determined by hearing officers in 75 percent of the cases appealed to NAD. If error is determined by a hearing officer, and the agency head decides to appeal to the Director of NAD, the head of the agency must state specific reasons why the hearing officer's decision is wrong, including violations of statutes and regulations. Under USDA regulations, the Director must base his decision on the laws and regulations of the agency and their generally applicable interpretations. Moreover, an appellant cannot challenge the validity of agency regulations because only a federal court can determine that agency regulations are invalid.

NAD has no jurisdiction over the appropriateness of agency regulations. Agencies promulgate their own regulations. Given agency expertise with respect to its own regulations, the head of an agency will select for review only those cases in which the hearing officer's determination is not consistent with the agency's laws and regulations. This results in a higher percentage of reversals of hearing officers' determinations in cases taken on

review by the head of an agency. On the other hand, there is a far greater number of cases in which the hearing officer determines no agency error. In these cases, the hearing officer found that the Agency correctly applied its own regulations, and it is highly unlikely that the Director would determine on review that both the hearing officer and the agency misconstrued the latter's own requirements. Thus, there is a very low percentage of reversals of hearing officer's determinations in cases taken on review by appellants. It is important to recognize that hearing officers are not administrative law judges, but the Director, by law, is appointed based on substantial experience in practicing administrative law. The law also places the burden of proving the agency decision erroneous on the appellant. Director reversal of hearing officers' determinations that are not consistent with the law and agency regulations is not evidence of bias, but reflects an appropriate exercise of authority by the Director. This is not an unjust situation.

[the information follows:]

NAD has no jurisdiction over the appropriateness of agency regulations. Agencies promulgate their own regulations. Given agency expertise with respect to its own regulations, the head of an agency will select for review only those cases in which the hearing officer's determination is not consistent with the agency's laws and regulations. This results in a higher percentage of reversals of hearing officers' determinations in cases taken on review by the head of an agency. On the other hand, there is a far greater number of cases in which the hearing officer determines no agency error. In these cases, the hearing officer found that the Agency correctly applied its own regulations, and it is highly unlikely that the Director would determine on review that both the hearing officer and the agency misconstrued the latter's own requirements. Thus, there is a very low percentage of reversals of hearing officer's determinations in cases taken on review by appellants.

In 1997, the USDA Inspector General issued a comprehensive report on NAD covering part of the period in which reversal rates were reported as such by the Farm Journal. The report found that NAD hearings were not appropriately focused on whether adverse decisions were consistent with laws, regulations, and agency policies and procedures, ... NAD hearing officers exceeded their authority and substituted their judgment for that of the agency. The report recommended that NAD update its written guidelines, improve its management information system, and provide employee training on the proper exercising of authorities and responsibilities. In response, NAD has published its latest rules of procedure in the Code of Federal Regulations (Title 7, Part 11, Subpart A), is continuing improvements to its management information system, and has conducted employee training on topics surrounding the adjudicative process and exercising of authorities. Included in NAD's 2001 budget request is a funding increase that would allow the Division to set in motion a comprehensive and continuous employee training program. A copy of the report is provided for the record. (Evaluation report No. 50801-2-AT, March 1997)

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250

DATE: March 31, 1997

REPLY TO
ATTN OF: 50801-2-At

SUBJECT: National Appeals Division - Administrative Appeals

TO: Norman Cooper
Director
National Appeals Division

Grant Buntrock
Administrator
Farm Service Agency

ATTN: Laura McFarland
William O. Waggener
Agency Liaison Officers

This report presents the results of our evaluation of the quality of administrative appeals by the National Appeals Division. Copies of the National Appeals Division's and the Farm Service Agency's March 21, 1997, responses to the draft report are included as exhibits D and E, respectively, with excerpts and the Office of Inspector General's position incorporated into the relevant section of the report.

We concur with your management decisions for Recommendations Nos. 2a, 2b, 3a, 4, 5a, and 5b. We can accept your management decisions for Recommendations Nos. 1a, 1b, 3b, 3c, and 5c once you have provided the additional information and assurances as outlined in the report section OIG Position.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementation of the report's recommendations. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance. Follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the cooperation and assistance your staffs provided during our evaluation.

JAMES R. EBBITT
Assistant Inspector General
for Audit

EXECUTIVE SUMMARY

NATIONAL APPEALS DIVISION ADMINISTRATIVE APPEALS ALEXANDRIA, VIRGINIA EVALUATION REPORT NO. 50801-2-At

PURPOSE

This report presents our evaluation of decisions rendered by the National Appeals Division (NAD) to individuals and others who were originally denied U.S. Department of Agriculture program benefits and who appealed those denials. Our evaluation was performed as part of the Office of Inspector General's farm program strategy designed to ensure overall program integrity and assist program managers to find solutions for known or potential program weaknesses. Our review concentrated on administrative appeals related to Commodity Credit Corporation programs administered by the Farm Service Agency (FSA). The review included an (1) examination of the agencies' documentation used to support their adverse decisions and present their cases to NAD hearing officers and (2) evaluation of the hearing officers' decisions and of NAD director reviews.

Those who appeal to NAD need to demonstrate that when the agency made its adverse decision, either it (1) did not base the decision on proper criteria (i.e., laws, regulations, or procedures), (2) did not consider all relevant evidence, (3) relied on evidence that was inaccurate, or (4) relied on evidence that did not prove a violation of the stated criteria. NAD must confine its rulings to the criteria upon which the adverse decision was based and not substitute its judgment for that of the agency.

RESULTS IN BRIEF

NAD hearings were not appropriately focused on whether adverse decisions were consistent with laws, regulations, and agency policies and procedures. In some cases, this occurred because FSA did not clearly show the criteria used and the evidence it considered in making its adverse decision. In other cases, NAD hearing officers exceeded their authority and substituted their judgment for that of the agency. We concluded that significant resources were expended by NAD, FSA, and the appellants to arrive at decisions that misconstrued agency program requirements. Improper decisions like these could either deny an appellant benefits to which he/she is entitled or hinder FSA's efforts to pursue program abuses. We also found that FSA personnel did not always adhere to decisions made by

the State and/or county committees when presenting the agency's cases at NAD hearings.

Management controls over NAD hearings need to be strengthened. We concluded that NAD needs to

- update its written guidelines clarifying policies and procedures for evidentiary hearings and director's reviews,
- improve its management information systems to help ensure that the division adheres to timeframes established by legislation and that resources are used efficiently and effectively, and
- provide training which better explains the differences between the authority and responsibilities of NAD and those of the agencies.

We also concluded that FSA needs to improve training for State and county office personnel to ensure the quality of adverse decisions and to ensure that adverse decision letters provide sufficient information to explain the basis for the adverse decisions.

KEY RECOMMENDATIONS

We recommended that FSA clearly show the criteria and evidence used in making its decisions by providing sufficient information in adverse decision letters to explain the authority and basis for the decisions, and that any modifications to the initial adverse decision are adequately explained and related to any new evidence or criteria.

In order to ensure that NAD hearing officers do not substitute their judgment for that of the agency, we recommended that the NAD director require hearing officers to limit the scope of NAD hearings by identifying the laws, etc., that the appellant claims the agency did not adhere to, and the evidence that the appellant contends was erroneous or omitted. Hearing officers should also state whether the appellant contends there is no reasonable basis for the agency's determination. In addition, we recommended that hearing officers limit their determinations to whether an agency complied with applicable laws, regulations, and generally applicable interpretations.

To strengthen management controls over NAD hearings, we recommended that NAD formalize and update its policies and procedures, improve its management information system, and provide training for hearing officers and reviewing officials which ensures they understand the difference between NAD's authorities and those granted to the agencies.

AGENCY POSITION

In their written responses to the report, both NAD and FSA agreed with the findings and recommendations. Based on their responses, we agreed with their management decisions for 6 of the 11 recommendations.

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INTRODUCTION

BACKGROUND

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law 103-354, required the Secretary of Agriculture to establish and maintain an independent National Appeals Division (NAD) within the Department to handle administrative appeals. On December 27, 1994, a notice was published in the Federal Register (59 F.R. 66,517) establishing NAD. NAD was assigned responsibility for all administrative appeals formerly handled by NAD of the former Agricultural Stabilization and Conservation Service and by the National Appeals Staffs of the former Farmers Home Administration (FmHA), the former Soil Conservation Service (SCS), the Commodity Credit Corporation, and the Federal Crop Insurance Corporation.

Current agencies whose appeals are assigned to NAD include (1) the Farm Service Agency (FSA), (2) the Rural Development Service (RD),[1] and the Natural Resources Conservation Service (NRCS).

NAD is headquartered in Alexandria, Virginia, and has 3 regional offices and 65 field locations in 37 States. As of September 30, 1995, NAD had 131 fulltime employees including 80 hearing officers and 12 reviewing officials.[2]

Under Public Law 103-354, a participant has the right to appeal an agency's adverse decision to NAD if the request is made no later than 30 days after the date on which the participant first received notice of the decision. The appellant (participant) has the right to have a hearing by NAD within 45 days after NAD receives the request for the hearing.

The act requires the appellant to bear the burden of proving that the agency's adverse decision was erroneous. The hearing officer must consider any information presented regardless of whether the evidence was known to the agency official, employee, or committee making the adverse decision at the time the decision was made. The hearing officer must also leave the record open for a reasonable period after the hearing to allow the appellant or agency to submit

[1] RD includes the Rural Housing Service, the Rural Utilities Service, and the Rural Business-Cooperative Services.

[2] Reviewing officials perform Director reviews.

information necessary to respond to new facts, information, arguments, or evidence.

If a NAD hearing officer upholds an adverse decision by the agency, the appellant may submit a written request to the NAD director for review of the hearing officer's determination. The written request must be filed no later than 30 days after the date on which the appellant receives the hearing officer's determination. If a NAD hearing officer reverses the agency's adverse decision, the head of the agency may make a written request to the NAD director for a review of the determination. The notice must be filed no later than 15 business days after the date of the hearing officer's determination. When requested by the appellant or the agency, the director, or designated NAD official, will review the hearing officer's determination to determine whether it is supported by substantial evidence. Exhibit A presents a flowchart of the NAD administrative appeals process for FSA adverse decisions.

From October 1, 1995, through September 30, 1996, NAD hearing officers reversed FSA's adverse decisions 35.8 percent of the time compared to 24.7 percent for RD cases and 21.7 percent for NRCS cases. Table 1 shows a comparison of hearing officers' determinations on FSA, RD, and NRCS cases. A comparison of hearing officers' determinations in the three NAD regions is provided in exhibit B.

HEARING OFFICER DETERMINATIONS
(OCTOBER 1, 1995, THROUGH SEPTEMBER 30, 1996)

	Agency Reversed		Agency Upheld		Modified		
	Number	Percent	Number	Percent	Number	Percent	Total Number
FSA	666	35.8	1,073	57.6	123	6.6	1,862
RD	368	24.7	1,090	73.1	33	2.2	1,491
NRCS	18	21.7	63	75.9	2	2.4	83
Total	1,052	30.6	2,226	64.8	158	4.6	3,436

TABLE 1

Also, during fiscal year 1996, NAD hearing officers were overturned on 114 of 772 FSA cases (see table 2). Exhibit B provides information concerning director review requests made by appellants and by agencies.

DIRECTOR'S DETERMINATIONS (OCTOBER 1, 1995, THROUGH SEPTEMBER 30, 1996)				
	Hearing Officer Reversed	Hearing Officer Upheld	Modified	Total
FSA	114	636	22	772
RD	14	323	20	357
NRCS	0	49	0	49
TOTAL	128	1,008	42	1,178

TABLE 2

OBJECTIVES

Our evaluation was performed as part of the Office of Inspector General's (OIG) farm program strategy designed to ensure overall program integrity and assist program managers to find solutions for known or potential program weaknesses. Our review concentrated on administrative appeals related to Commodity Credit Corporation programs administered by the FSA. The review included an (1) examination of the agencies' documentation used to support their adverse decisions and present their cases to NAD hearing officers and (2) evaluation of the hearing officers' decisions and of NAD director reviews.

SCOPE

The evaluation was conducted in accordance with "Quality Standards for Inspections" issued in March 1993 by the President's Council on Integrity and Efficiency. We conducted work at the NAD Headquarters in Alexandria, Virginia, and at FSA Headquarters in Washington, D.C. Fieldwork was performed during the period October 23, 1995, through October 4, 1996. We used judgmental sampling to select cases for review in order to focus our resources on problem areas identified during our discussions with personnel from NAD and FSA.

METHODOLOGY

To accomplish the evaluation objectives, we conducted interviews at both NAD and FSA Headquarters. We also telephonically interviewed NAD personnel from the three regional offices located in Golden, Colorado; Indianapolis, Indiana; and Memphis, Tennessee.

We reviewed NAD's authorizing legislation and regulations to provide background and criteria for evaluating the quality of NAD determinations and for evaluating NAD's overall operations.

We judgmentally selected and reviewed hearing records from 35 NAD cases based on problem areas identified by various sources such as congressional inquiries, discussions with personnel from NAD and FSA, input from various OIG regional offices, and whistleblower requests received by OIG.

- Three cases were reviewed because of a congressional inquiry.
- Ten cases were recommended for review by NAD.
- Ten cases were selected from a list of cases which FSA had planned to submit to the Secretary's office for review.
- Two cases were recommended for review by FSA National and State office personnel.
- Eight cases were identified by various OIG regional offices as problem cases.
- Two cases were from whistleblower complaints received by OIG.[3]

In selecting our sample, we picked cases which related to specific problem areas identified by the various sources including

- the preponderance of evidence standard for review,
- granting of equitable relief,
- remands,
- acceptance and use of oral testimony,
- acceptance and use of Office of the General Counsel (OGC) legal opinions, and
- use of NAD subpoena powers.

We reviewed NAD procedures related to these areas, reviewed the NAD hearing records as they pertained to the problems, and determined whether procedures provided sufficient guidelines to ensure that NAD's policies and procedures were clear.

[3] We reviewed two whistleblower complaints (Nos. PS-4601-0001 and PS-4601-0002) as part of our evaluation of NAD appeals. However, administratively final NAD determinations can only be reviewed by a U.S. district court. Therefore, we were unable to make specific audit recommendations to address individual cases.

For each of the 35 sample cases, we reviewed NAD determinations and evidence included in the hearing record and listened to tapes of the hearing. We reviewed the findings of facts and conclusions in the hearing officers' and review officials' determinations to evaluate whether they were consistent with the evidence presented at the hearing. We also evaluated the agencies' preparation and presentation of the adverse decisions for each case.

In addition, we (1) evaluated NAD's management information systems (2) attended training with NAD personnel and evaluated the training, and (3) followed up on a prior audit report and management alert.

OIG Audit Report No. 46001-1-At, issued September 29, 1995, presented the results of an audit performed at the request of the former FmHA administrator to evaluate hearing officer decisions and FmHA program staff decisions related to FmHA loans. In contrast, our current evaluation focused on the Commodity Credit Corporation programs administered by FSA. Therefore, recommendations in the prior report were not applicable to FSA programs on which the current report focused.

During the course of fieldwork on Audit No. 46001-1-At, NAD was established as an independent agency responsible for various other programs. Although NAD was established as a new and independent agency, the initial organization of NAD was centered around the old FmHA's internal appeals organization. The prior audit report, as well as a management alert, dated February 8, 1995, included issues regarding the establishment of NAD. Management decisions were completed for all of the recommendations contained both in the management alert and the prior report.

Even though corrective action was taken on our prior audit recommendation to issue procedures for the issuance and enforcement of subpoenas, our current evaluation disclosed additional improvements needed in procedures related to subpoena power. (See Finding No. 3.)

FINDINGS AND RECOMMENDATIONS

I. NAD HEARINGS WERE NOT APPROPRIATELY FOCUSED ON WHETHER ADVERSE DECISIONS WERE CONSISTENT WITH LAWS, REGULATIONS, AND AGENCY POLICIES AND PROCEDURES

NAD hearings did not appropriately focus on whether adverse decisions were consistent with laws, regulations, and agency program policies and procedures. This occurred because (a) FSA did not always clearly show the criteria used (i.e., laws, regulations, etc.) and evidence considered in making its adverse decisions and (b) NAD hearing officers sometimes substituted their judgment for that of the agency. As a result, significant resources were expended by NAD, FSA, and the appellants in debating matters which were not within NAD's authority to determine. Additionally, resulting improper NAD determinations could either deny an appellant benefits to which he/she is entitled, or hinder FSA's efforts to pursue program abuses.

FSA DID NOT ALWAYS CLEARLY SHOW THE CRITERIA USED AND THE EVIDENCE CONSIDERED IN MAKING ADVERSE DECISIONS

FINDING NO. 1

FSA did not always adequately cite laws, regulations, and handbook instructions, nor relate the applicable criteria to the evidence considered when making adverse decisions. This often resulted in unclear and confusing issues during NAD hearings. Although FSA had implemented procedures to provide the required notification of decision,[4] we concluded that the notification did not always give sufficient information to the participant. Also, FSA personnel did not always adhere to their agency's determinations while presenting the agency's case to NAD.

---

[4] Public Law 103-354, section 274, requires:

"Not later than 10 working days after an adverse decision is made that affects the participant, the Secretary shall provide the participant with written notice of such adverse decision and the rights available to the participant * * * for review of such adverse decision."

When making adverse decisions, State committees (STC) and county committees (COC) should ensure the following.

- Relevant laws, regulations, and procedures are followed.

- All relevant evidence is considered and evidence used in making the decision is accurate and reliable.

- Judgment decisions are based on accurate, reliable, and convincing evidence and the decisions are reasonably related to the appropriate laws, regulations, and procedures.

FSA should provide sufficient information to the participants so they understand the basis for the decision, know what options are available if they dispute the adverse decision (i.e., appeal to the county or State level, mediation, NAD, etc.), and clearly understand the scope of NAD hearings. To explain the adverse decision, the agency's letter to the participant should address each of the three areas cited in the previous paragraph.

Our review of 35 NAD hearing records disclosed that the criteria, evidence considered, and basis for the agency's decision were clearly presented in the adverse decision letter for only 10 of the cases. For the remaining 25 cases we found the following. (See exhibit C.)

- Neither the criteria nor the evidence was cited in seven cases.

- Criteria was cited but the evidence was not in seven cases.

- Evidence was cited but the criteria was not in nine cases.

- There was no adverse decision letter in the hearing record for two cases.

Even though OGC recognizes that appellants cannot challenge agencies' generally applicable interpretations,[5] it is important that both the appellant and the hearing officer understand the basis for the procedure. In many instances, handbook procedures are not provided as part of routine communication between FSA and participants because they are often tools or tests used to determine whether the participants have complied with laws, regulations, and contract requirements. In such situations, it is important for FSA to adequately relate the procedures to the laws and/or regulations so that the hearing officer can determine whether the procedures were correctly applied. An example follows.

[5] OGC comments included in NAD's Interim Final Rule, dated December 29, 1995.

NAD LOG NUMBER - 95001121W

The appellant was denied program benefits because FSA determined that he did not provide the required active personal labor or management, and therefore was not actively engaged in farming. As criteria, FSA cited Handbook 1-PL, paragraph 154, which states that: "If a member of a joint operation receives a guaranteed payment for any part of a contribution of labor or management, exclude all of the specific type of contribution for which payment is received." However, FSA did not explain how the criteria related to the agency's determination that the appellant was not actively engaged in farming.

The hearing officer determined that "Nowhere in the regulation cited * * * is there any reference to withdrawing of funds being a constraint on eligibility," and concluded:

> *The appellant was unaware of the ramifications of these actions until notified by the CFSA* [Consolidated Farm Service Agency] *that he had been denied eligibility for program benefits because he was determined not to be actively engaged in farming * * *. Therefore, because the Appellant was not notified of the policy of the Agency prior to being determined ineligible for program benefits, the determination is unfair.*

The hearing officer also concluded:

> *The Appellant denies he is receiving a "guaranteed payment" from the partnership and contends it is, in fact a draw.*
>
> *It was clearly the intent of the Appellant for these funds to be considered a draw from his one-half of the partnership. The only documentation considered by the CFSA was in the form of the tax return. The tax return was prepared incorrectly for the intent of the Appellant.*

The hearing officer did not conclude that the agency's procedure was wrong but that it was misapplied (e.g., definition of guaranteed payment). We concluded that the agency should have explained how the handbook procedure related to regulations which address contributions to farming operations, and why the appellant was not provided prior notification of the handbook procedure.

We also found that FSA personnel did not always adhere to COC, STC, or FSA National Office determinations and subsequent modifications while presenting the agency's cases to NAD hearing officers. In two of the sample cases, the FSA representative attending the hearings improperly determined that the finality rule (90-day rule) applied in those cases. In another case, the FSA representative improperly used the COC's initial determination of scheme or device, even though the adverse decision had been modified to a "failure to fully

comply" determination which is based on different criteria. Details of the latter case follow.

NAD LOG NUMBER - 95001142W

The COC determined that the appellant participated in a scheme to circumvent the provisions of the malting barley program. In an FSA State office appeal review, the STC determined that the "failure to fully comply" provision of the regulations better fit the circumstances of the case. A letter from the acting deputy administrator for farm programs approved the STC's request to handle the matter by stating: "Based on the determination of the State committee and the informal advice from your Regional Attorney's office this is your authority to handle the cases referred to in your memorandum under the 'failure to fully comply' provision of the regulation."

The STC notified the appellant that "[T]he State Committee normally would have determined a scheme was used to obtain additional benefits and denied barley program benefits. However, after communication with your county committee, the state committee sought a more moderate solution."

However, the FSA representative at the hearing improperly contended that the appellant participated in a scheme or device to circumvent spot checking procedures.

In summary, we concluded that FSA needs to improve its adverse decision letters by ensuring they provide sufficient information to explain the authority and basis for the decision. Additionally, any modifications to the initial decision should adequately explain and relate to new evidence, criteria, or other reason for the modification. The initial adverse decision letter along with modifications should serve as FSA's primary evidence in presenting cases to NAD. This would reduce the time and resources needed by FSA in preparing and presenting cases to NAD. FSA representatives should adhere to the agency's determination when presenting cases to NAD. We also concluded that information provided to the appellant should relate handbook procedures to the appropriate law or regulation whenever necessary to clarify how the procedures apply to the applicable criteria and evidence.

RECOMMENDATION NO. 1a
(To the FSA Administrator)

Provide sufficient information in adverse decision letters to explain the authority and basis for the decision. At a minimum, the letters should provide a (1) brief summary of the applicable law or regulation and handbook procedure, (2) summary of the evidence used

in making the determination, and (3) description of the adverse decision relating the evidence to the applicable criteria in order to show a reasonable basis for the determination.

RECOMMENDATION NO. 1b
(To the FSA Administrator)

Ensure that any modifications to the initial adverse decision are adequately explained and related to any new evidence or criteria, and that the modifications are sufficiently communicated to the appellant and to NAD. Also, ensure that FSA personnel attending NAD hearings adhere to determinations and any subsequent modifications made by the COC, STC, or FSA National Office when presenting the agency's case in NAD hearings.

FSA Response

In its March 21, 1997, response, FSA replied that it "accepts and agrees with the findings and recommendations of the audit."

OIG Position

FSA's response did not specify the actions it plans to take for these two recommendations. To reach management decisions, we need to be informed of the action to be taken and the timeframe for carrying them out.

NAD HEARING OFFICERS SOMETIMES SUBSTITUTED THEIR JUDGEMENT FOR THAT OF THE AGENCY

FINDING NO. 2

NAD hearing officers sometimes substituted their judgment for that of the agency. We concluded this occurred because hearing officers did not limit issues to whether the agency's adverse decisions were consistent with the laws, regulations, and generally applicable interpretations.[8] Instead of determining whether agencies complied with applicable criteria and considered accurate and relevant evidence in making their adverse decisions, hearing officers allowed discussion of broad issues for which they determined the merits of each party's position. As a result, the hearing officers' determinations often failed to identify where agencies had erred in their adverse decisions.

[8] Generally applicable interpretations refer to the administering agency's interpretations of laws and regulations which are applicable to all program participants.

In 25 of the 35 NAD cases reviewed, we concluded that the hearing officers had not related their determination to relevant criteria. In 24 of the 25 cases, we also concluded that the determination was not related to relevant evidence. (See exhibit C.)

Legislation which authorizes U.S. Department of Agriculture (USDA) programs gives the Secretary authority to carry out the programs. This authority is delegated by the Secretary to the appropriate agency such as FSA, RD, NRCS, and other USDA agencies. In order to carry out these programs, certain steps are taken by the administering agency. Rules and regulations governing the programs are published in the Federal Register, and the administering agency establishes policies and procedures which are generally applicable interpretations of laws and regulations used in program administration. Agencies' adverse decisions must be made in accordance with the applicable laws, regulations, and the generally applicable interpretations made by the agencies to carry out programs.

NAD determinations, on the other hand, are based on information from the case record and whether the agency's adverse decision is consistent with the laws and regulations of the agency, and with the generally applicable interpretations of such laws and regulations. In order for the hearing officer to overturn the agency's adverse decision, the appellant must show that the adverse decision was erroneous.

As presented in NAD's Interim Final Rule, OGC had determined: "NAD Hearing Officers are not administrative law judges. NAD has no jurisdiction over questions of law or the appropriateness of agency regulations. It simply decides the factual matter of whether an agency complied with such laws and regulations in rendering an adverse decision."

OGC further determined that "NAD is not a forum for appellants to challenge agency statutes, regulations, or the generally applicable interpretations of those statutes and regulations."

Based on our review of the applicable legislation and regulations, we concluded that issues appealable to NAD would include the following.

- The agency did not follow laws, regulations, and procedures.
- All relevant evidence was not considered.
- Evidence considered was not accurate.
- The agency had no reasonable basis for its judgment (i.e., the evidence had no relationship to the criteria used in making the adverse decision).

The NAD Hearing Officer Manual states that "[O]nly evidence that is relevant to the underlying issues should be considered." However,

issues discussed at hearings were often broad and not related to whether the agency made an error in making its adverse determination. Therefore, considerable time was used to debate matters which were not within hearing officers' authority to determine.

The following is an example where excessive time (approximately 18 hours) was used because the hearing officer did not determine the appropriate scope of the hearing. More specifically, the hearing officer did not relate his determination to the relevant criteria, utilized unsubstantiated evidence in drawing conclusions, did not consider all relevant evidence, and did not apply the appropriate burden of proof standard.

NAD LOG NUMBER - 95001040W

The producers applied for benefits under the Disaster Assistance Program, claiming their crop was damaged by flooding. FSA denied the benefits, stating that the producers did not operate their farm in a workmanlike manner--they did not till the soil before planting their crops (a practice referred to as "no-till"), and they did not properly maintain a culvert that was necessary to drain the affected acreage. The producers appealed, and NAD reversed FSA's decision. NAD based its reversal on an SCS handbook published for another area of the State, and on the producers' unsubstantiated claim that their crop failed because of a natural disaster, not because they used improper farming methods.

FSA based its argument on the requirements stated in FSA Handbook 5-PA, paragraph 149. This paragraph provides that certain practices such as "cultural practices normal to the area or introduced by ES [Extension Service] or SCS to improve conservation" and minimum till and no-till practices customary to the area should not be considered unworkmanlike. FSA had determined that the producers' soil was not conducive to the "no-till" method and that the method was not normal and customary to the area.

Although the hearing officer focused on the tillage method used by the producers, he failed to appropriately address FSA's generally applicable procedures found in paragraph 149 of the handbook. Instead, he relied on the evidence supplied by the producers, an SCS pamphlet promoting "no-till" practices. We concluded that this pamphlet was irrelevant as evidence because it applied to a different area of the State, and to a soil type different from the type on the producers' farm.

Even though the producers' evidence did not apply to their farm, the hearing officer's finding of facts stated "Appellants' exhibits * * * demonstrate and promote conservation tillage (no-till, minimum till, etc). Such practices are not uncommon in the area of Appellants' farm." From this assumption, the hearing officer concluded that "the practice of minimum or no tillage is

an acceptable practice (more than acceptable by some) notwithstanding what some farmers in [the county] may practice." The producers did not contend that ES or SCS recommended the "no-till" practice for their farm, and they did not provide any evidence of such a recommendation.

For the cause of the crop loss, the hearing officer used unsubstantiated evidence and concluded that "it is obvious that the development [of the crop] was retarded by lack of sunlight." The hearing officer inappropriately introduced this unsubstantiated evidence into the hearing record by asking the producer whether the crop could have been stunted by a "lack of sunlight." However, no evidence was introduced to show that there was a lack of sunlight or that the crop was affected by this condition.

In calculating the producers' crop yields, FSA determined that a contributing factor to the producers' crop loss from flooding was their failure to properly maintain a drainage culvert located on their farm. However, the hearing officer gave no consideration to this determination when making his decision.

The hearing officer utilized broad criteria defining overall eligibility for the Disaster Assistance Program payments to conclude that "the Appellants met their burden of showing that their crops failed due to flooding and subsequent drought conditions." However, we concluded that the hearing officer should have focused on more specific criteria in FSA Handbook 5-PA, paragraph 149, and should have specifically identified whether FSA's decision was erroneous, as it relates to the applicable criteria.

We concluded that by relying on broad criteria and failing to utilize relevant criteria and evidence, hearing officers used the "preponderance of evidence" standard (see Finding No. 3) to make determinations which they were not authorized to make, and failed to determine whether the producer met the burden of proving that the agency's adverse decision either contained an error or was based on one.

RECOMMENDATION NO. 2a
(To the NAD Director)

Require hearing officers to limit the scope of NAD hearings to matters relevant to the agency's alleged errors. In order to provide this assurance, the ISSUE section of the hearing officers' determination should

- identify the law, regulation, and/or procedure to which the appellant claims the agency did not adhere (ensuring that the criteria is not broad and vague),

- identify the evidence that the appellant contends was not considered by the agency or the evidence which was supposedly erroneous, and

- state whether the appellant contends there is no reasonable basis for the agency's determination.

NAD Response

In its March 21, 1997, response, NAD stated that "The format for a Hearing Officer determination was revised to include citations to relevant laws and regulations, specific exhibits entered into the record, and to address the burden of proof."

OIG Position

We concur with NAD's management decision for this recommendation.

RECOMMENDATION NO. 2b
(To the NAD Director)

Require hearing officers to limit their determinations to the factual matter of whether an agency complied with applicable laws, regulations, and generally applicable interpretations. In order to provide this assurance, the CONCLUSION section of the hearing officers' determination should include the following.

- Cite the specific laws, regulations, and/or procedures which are relevant to determining whether the agency's adverse decision was in error, and avoid referring to broad criteria not specifically related to the alleged error. When determining that the agency failed to follow appropriate criteria, state how the agency erred.

- Cite the specific evidence used in drawing the conclusions, whether the agency had considered all relevant evidence, and identify what evidence was in error.

- Contain a description of how the relevant evidence did or did not logically relate to the relevant laws, regulations, and/or procedures. The description should also include a conclusion as to whether the appellant met the preponderance of evidence standard by showing that there was no logical relationship between the two, when applicable.

NAD Response

In its March 21, 1997, response, NAD stated:

As stated in response to recommendation 2a, the Hearing Officer determination format has been revised since the issuance of the 1995 determinations reviewed for the audit. There has also been specific training on writing of determinations and all Hearing Officers will have had substantial training and discussion on writing determinations by the end of this fiscal year.

The "Conclusions" section now cites specific laws and regulations which are relevant to determining whether the agency's adverse decision was erroneous or not. Specific statements are used to analyze evidence that was considered relevant and credible as well as setting forth the applicable regulations used in determining whether the agency's adverse decision was erroneous. Further, a specific conclusion is dedicated to determine whether the burden of proof has been met through a preponderance of the evidence.

OIG Position

We concur with NAD's management decision for this recommendation.

II. MANAGEMENT CONTROLS OVER NAD HEARINGS NEED TO BE STRENGTHENED

Management controls over NAD hearings need to be strengthened. We concluded that NAD needs to (a) update its written guidelines and clarify its policies and procedures for evidentiary hearings and director's reviews, (b) improve its management information system (MIS) to provide performance measures at various NAD levels, and (c) provide training which better explains the differences between the authority and responsibilities of NAD and those of the agencies.

NAD NEEDS TO UPDATE ITS POLICIES AND PROCEDURES

FINDING NO. 3

NAD's policies and procedures did not always provide sufficient guidance to address issues arising during NAD hearings. As reported in Finding No. 2, NAD hearing officers sometimes substituted their judgment for that of the agency. We also noted that NAD did not have a formal system for maintaining current NAD policies and procedures, and that FSA instructions regarding appeals to NAD were not consistent with NAD regulations.

In selecting our sample of 35 cases, we picked cases which related to problem areas identified through discussions with NAD and FSA personnel and through inquiries made to various OIG regions. Some of the material issues which were causing difficulties at NAD hearings included

- the preponderance of evidence standard for review,
- granting of equitable relief,
- remands,
- acceptance and use of oral testimony,
- acceptance and use of OGC legal opinions, and
- use of NAD subpoena powers.

We reviewed NAD's regulations, policies, and procedures related to these areas, and NAD's hearing records as they pertained to the problems. The following discussion details areas where we concluded that NAD's policies and procedures need to be updated.

Preponderance of Evidence Standard

NAD legislation requires that the appellant bear the burden of proving that an agency's adverse decision is erroneous. However, NAD's Interim Final Rule, dated December 29, 1995, added that the appellant must prove that the decision is erroneous "by a preponderance of the evidence." In its comments to NAD's Interim Final Rule, FSA expressed concern that the inclusion of the "preponderance of evidence" standard shifted the burden of proof from the appellant to the agency by diluting the statutory requirement that the appellant must prove that the agency's decision was erroneous. FSA also commented that the "preponderance of evidence" standard conflicted with the law, and should be removed from the regulations.

We did not attempt to determine whether the "preponderance of evidence" standard was consistent with NAD legislation. However, we did find that neither NAD's regulations nor procedures explained how the "preponderance of evidence" standard was to be applied in NAD hearings.

As discussed in Finding No. 2, hearing officers sometimes used the "preponderance of evidence" standard to make determinations which they were not authorized to make, and, in doing so, failed to determine whether the appellant met the burden of proving that the agency's adverse decision either contained or was based on an error. NAD should provide written guidelines defining "preponderance of evidence" and explaining how this standard applies to evidence presented at NAD hearings.

Equitable Relief

Public Law 103-354 states that the NAD director shall have the authority to grant equitable relief in the same manner and to the same extent as the authority given to the Secretary. Although NAD has established procedures relating to equitable relief cases, we questioned whether such cases should be subject to review by hearing officers.

Equitable relief involves instances in which participants who have taken actions which could affect their eligibility, acted in good faith by relying on the actions or advice of an authorized representative of the Secretary. In these instances, the NAD director is authorized to grant relief to the participants by providing program benefits to the extent determined appropriate for fair and equitable relief.

Even though hearing officers do not have the authority to grant equitable relief, Public Law 103-354 includes the denial of equitable relief in the definition of an adverse decision. In cases where the appellant challenges the agency's denial of equitable relief, NAD's Hearing Officer Manual instructs the hearing officers as follows:

> [Y]*ou should make findings and conclusions concerning the appropriateness of granting or denying such relief. If you determine that the agency erred in denying equitable relief, you may so hold and return the case to the agency for further action consistent with your determination. You do not have the authority to affirmatively grant equitable relief yourself, although the Director may do so if the case comes to him for review.*

We concluded that such cases should not be subject to review by hearing officers since they have no authority to make a determination on the appeal. If hearing officers overturned agencies' denials of equitable relief, they would in effect be granting equitable relief. We concluded that cases involving denial of equitable relief should be reviewed only by the NAD director.

Remands

NAD's policies and procedures did not adequately address remands. There were no policies or procedures for establishing timeframes to complete remand cases. Also, there were no guidelines to explain what types of situations warrant a remand.

Public Law 103-354, section 278(b), requires the NAD director to issue a final determination or remand a case back to the hearing officer within 10 business days if a review is requested by the agency or 30 business days if requested by an appellant. NAD's Interim Final Rule, section 11.9(d)(1), states:

> *If the Director determines that the hearing record is inadequate or that new evidence has been submitted, the Director may remand all or a portion of the determination to the Hearing Officer for further proceedings to complete the hearing record or, at the option of the Director, to hold a new hearing.*

Neither the legislation, NAD's Interim Final Rule, nor NAD's procedures establish timeframes for completing remand cases. We contacted the NAD regions and found that each region assigned new case numbers for remands. Regional office personnel told us that remands were handled as though they were new hearings for tracking purposes, and that hearing officers had 45 days to hold another hearing (if necessary) and another 30 days to make their determinations. Notifications of remands are sent to the regional offices. However, regional office personnel said that there is a time lag of 1 or 2 weeks before the notice is received and the hearing officer receives the case.

In one of our sample cases, the NAD appeal was concluded approximately 7 months after the request for appeal was filed. The hearing officer used 74 days to make his determination for the remand. The delay in processing the participant's appeal resulted in a congres-

sional inquiry into the timeliness of the NAD process. The following is a summary of that case.

NAD LOG NUMBER 95000494E

RD disapproved the appellant's request to obtain funding for a waste water treatment plant. The agency determined that proposed basic engineering services (BES) fees were excessive as compared to fees charged for similar projects when agency funding was not involved. The appellant contended that the BES expenses were appropriate for the complexity of the proposed project and that a fee curve should not be used to establish BES expense limits.

The hearing officer reversed the agency's determination based on his determination that regulations did not authorize the agency to establish a fee curve maximum to evaluate proposed BES expenses. However, the hearing officer neither had the authority nor the expertise to determine whether the fees were reasonable. Further, from our review of the hearing record, and based on the reviewing official's conclusion which follows, we concluded that the appellant did not show that the agency's decision was adverse to the appellant (as opposed to a matter of general applicability) and did not meet the burden of proving that the agency's determination was erroneous.

During the director's review, the reviewing official concluded:

> *The data which the appellant submitted to show engineering fees on other projects is conflicting and does not readily identify the fees charged for projects not involved in Agency funding. We find no substantive evidence to support the HO's* [hearing officer] *finding that the proposed BES is not in excess of those ordinarily charged by the profession for similar work when Agency financing is not involved.*
>
> *Further, we find no substantive evidence to support the Hearing Officer's determination that RD has approved other projects in which the BES exceeded the maximum allowable.*

Even though the reviewing official's conclusion indicated that the appellant did not meet the burden of proof, the case was remanded to the hearing officer to "determine if the fees are reasonable." However, since the agency's decision was a matter of general applicability and the reviewing official determined that there was no substantive evidence to show that the agency's decision was erroneous, we concluded that the hearing officer's initial determination should have been overturned instead of remanded back to the hearing officer.

Acceptance and Use of Oral Testimony

NAD's policies and procedures do not provide guidelines to assist hearing officers in weighing oral testimony. FSA officials told us that one of their major concerns was that hearing officers were accepting unsubstantiated oral testimony as persuasive evidence.

NAD's Interim Final Rule, part 11.8(5)(ii), states:

> *Any party shall have the opportunity to present oral and documentary evidence, oral testimony of witnesses, and arguments in the support of the party's position * * *. Any evidence may be received by the Hearing Officer without regard to whether that evidence could be admitted in judicial proceedings.*

NAD's Hearing Officer Manual instructs hearing officers to keep in mind that not everything that a witness says is factual evidence. However, NAD's policies and procedures do not provide general guidelines on how to weigh oral testimony. We found that hearing officers sometimes accepted and inappropriately relied on unsubstantiated oral testimony. The following is an example.

NAD LOG NUMBER - 95001719E

FSA determined that the appellants participated in a scheme or device to evade payment limitations by misrepresenting their interest in the farming operation. The agency's evidence showed that the producers did not maintain separate bank accounts for their interest. The agency also noted that the producers had no evidence to show that cash rent was paid for the land, that they owned or leased the land, or that they supplied capital for the farming operation.

The hearing officer subsequently overturned FSA's determination largely on unsubstantiated oral testimony of the appellants. Little to no physical documentation was offered by the appellants to support the oral testimony. The reviewing official who conducted the director's review wrote: "Although the record contained little documentation of [the appellants'] 1993 farming activities, the Hearing Officer determined that the appellants' testimony sustained the burden of proof required to reverse CFSA's decision." [Underlines added.]

The reviewing official also concluded: "In the absence of testimony by CFSA personnel involved in accepting the appellants' applications for disaster and associated documents, the Hearing Officer accepted the appellants' testimony as persuasive."

We concluded that the hearing officer's reliance on unsubstantiated oral testimony, given the seriousness of an adverse decision concerning a scheme or device, was improper. As a result of NAD's decision, an assistant U.S. attorney declined

prosecution of the case, and stated: "We are declining prosecution in this matter. While it appears that the [appellants] engaged in a scheme to defraud the Department of Agriculture * * * by accepting the [appellants] uncorroborated, and false statements, the NAD has undercut our ability to prove any criminal violations."

In many instances, especially where matters such as schemes and devices or bad faith determinations are made by FSA, hearing officers should ensure that oral testimony, other than expert witnesses providing an opinion, is substantiated by the appellant.

Acceptance and Use of OGC Legal Opinions

Even though NAD is in the process of establishing procedures to obtain independent legal opinions when needed, there are no procedures addressing situations in which a hearing officer should utilize OGC legal opinions obtained by the agency.

In the "NAD Notes" for February through March 1996, the director wrote: "OGC is developing a system to provide us independent legal opinions related to program issues. We will work with * * * OGC to effect an appropriate means of securing definitive legal opinions on the laws applicable to matters at issue * * *."

The hearing officers are further instructed to refer requests for legal opinions to NAD regional directors. However, situations arise where hearing officers must determine the relevance of OGC opinions obtained by the agency to their determinations, or where the agency's opinions from OGC should be included as criteria or evidence relevant to the NAD determination. In these situations, NAD procedures should instruct hearing officers to determine the relevance of OGC opinions to the administrative hearing and, when appropriate, include the opinions in making their determinations. Independent legal opinions should be obtained when necessary to ensure that "definitive" opinions clarify any ambiguous ones.

The following is an example where the hearing officer improperly made a legal determination which was contrary to an OGC opinion obtained by the agency.

NAD LOG NUMBER - 95000487W

In this case, the agency determined that the appellant acted in "Bad Faith" by illegally converting chattel property which was part of a farm operating loan. The agency based its adverse decision, in part, on an OGC opinion that the appellant's sale of chattel constituted conversion as defined by the appropriate State's statutes.

Although the agency had approved the sale through public auction of certain equipment owned by the appellant, the appellant sold the equipment prior to the public offering for less than the

amount the agency determined the equipment was worth. The appellant received a check from the buyer which was made payable to both the appellant and the agency. Although, the check was neither deposited nor cashed, the purchaser refused to return the equipment.

The hearing officer incorrectly concluded that "since there is no acceptance of the offer by all parties (Appellant and Agency), the sale had not been executed, thus, no valid sale has occurred." From this conclusion, the hearing officer determined that the appellant had not illegally converted chattel property. Therefore, the hearing officer not only exceeded his authority by making a legal determination, but also erred in his determination (acceptance occurred when the purchaser agreed to the price and tendered the check to the producer).

For this appeal case, we concluded that the hearing officer should have considered the OGC determination when making his determination. If the hearing officer questioned the accuracy of OGC's decision, he should have requested assistance from the NAD regional director.

Subpoenas

Public Law 103-354 gives the NAD director and hearing officers the authority to issue subpoenas requiring the attendance of witnesses and the production of evidence. In response to OIG Audit Report No. 46001-1-At, dated September 29, 1995, NAD issued procedures for the issuance and enforcement of subpoenas. However, NAD procedures do not address instances where hearing officers may determine that the attendance of a witness is necessary even though no request is made by the appellant or the agency. An example follows.

NAD LOG NUMBER - 95001333S

FSA determined that the appellant participated in a scheme or device designed to evade payment limitations. The appellant alleged that he acted only as a custodian of farm records, financing, and bills for another individual's farming operation. FSA concluded that the appellant was, in fact, the producer in that farming operation. Important evidence presented by FSA included a signed statement from the other individual stating that he had no interest in the farming operation other than as a hired hand.

As part of an appeal to the STC, the other individual had provided a signed statement in September 1989, showing that he was a separate person for payment limitation purposes. Subsequently, in April 1990, the other individual provided a statement to the county executive director recanting the September 1989 statement and showing that he was only a hired hand on the farm. Even though the agency had a signed statement from the other individual stating that he was not truly a producer in the farming operation for which the adverse decision

was made, the hearing officer gave the statement little consideration by stating:

> *We find it significant to note that neither statement was prepared by* [the other individual] *and as addressed by Appellants the second statement was obtained by the county executive director and contained vague and ambiguous references to Appellants. Therefore, while this information was reviewed in making our decision, we did not consider the information to be compelling evidence.*

The fact that the statement was prepared by someone other than the person who signed it was of little significance compared to the statement itself and the signature of the producer. The appellant claimed that the statement was coerced and false. However, he did not provide any evidence to support his claim. If the hearing officer believed that the statement may have been coerced or false, he had the authority to subpoena the other individual as a witness.

NAD needs to update its written guidelines to clarify its policies and procedures regarding when witnesses may be subpoenaed and establish a formal system to assist the NAD director in ensuring that the division's policies and procedures are consistently applied throughout the agency.

FSA Instructions Need Clarifying

We also noted a need for FSA to improve its instructions. FSA instructions regarding appeals to NAD were inconsistent with NAD regulations. FSA Notice APP-11 presented suggested notification language for initial COC decisions. The suggested language, in part, stated:

> *If you believe the decision by the County Committee is in error, you may elect any of the options in the following sequence:*
>
> *1. Reconsideration by the County Committee.*
> *2. Request mediation.*
> *3. Appeal to the State Committee.*
> *4. Appeal to the National Appeals Division.*
>
> *You may elect these options in the indicated sequence. You may select any of the first three options, or you may skip any of the first three options and select a later choice, or skip all three and appeal to NAD.*

We found that the suggested language was not consistent with NAD regulations which state:

> *A participant must seek an informal review of an adverse decision issued at the field service office level by an officer or employee of FSA * * * before NAD will accept an appeal of an FSA adverse decision. Such informal review shall be done by the county or area committee with responsibility for the adverse decision at issue. * * *. After receiving a decision upon review by a county or area committee, a participant may seek further informal review by the State FSA committee or may appeal directly to NAD.*

NAD regulations also allow an optional informal review for adverse decisions issued at the FSA State office level. The participant is not required to seek the informal review before appealing to NAD in these situations.

RECOMMENDATION NO. 3a
(To the NAD Director)

Implement a formal policies and procedures system by combining the current Hearing Officer Manual and various "NAD Notes" into a numbered and dated manual.

NAD Response

In its March 21, 1997, response, NAD stated that it had "created a directive system to disseminate NAD policies and procedures. The directives are to be numbered and incorporate expiration dates."

OIG Position

We concur with NAD's management decision for this recommendation.

RECOMMENDATION NO. 3b
(To the NAD Director)

Update NAD guidelines to clarify policies and procedures related to the following areas.

- Preponderance of evidence standard for review
- Granting of equitable relief
- Remands
- Acceptance and use of oral testimony

- Acceptance and use of OGC legal opinions
- Use of NAD subpoena powers

NAD Response

In its March 21, 1997, response, NAD replied:

> *The NAD Interim Final Rule and comments published in the Federal Register cover the areas addressed. Further, the issues of Preponderance of Evidence, Equitable Relief, OGC Opinions and Subpoenas are covered in the NAD Hearing Officer Manual. Subpoenas and Equitable Relief have also been addressed in NAD Notes.*

OIG Position

We disagree with NAD's management decision for this recommendation. Based on our review of 35 cases, we continue to conclude that NAD needs to provide additional guidance on the 6 areas enumerated in the recommendation.

RECOMMENDATION NO. 3c
(To the FSA Administrator)

Ensure that guidance given to State and county offices concerning NAD appeals is consistent with NAD regulations by updating Notice APP-11 to notify appellants that they must first seek an informal review of COC determinations before appealing to NAD.

FSA Response

In its March 21, 1997, response, FSA replied that it "accepts and agrees with the findings and recommendations of the audit."

OIG Position

FSA's response did not specify the actions it plans to take for this recommendation. To reach a management decision, we need to be informed of the actions to be taken and the timeframe for carrying them out.

NAD'S MANAGEMENT INFORMATION SYSTEM NEEDS IMPROVEMENT

FINDING NO. 4

NAD's MIS does not provide information necessary to make key decisions for evaluating the division's performance. This occurred because NAD's data base was unreliable and current management reports were ineffective. As a result, NAD's management does not have sufficient means to ensure that the division adheres to timeframes established by legislation (i.e., hearing must be held within 45 calendar days of request) or ensure that resources are used efficiently and effectively.

In testimony before Congress addressing the 1997 appropriation, the NAD director stated:

> *The current tracking system was initially designed to handle only former FmHA type appeal cases and provide canned reports. The current tracking system does not meet NAD's monitoring and reporting needs and limits our ability to provide Congress and USDA critical data regarding the appeals handled by NAD.*

An MIS should provide decision-makers with the necessary data to guide operations towards fulfilling the division's mission. The system must be effective and efficient so that reliable and timely information can be generated. A well designed system that incorporates these elements provides management with the necessary information to evaluate appeal case progress and employee performance.

A critical function of NAD's MIS is to track appeals to NAD in order to ensure that appellants are given a timely hearing and determination as prescribed by the timeframes required by law. In addition to tracking timeframes, the MIS is an important tool for measuring the performance of the division at all levels, and determining where resources are needed within the division to ensure efficient and effective operations. Management reports can be designed to identify problem areas in the performance of hearing officers, regional personnel, and national reviewing officers. Once problem areas are identified through these reports, the director can take appropriate action such as focusing quality assessment reviews in order to better identify the cause of problems, update policies and procedures based on problems identified, and determine training needs for both individuals and the organization.

Based on our review and our discussions with NAD personnel, we concluded that NAD's current MIS was inefficient and ineffective because of an unreliable data base and ineffective management reports.

Unreliable Data Base

We found that NAD's data base is unreliable because it does not include sufficient dates and status codes needed to ensure compliance with legislated timeframes and the proper allocation of resources. The MIS does not track NAD hearings to determine whether hearings took place within 45 days from the date the request was received and if hearing officers' determinations were made within 30 days from the date of the hearing. We also found that remand cases were not tracked to ensure timely resolution.

NAD's current MIS consists of a data base called "NASTRACK" for data entry. "NASTRACK" is a combination of two subsystems. One subsystem is the system used by the former FmHA's internal administrative appeals unit. It contains all information related to appeals filed through FSA. The second subsystem was created by NAD and contains all information related to appeals filed by all other agencies for which NAD has responsibility. Information is retrieved by NAD using the Statistical Analyses System (SAS).

The data base provides for three entries relating to the dates in which a hearing officer must hold a hearing and make a determination. These entries include the date the request was received, the date of the hearing, and the hearing decision date. However, information concerning the date of the hearing was unreliable. In instances where hearings are held open,[7] the date the hearing was closed is entered as the hearing date. Also, even though a hearing may take more than 1 day, the last day of the hearing is normally entered as the date of the hearing.

In order to determine if hearings are held within 45 days of the request, the MIS should include data to reflect the first day of the hearing. This would provide reliable data for determining whether the hearing was held within 45 days of the date of request. Since hearings are not always concluded in 1 day, the MIS should also include data to reflect the date that the hearing was closed. By comparing the closed date with the date of the hearing officer's determination, NAD will have reliable data to determine whether determinations are being made within 30 days of the hearing.

The MIS does not include status codes needed to determine why timeframes were not met. For example, when a hearing is not held within 45 days as required by NAD legislation, certain factors may have caused the delay (i.e., the appellant waived the 45-day requirement, or a hearing officer was unable to schedule the hearing within the timeframes because of a heavy caseload). Similar status codes should be used for other timeframes designated by legislation, regulations, or the director's instructions. We concluded that this

[7] Public Law 103-354 requires that the hearing officer shall leave the hearing record open for a reasonable time to allow for the submission of information by the appellant or the agency to respond to new facts, information, arguments, or evidence presented.

type of information is necessary to evaluate the division's compliance with legislative requirements and to ensure the efficient use of resources.

Additionally, we found that NAD assigns new case numbers to remanded cases. Thus, timeframes allowed for all remand cases are the same as for those required for new evidentiary hearings and determinations. We concluded that the director should establish appropriate timeframes for remand cases to ensure that the appellant is provided a timely determination, and that NAD should keep track of the remand cases to ensure that those timeframes are met. (See Finding No. 3.)

Ineffective Management Reports

NAD's MIS produces 13 standard management reports through SAS. We concluded that the standard management reports were inefficient and ineffective. In the past, RD has provided a SAS programmer to query data fields and produce custom reports. However, as of November 1, 1996, RD no longer provides this assistance to NAD. Because NAD no longer has the capability to query on specific data fields in order to produce custom reports, it must now rely solely on its standard management reports.

The "Hearing Officer Backlog Report" and the "Overdue Hearing Decision Report" are generated by NAD's National Office. However, NAD personnel told us that both reports utilize the date that the appeal request is made and are considered overdue when more than 75 days have passed. Therefore, these reports do not reflect whether the appropriate timeframes were met. Additionally, questions concerning the status of the hearings must be investigated by the individual regions. In many instances, regions must contact the appropriate hearing officer to follow up on possibly overdue hearings or determinations.

To create the reports, regional management assistants must retrieve information from each of the two subsystems within the MIS and must manually calculate the totals for overdue hearings, decisions, and caseload reports per hearing officer and per region. The management assistants must also rely heavily on individual casefiles and hearing officers as well as "NASTRACK" screens to follow up on cases for which NAD may potentially exceed timeframes or has apparently exceeded them, and to verify the overall accuracy of the reports. Management assistants also told that NAD's MIS was inefficient because only 4 of 12 reports available to the regions provided useful information in determining the status of the hearings. The reports include the

- reversed, upheld, modified report,

- overdue hearing officer's report,

- overdue decision report, and

- suspended hearing report.

NAD's standard management reports do not provide information useful in monitoring the performance of personnel such as hearing officers. For example, we noted that there were no reports to show the number of times that an individual hearing officer was reversed by a reviewing official or the backlog associated with individual hearing officers. Also, there were no reports to evaluate regional performance (i.e., summary of the number of times hearing officers within the region were reversed, or backlog by region), or reviewing officer performance.

RECOMMENDATION NO. 4
(To the NAD Director)

Update the MIS in order to provide necessary information to ensure that

- NAD provides appellants timely determinations and complies with legislative timeframes, and

- management reports contain relevant information, provide a means for measuring the performance of the division at all levels, and provide tools for determining where resources are needed.

NAD Response

In its March 21, 1997, response, NAD replied:

> *One of the highest priorities of NAD is to upgrade its current Management Information System (MIS) in order to provide more accurate and timely data, as well as to provide a more effective monitoring tool to ensure timely hearings and determinations. NAD has requested special initiative funds in fiscal year 1998 to achieve this priority. The request for additional funds stated that the current tracking system was put in production in 1989 to track former Farmers Home Administration (FmHA) appeals and does not fulfill NAD's monitoring and reporting needs. Additionally, the current MIS limits the ability of NAD to furnish the Secretary, the Congress, and other interested parties information regarding the appeals handled by NAD. This vital initiative is being coordinated with the Department's OIRM* [Office of Information Resources Management].

OIG Position

We concur with NAD's management decision for this recommendation.

TRAINING FOR NAD AND FSA COULD BE IMPROVED

FINDING NO. 5

Our review disclosed that NAD's training program has not provided the support needed to ensure complete and accurate determinations. Past training was provided by judicial colleges which emphasized judicial training for administrative law judges. More recent training provided overviews of how the farm agencies operate day-to-day with some indepth instruction relating to how agency decisions are made. However, the training has not provided NAD's staff with information needed to reinforce their current hearing and review skills or to understand why and under what authorities agencies make decisions. As a result, hearing and review officers have made errors at the basic level and have inappropriately made decisions that are reserved by law or regulations to the agencies (see Finding No. 2). We also found that FSA needs to provide further training to State and county personnel to ensure that adverse decisions are clear and sufficiently supported.

We concluded that NAD training should be directed toward teaching and reinforcing basic skills related to conducting administrative hearings, rendering administrative hearing decisions, and understanding the authorities of hearing officers. The training should help ensure that hearing officers utilize only relevant criteria and evidence and limit their determinations to whether the agencies complied with applicable criteria and considered accurate and relevant evidence in making their adverse decisions. Hearing officers should be trained to avoid broad issues and ensure that determinations address whether the adverse decisions were erroneous. The training should also be directed toward the following areas. (See Finding No. 3.)

- Preponderance of evidence standard
- Burden of proof
- Equitable relief
- Remands
- Acceptance of oral testimony
- Acceptance and use of OGC legal opinions
- Use of subpoena power

Our evaluation also disclosed that NAD had not implemented a quality assurance review system. Such reviews should be used to identify individual and organizational training needs as well as identify needed policy and procedure updates, and assist in evaluating how well NAD is achieving its mission.

FSA should provide additional training to its State and county office personnel to improve the quality of the adverse decisions and documentation, especially adverse decision letters, supporting the decisions. The training should help ensure that COC's and STC's adequately document their adverse decisions (i.e., clearly show the basis for their determinations including summarizing applicable criteria and evidence) and provide sufficient information to the participants and to NAD through their adverse decision letters and any subsequent correspondence when necessary. (See Finding No. 1.)

RECOMMENDATION NO. 5a
(To the NAD Director)

Provide training to review and hearing staff which is directed toward teaching and reinforcing basic skills needed to conduct hearings and reviews and issue appropriate determinations, and which focuses on explaining the differences between the authorities of NAD and those granted to the agencies.

NAD Response

In its March 21, 1997, response, NAD replied:

> *NAD is providing regional training in the area of writing determinations, conducting hearings, and exercising the authorities of NAD this fiscal year. Additional training has been scheduled for fiscal year 1998 in the adjudicative process. Further, each employee of NAD is developing individual training plans in coordination with the Planning, Training, and Quality Control section of NAD. These individual plans include basic curriculum, established by the Deputy Director for Hearings and Administration, as well as advanced courses related to the employee's job responsibilities.*

OIG Position

We concur with NAD's management decision for this recommendation.

RECOMMENDATION NO. 5b
(To the NAD Director)

Establish a quality assessment review system.

NAD Response

In its March 21, 1997, response, NAD replied:

The Planning, Training, and Quality Control (PTQC) Section of NAD was established in 1996 to address this area as well as training and the Government Performance and Results Act of 1993 (GPRA). The PTQC Section of NAD has established a quality assessment review system for hearing and review determinations. The assessment reviews will evaluate the quality of hearing determinations; identify common proficiencies and weaknesses to determine training needs; and satisfy GPRA Annual Performance Plan goals. A final report on the review will be submitted annually to the Director. The staff of the PTQC Section has randomly selected 36 cases, 12 from each region, for review in fiscal year 1997 and plans on selecting a minimum of 48 cases in fiscal year 1998. The number of cases reviewed will increase in future years.

OIG Position

We concur with NAD's management decision for this recommendation.

RECOMMENDATION NO. 5c
(To the FSA Administrator)

Provide additional training to State and county office personnel designed to improve the quality of their adverse decisions and assist them in understanding the documentation needed to support the adverse decisions.

FSA Response

In its March 21, 1997, response, FSA replied that it "accepts and agrees with the findings and recommendations of the audit."

OIG Position

FSA's response did not specify the actions it plans to take for this recommendation. To reach a management decision, we need to be informed of the actions to be taken and the timeframe for carrying them out.

EXHIBIT A - FLOWCHART OF THE NAD ADMINISTRATIVE APPEALS PROCESS

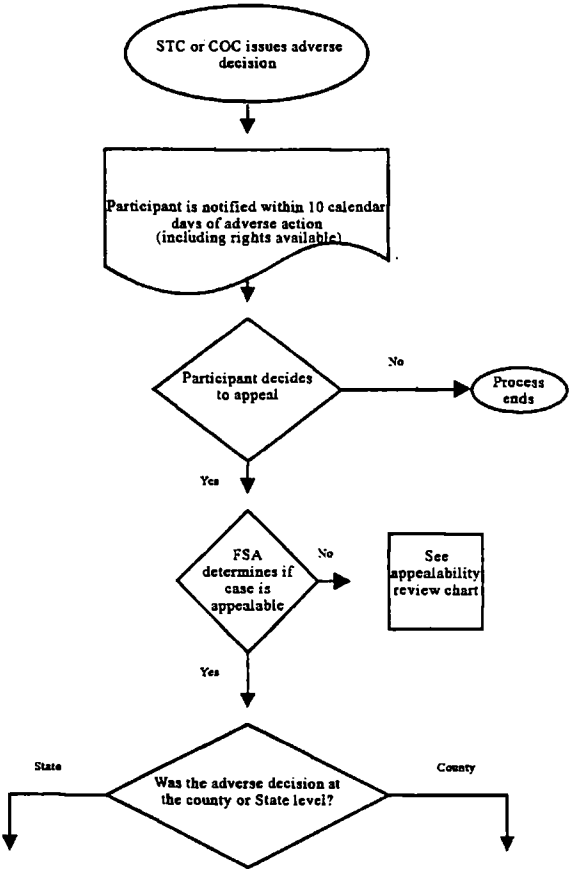


EXHIBIT A - FLOWCHART OF THE NAD ADMINISTRATIVE APPEALS PROCESS

DIRECTOR'S REVIEW OF APPEALABILITY

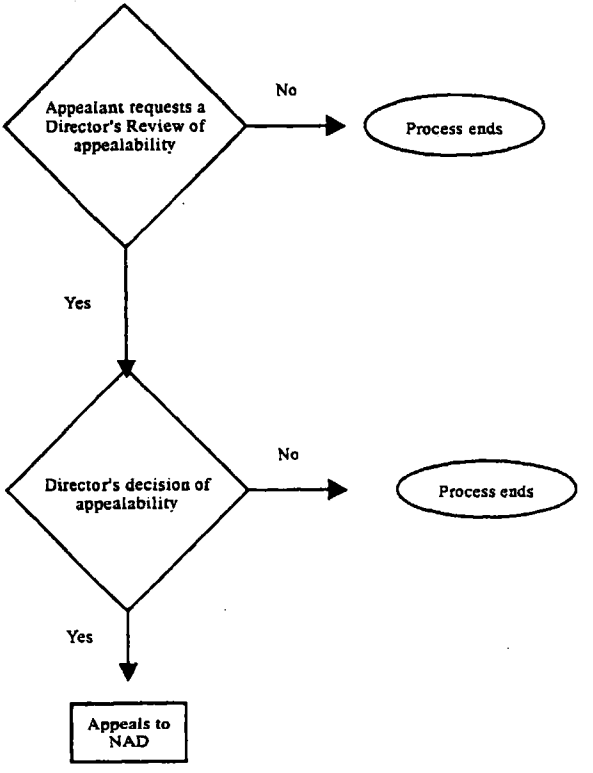


EXHIBIT A - FLOWCHART OF THE NAD ADMINISTRATIVE APPEALS PROCESS

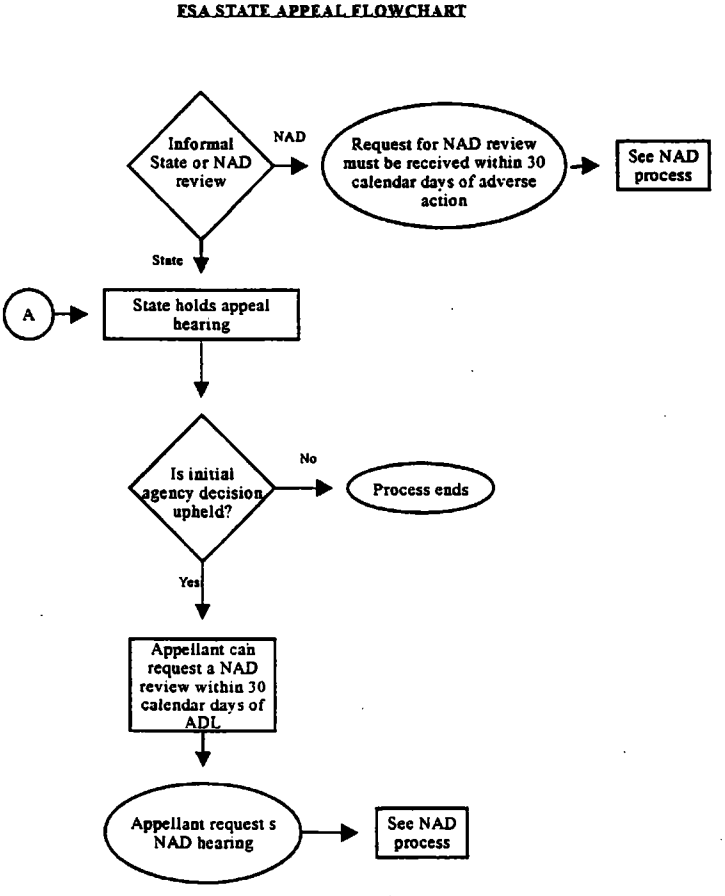


EXHIBIT A - FLOWCHART OF THE NAD ADMINISTRATIVE APPEALS PROCESS

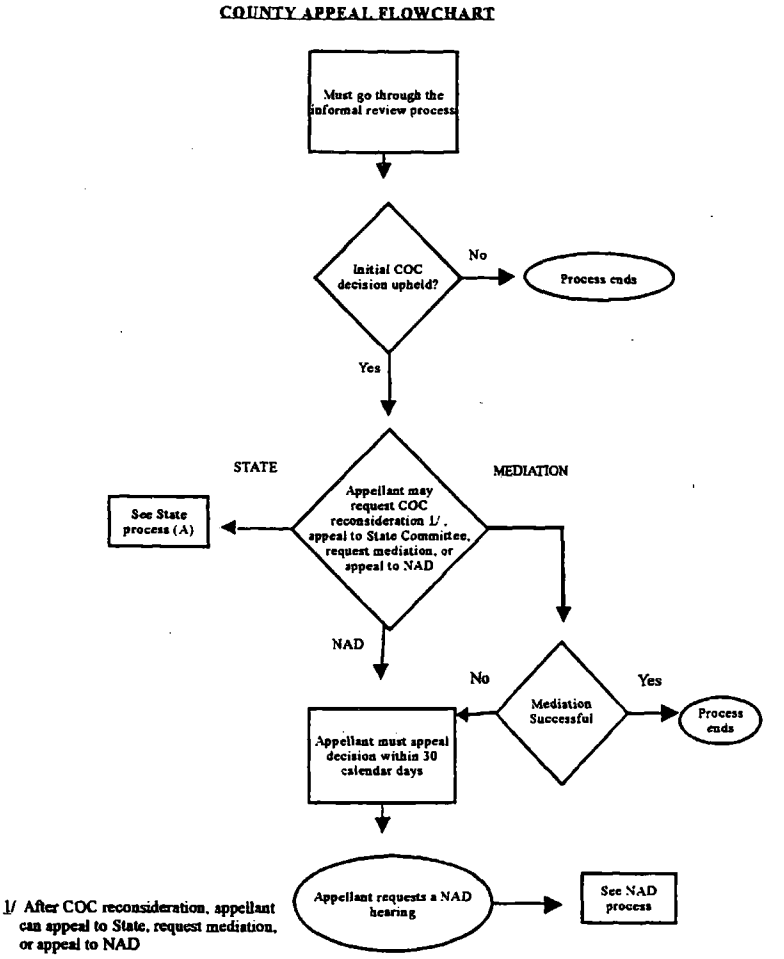


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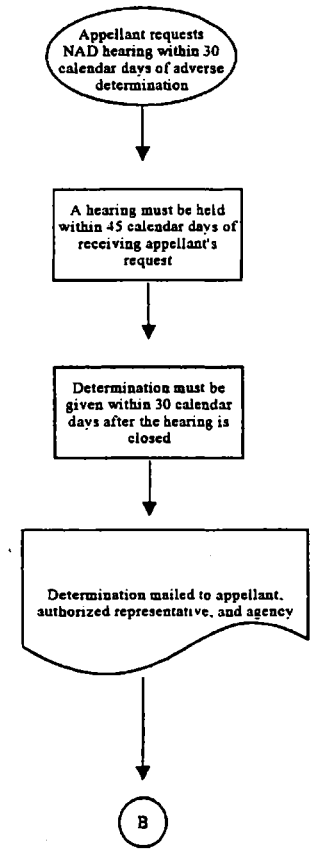


EXHIBIT A - FLOWCHART OF THE NAD ADMINISTRATIVE APPEALS PROCESS

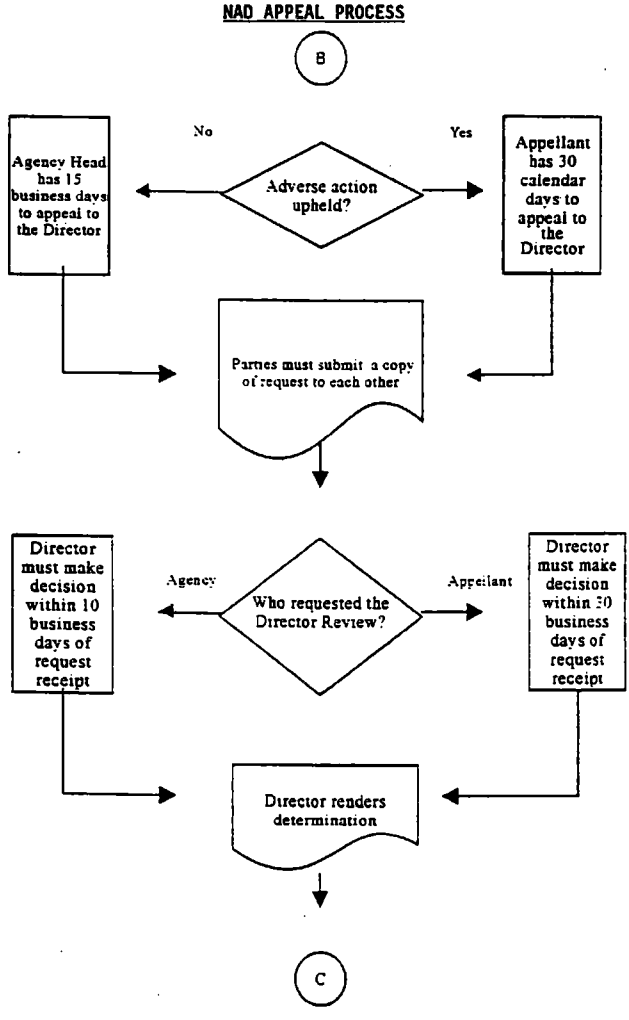


EXHIBIT A - FLOWCHART OF THE NAD ADMINISTRATIVE APPEALS PROCESS

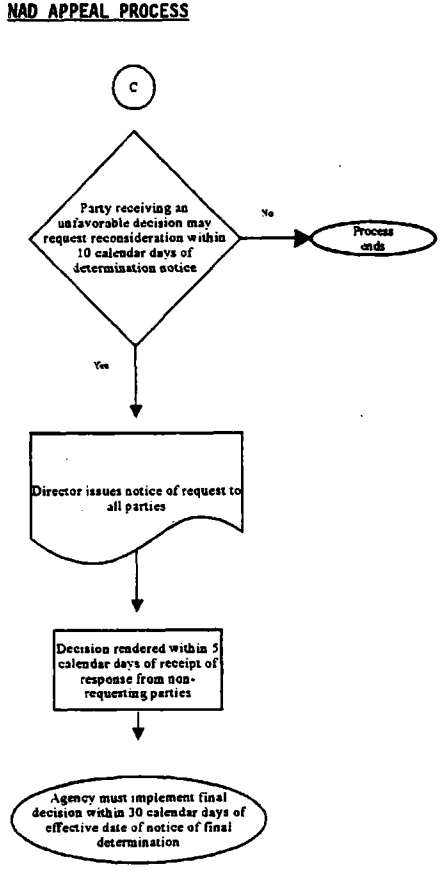


EXHIBIT B - SUMMARY STATISTICS FOR HEARING OFFICER AND DIRECTOR DETERMINATIONS

HEARING OFFICER DETERMINATIONS BY NAD REGION AND AGENCY (OCTOBER 1, 1995, THROUGH SEPTEMBER 30, 1996)			
	EAST		
	Agency Reversed	Agency Upheld	Modified
FSA	117	366	23
RD	116	523	17
NRCS	4	36	1
TOTAL	237	925	41
	WEST		
	Agency Reversed	Agency Upheld	Modified
FSA	256	433	68
RD	87	196	6
NRCS	10	15	1
TOTAL	353	644	75
	SOUTH		
	Agency Reversed	Agency Upheld	Modified
FSA	293	274	32
RD	165	371	10
NRCS	4	12	0
TOTAL	462	657	42

EXHIBIT B - SUMMARY STATISTICS FOR HEARING OFFICER AND DIRECTOR DETERMINATIONS

DIRECTOR'S DETERMINATIONS APPELLANT REVIEW REQUESTS OCTOBER 1, 1995, THROUGH SEPTEMBER 30, 1996				
	Hearing Officer Reversed	Hearing Officer Upheld	Modified	Total
FSA	13	531	14	558
RD	3	317	0	320
NRCS	0	48	0	48
TOTAL	16	896	14	926

DIRECTOR'S DETERMINATIONS AGENCY REVIEW REQUESTS OCTOBER 1, 1995, THROUGH SEPTEMBER 30, 1996				
	Hearing Officer Reversed	Hearing Officer Upheld	Modified	Total
FSA	101	105	8	214
RD	11	6	20	37
NRCS	0	1	0	1
TOTAL	112	112	28	252

The tables presented in this exhibit were compiled from information contained in NAD's "Fiscal Year 1996 Annual Report."

EXHIBIT C - SUMMARY OF DEFICIENCIES CITED IN FINDINGS NOS. 1 AND 2

		FINDING NO. 1 (ADVERSE DECISION LETTERS)			FINDING NO. 2 (HEARING OFFICER DETERMINATIONS)	
NAD LOG NUMBER	AGENCY	NEITHER THE EVIDENCE NOR THE CRITERIA CITED	CRITERIA CITED/ EVIDENCE NOT CITED	EVIDENCE CITED/ CRITERIA NOT CITED	RELEVANT CRITERIA NOT ADDRESSED	RELEVANT EVIDENCE NOT ADDRESSED
95000494E	RD				X	X
95001719E	FSA				X	X
95001333S	FSA			X	X	X
95001677S	FSA			X	X	X
95001368S	FSA	X				
95000487W	FmHA[1]				X	X
95001166W	FSA			X		
95001121W	FSA	X			X	X
95001816W[2]	FSA					
95001168S	FSA			X	X	X
95001492S	FSA	X			X	X
95200026S	FSA			X	X	X
95001634E	FSA	X			X	X
96000613S	FSA	X				
95001143W	FSA			X	X	X
95001142W	FSA			X	X	X
95001040W	FSA		X		X	X
95001110W	FSA				X	
95001588W	FSA			X		
95001335S[3]	FSA				X	X

[1] This case involves the farm operating loan program which is now administered by FSA.

[2] There was no adverse decision letter in the hearing record.

[3] The FSA representative attending the hearings improperly determined that the 90-day rule applied.

EXHIBIT C - SUMMARY OF DEFICIENCIES CITED IN FINDINGS NOS. 1 AND 2

NAD LOG NUMBER	AGENCY	FINDING NO. 1 (ADVERSE DECISION LETTERS)			FINDING NO. 2 (HEARING OFFICER DETERMINATIONS)	
		NEITHER THE EVIDENCE NOR THE CRITERIA CITED	CRITERIA CITED/ EVIDENCE NOT CITED	EVIDENCE CITED/ CRITERIA NOT CITED	RELEVANT CRITERIA NOT ADDRESSED	RELEVANT EVIDENCE NOT ADDRESSED
95001334S	FSA					
95001707S	FSA		X			
95001328S	FSA		X			
95001706S	FSA		X			
95001353S[3]	FSA		X		X	X
96000781E	FSA				X	X
96000846E	FSA				X	X
95002271E	FSA	X			X	X
96001275E	FSA	X				
96001454E[4]	FSA		X		X	X
95002249E	FSA				X	X
96000435E	FSA			X	X	X
96000870E	FSA		X		X	X
96000468E	FSA				X	X
96000914E[5]	FSA				X	X
TOTAL		7	7	9	25	24

[4] This case was also recorded as NAD No. 96000756E.

[5] There was no adverse decision letter in the hearing record.

EXHIBIT D - NAD RESPONSE TO THE DRAFT REPORT



UNITED STATES DEPARTMENT OF AGRICULTURE
NATIONAL APPEALS DIVISION
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

MAR 21 1997

TO: James R. Ebbitt
Assistant Inspector General for Audit
Office of the Inspector General

FROM: Norman G. Cooper Norman G. Cooper
Director

SUBJECT: Response to the Office of the Inspector General Audit 50801-2-At
National Appeals Division - Administrative Appeals

This responds to your draft report on subject audit. As discussed at the exit conference on February 20, 1997, many of the recommendations parallel activities already underway at the National Appeals Division (NAD). The draft report's evaluation of the appeals process is quite helpful in providing direction for the continued improvement of NAD, and your staff is to be commended for its work.

National Appeals Division:

NAD was established by the Department of Agriculture Reorganization Act of 1994, Public Law No. 103-354. The mission of NAD is to carry out the provisions of that law in establishing an independent administrative appeals process. NAD conduct evidentiary hearings and reviews respecting adverse program decisions made by agencies of Rural Development (RD), the Natural Resources Conservation Service (NRCS), Risk Management Agency (RMA), and the Farm Service Agency (FSA).

Participants (appellants) have the right to appeal adverse decisions and to have a hearing before a NAD Hearing Officer in their state of residence. Once a determination is made by a Hearing Officer, the appellant or the affected agency head may request a review of the Hearing Officer determination by the NAD Director. NAD final determinations are reviewable by United States District Courts.

NAD is headquartered in Alexandria, Virginia, with a small review and support staff, with three regional offices responsible for the activities of over 70 Hearing Officers in three geographic areas: Eastern - Indianapolis, Indiana; Southern - Memphis, Tennessee; and Western - Lakewood, Colorado.

EXHIBIT D - NAD RESPONSE TO THE DRAFT REPORT

Response to OIG Audit 50801-2-At 2

Responses to Audit Recommendation:

Finding No. 2: NAD Hearing Officers Sometimes Substituted Their Judgment for that of the Agency.

Recommendation 2a:

Require Hearing Officers to limit the scope of NAD hearings to matters appealable to NAD. In order to provide this assurance, the ISSUE section of the Hearing Officer's determination should:

- identify the law, regulation, and/or procedure to which the appellant claims the agency did not adhere,
- identify the evidence that the appellant contends was not considered by the agency or the evidence which was supposedly erroneous, and
- state whether the appellant contends there is no reasonable basis for the agency's determination.

Response:

The Director of NAD determines if an issue is properly before NAD. A finding of jurisdiction by the Director is a final decision and all parties to the appeal, including the Hearing Officers, are bound by the decision. See 7 USC 6992(d).

NAD Hearing Officers identify the issue(s) under appeal in a section of the NAD Hearing Officer determination entitled "Statement of the Case" or "Background." Further, this section summarizes the appellant's argument and whether the appellant contends there is a reasonable basis for the agency's adverse decision. In addition, the laws, regulations, and/or procedures to which the appellant claims the agency did not adhere are cited in this section.

NAD conducts de novo hearings, analyzing evidence submitted by both the appellant and the agency. NAD conducts hearings in a manner most likely to obtain facts relevant to the matter(s) at issue. Hearing Officers are not confined to evidence known to the agency at the time the adverse decision was made. The Hearing Officer's findings and conclusions are contained in a Hearing Officer determination. The format for a Hearing Officer determination was revised to include citations to relevant laws and regulations, specific exhibits entered into the record, and to address the burden of proof.

Recommendation 2b:

Require Hearing Officers to limit their determinations to the factual matter of whether an agency complied with applicable laws, regulations, and generally applicable interpretations. In order to provide this assurance, the CONCLUSION section of the Hearing Officers' determination should include the following:

EXHIBIT D - NAD RESPONSE TO THE DRAFT REPORT

- Cite the specific laws, regulations, and/or procedures which are relevant to determining whether the agency's adverse decision was in error, and avoid referring to broad criteria not specifically related to the alleged error. When determining that the agency failed to follow appropriate criteria, state how the agency erred.
- Cite the specific evidence used in drawing the conclusions, whether the agency had considered all relevant evidence, and identify what evidence was in error.
- Contain a description of how the relevant evidence did or did not logically relate to the relevant laws, regulations, and/or procedures. The description should also include a conclusion as to whether the appellant met the preponderance of evidence standard by showing that there was no logical relationship between the two, when applicable.

Response:

As stated in response to recommendation 2a, the Hearing Officer determination format has been revised since the issuance of the 1995 determinations reviewed for the audit. There has also been specific training on writing of determinations and all Hearing Officers will have had substantial training and discussion on writing determinations by the end of this fiscal year.

The "Conclusions" section now cites specific laws and regulations which are relevant to determining whether the agency's adverse decision was erroneous or not. Specific statements are used to analyze evidence that was considered relevant and credible as well as setting forth the applicable regulations used in determining whether the agency's adverse decision was erroneous. Further, a specific conclusion is dedicated to determine whether the burden of proof has been met through a preponderance of the evidence.

Finding No. 3: **NAD Needs to Update its Policies and Procedures.**

Recommendation 3a:

Implement a formal policies and procedures system by combining the current Hearing Officer Manual and various "NAD Notes" into a numbered and dated manual.

Response:

NAD has created a directives system to disseminate NAD policies and procedures. The directives are to be numbered and incorporate expiration dates. Currently, NAD Notes and individual policy statements serve to supplement NAD's Interim Final Rule, found at 7 C.F.R. § 11. The Hearing Officer Manual and copies of applicable NAD Directives will be updated upon publication of the NAD Final Rule, which is being prepared by the Office of General Counsel.

EXHIBIT D - NAD RESPONSE TO THE DRAFT REPORT

Recommendation 3b:

Update NAD guidelines to clarify policies and procedures related to the following areas.

- Preponderance of evidence standard for review
- Granting of equitable relief
- Remands
- Acceptance and use of oral testimony
- Acceptance and use of OGC legal opinions
- Use of NAD subpoena powers

Response:

The NAD Interim Final Rule and comments published in the Federal Register cover the areas addressed. Further, the issues of Preponderance of Evidence, Equitable Relief, OGC Opinions and Subpoenas are covered in the NAD Hearing Officer Manual. Subpoenas and Equitable Relief have also been addressed in NAD Notes.

Finding No. 4: **NAD's Management Information System (MIS) Needs Improvement.**

Recommendation 4:

Update the MIS in order to provide necessary information to ensure that:

- NAD provides appellants timely determinations and complies with legislation time frames, and
- management reports contain relevant information and provide a means for measuring the performance of the division at all levels, and provide tools for determining where resources are needed.

Response:

One of the highest priorities of NAD is to upgrade its current Management Information System (MIS) in order to provide more accurate and timely data, as well as to provide a more effective monitoring tool to ensure timely hearings and determinations. NAD has requested special initiative funds in fiscal year 1998 to achieve this priority. The request for additional funds stated that the current tracking system was put in production in 1989 to track former Farmers Home Administration (FmHA) appeals and does not fulfill NAD's monitoring and reporting needs. Additionally, the current MIS limits the ability of NAD to furnish the Secretary, the Congress, and other interested parties information regarding the appeals handled by NAD. This vital initiative is being coordinated with the Department's OIRM.

EXHIBIT D - NAD RESPONSE TO THE DRAFT REPORT

Response to OIG Audit 50801-2-At 5

Finding No. 5: Training for NAD and FSA could be Improved.

Recommendation 5a:

Provide training to review and hearing staff which is directed toward teaching and reinforcing basic skills needed to conduct hearings and reviews and issue appropriate determinations, and focuses on explaining the differences between the authorities of NAD and those granted to the agencies.

Response:

NAD is providing regional training in the area of writing determinations, conducting hearings, and exercising the authorities of NAD this fiscal year. Additional training has been scheduled for fiscal year 1998 in the adjudicative process. Further, each employee of NAD is developing individual training plans in coordination with the Planning, Training, and Quality Control section of NAD. These individual plans include basic curriculum, established by the Deputy Director for Hearings and Administration, as well as advanced courses related to the employee's job responsibilities.

Recommendation 5b:

Establish a quality assessment review system.

Response:

The Planning, Training, and Quality Control (PTQC) Section of NAD was established in 1996 to address this area as well as training and the Government Performance and Results Act of 1993 (GPRA). The PTQC Section of NAD has established a quality assessment review system for hearing and review determinations. The assessment reviews will evaluate the quality of hearing determinations; identify common proficiencies and weaknesses to determine training needs; and satisfy GPRA Annual Performance Plan goals. A final report on the review will be submitted annually to the Director. The staff of the PTQC Section has randomly selected 36 cases, 12 from each region, for review in fiscal year 1997 and plans on selecting a minimum of 48 cases in fiscal year 1998. The number of cases reviewed will increase in future years.

EXHIBIT E - FSA RESPONSE TO THE DRAFT REPORT

United States Department of Agriculture
Farm Service Agency
Stop 0570
1400 Independence Ave SW
Washington DC 20250-0570

AUDITS & INVESTIGATIONS GROUP
MAR 21 1997
1997 MAR 21 P 4:19

To: James R. Ebbitt

From: William O. Waggener
Director
Appeals and Litigation Group

Subject: Comments Regarding OIG Evaluation Report Number 50801-2-At
National Appeals Division - Administrative Appeals

In reply to your February 21 memorandum requesting a written response to the OIG Official Draft Audit Number 50801-2-AT, National Appeals Division - Administrative Appeals, I provide the following comments.

The Farm Service Agency (FSA) accepts and agrees with the findings and recommendations of the audit. Further, regarding the comments and findings relevant to certain established deadlines set forth in the National Appeals Division (NAD) Interim Final Rule, 7 CFR Part 11, FSA believes the NAD Director should be allowed to waive the applicable time frames "for cause" when the interests of reaching a "fair and equitable" determination are served. FSA recognizes the interim rule makes no such provision, certain cases, from either FSA's or the appellant's perspective, may well require more than 15 or 30 days normally permitted, due to the complexity of the case or other relevant factors.

The necessity to ensure a "fair and equitable" decision may well dictate some flexibility be allowed in other time frames imposed on the parties to an appeal. FSA certainly has no objection to time frames being extended for appellants for good cause shown, as determined by the NAD Director. FSA routinely extends similar deadlines for program participants under appeals heard at the State or county committee level when good cause is shown. FSA appeal regulations at 7 CFR Part 780 specifically allow for the waiver of certain deadlines when good cause is shown.

Additionally, the enclosed flow diagram provides a corrected description of FSA's informal appeals and mediation processes and their interfaces with NAD. As an aid in interpreting the attached flow diagram, I offer the following additional observations:

AN EQUAL OPPORTUNITY EMPLOYER

EXHIBIT E - FSA RESPONSE TO THE DRAFT REPORT

a. The entry point in the diagram is an adverse decision made by an employee of a county committee. Adverse decisions may also be made initially by the county committee and by Ag Credit Managers, who are federal employees. These circumstances are not clearly dealt with in the interim rule governing NAD appeals and Agency informal appeals, but are under review within the Office of General Counsel.

b. If an adverse decision is made by a county committee employee, the decision must first be appealed to the county committee.

c. As indicated in the diagram, there are four stages in FSA's informal appeals and dispute resolution process where a producer may request an appeal hearing before a NAD hearing officer or may request mediation.

d. Once a request is made to NAD, however, all further processing of the dispute within FSA's informal appeals process is terminated. Because of such a termination, no opportunity for mediation is thereafter available under the Agency's mediation program.

e. While there are four opportunities in the process where a producer may request mediation, only one mediation opportunity is available (and only prior to any appeal to NAD).

If you have any questions regarding these comments, please do not hesitate to contact me at 202-690-3297.

Enclosures

OIG NOTE: The flow diagram of FSA's informal appeals and mediation processes is not included. It is available at our southeast regional office.

ABBREVIATIONS

BES	Basic Engineering Services
CFSA	Consolidated Farm Service Agency
COC	County Committee
ES	Extension Service
FmHA	Farmers Home Administration
FSA	Farm Service Agency
MIS	Management Information System
NAD	National Appeals Division
NRCS	Natural Resources Conservation Service
OGC	Office of the General Counsel
OIG	Office of Inspector General
RD	Rural Development Service
SCS	Soil Conservation Service
SAS	Statistical Analyses System
STC	State Committee
USDA	U.S. Department of Agriculture

Copies of this report have been distributed to:

Director, National Appeals Division	
Attn: Agency Liaison Officer	(3)
Administrator, Farm Service Agency	
Attn: Agency Liaison Officer	(4)
General Accounting Office	(1)
Office of the Chief Financial Officer	
Director, Planning and Accountability Division	(1)

NATIONAL APPEALS DIVISION

Mrs. Emerson: What is the relationship between the Secretary's office and the NAD? Do you have the authority to reverse decisions by the Director of the NAD that are clearly hurting our producers out in the country?

Response: The Department of Agriculture Reorganization Act of 1994 established the NAD as an independent entity within the Department to adjudicate certain farm and rural development program appeals, headed by a Director who is subject only to the control of the Secretary. The statute set forth a comprehensive procedure for program participants to appeal agency adverse decisions to NAD. The appeal process initially provides for a hearing before a hearing officer on matters of individual applicability to the participant, as opposed to matters of general applicability which are unappealable. If the agency or the appellant disagrees with a hearing officer's decision, either party may request review of that decision by the NAD Director. The statute provides that all decisions of a hearing officer on which Director review is not sought, and all decisions of the Director, are final decisions of the Department subject to judicial review.

The statute provides the Secretary with no express authority to review, reverse, or vacate determinations of the Director or NAD hearing officers. Thus, without any such express authority in the NAD decisionmaking process as outlined above, general principles of administrative law dictate that the Secretary lacks any authority to reverse a final NAD determination but only if that determination contradicts firm Department interpretation of statutes or regulations. I am authorized as well to grant equitable relief where appropriate, but only pursuant to separate and specific statutory authority.

NATIONAL APPEALS DIVISION

Mrs. Emerson: I would urge you to follow-up on this issue aggressively and get to the heart of the problem over there at NAD. It's just amazing to me that any part of USDA, which ought to be an advocate for producers, would act in such a punitive and heavy-handed manner when dealing with farmers. I can tell you, Mr. Secretary, that these NAD decisions are having a huge impact on real farmers. Very recently, 3 cotton producers in my Congressional District received favorable rulings from regional hearing officers, only to have those rulings later overturned by the NAD. Furthermore, the three cases that were overturned by the NAD actually impacts 200 to 300 cotton farmers in Dunklin County, Missouri who received a State FSA Committee denial of relief based upon the national office decision (cases below $5,000 are decided at the state level). The state office would not make a decision on these 200 to 300 other cases until the national office made a decision on the aforementioned three. The point I want to reiterate is that it is just really wrong when 86% of the decisions are going AGAINST the producer. Mr. Secretary, would you consider intervening in the three cases in my Congressional District, and the state level cases which are affected, and restoring the original decision of the regional hearing officer in favor of the producers?

Response: As much as I may desire, the NAD statute does not permit me to reverse NAD decisions simply because they are hurting producers during this farm crisis. If the specific cotton producers in your District can demonstrate that the NAD Director's determination is contrary to a firm Department interpretation of statutes or regulations, or demonstrate eligibility for equitable relief under an applicable statute, they should ask the appropriate federal court to reverse the NAD decision as the statute provides.

BIOBASED PRODUCTS/BIOENERGY

Mrs. Emerson: Included in the administration farm safety net proposal you announced recently is $400 million over the next 3 years for a new Bioenergy initiative. It would seem that to be consistent with the administration's support of bioenergy, the President would insist that California comply with the oxygenated fuels requirement of the Clean Air Act. What is your position on the issue Mr. Secretary and what will you urge the President to do?

Response: The Administration including USDA, is working on a plan to reduce significantly the use of MTBE in gasoline as quickly as possible without sacrificing the gains made in achieving cleaner air. Administrator Browner stated that EPA is committed to working with Congress to provide a targeted

legislative solution that maintains our air quality gain, and allows for the reduction of MTBE while preserving the important role of renewable fuels like ethanol. The Administration is committed to maintaining and expanding the market for ethanol.

BIOBASED PRODUCTS/BIOENERGY

Mrs. Emerson: Mr. Secretary, in making its request for a waiver from the oxygenated fuels requirement of the Clean Air Act, California says that ethanol is not a cost-effective alternative to MTBE. Do you have data and information to show that ethanol is, in fact, cost-effective in the California market?

Response: USDA provided information as to the effects on agriculture from expanded ethanol use to completely replace MTBE nationally for the EPA Blue Ribbon Panel on MTBE and for Senator Harkin. In addition, Downstream Alternative provided ethanol transportation cost information to the Panel and several groups, including DOE, provided information on refinery costs from using just ethanol or allowing other alternatives. DOE indicated for PADD I with no oxygenate requirement and no ethers, the long term increased cost would be 1.9 cents per gallon. With ethanol only and the oxygenate requirement maintained, the long term cost is 2.4 to 3.9 cents per gallon. We are including the Blue Ribbon Panel Report and the USDA analysis for Senator Harkin for your use.

BIOBASED PRODUCTS/BIOENERGY

Mrs. Emerson: My concern, Mr. Secretary, is that you stay highly engaged on this issue and you don't let the EPA do all the talking as we get closer to a final decision. What I'd be curious to know is whether or not your Department has been over to EPA to tell them how important this is to farmers and whether or not you have raised this issue personally in discussions with the EPA and the White House. Can you comment on your level of personal involvement?

Response: The Department has been strongly engaged in this issue. USDA was represented on the EPA Blue Ribbon Panel on MTBE and made clear the economic importance of ethanol to agriculture and rural America. EPA is well aware of the Department's strong interest in expanding ethanol markets. USDA is working with EPA in developing an Administration strategy that will meet the goals of clean air and water while maintaining and strengthening the market for renewables like ethanol.

ACROSS THE BOARD REDUCTION

Mrs. Emerson: Why you did you decide to reduce the balance in this account, which could provide important financial assistance to production agriculture, by over 24 percent?

Response: Under the FY 2000 0.38 percent rescission, USDA was required to cut about $96 million. The cut applied to discretionary and emergency programs; therefore, reductions were taken from both categories of funding. In allocating the cut, we avoided an across-the-board approach and instead targeted the cut to lower priority programs, administrative funding, and areas where other funds were available. In the emergency category, roughly $23 million of the cut was taken from market loss assistance payments since there were funds in excess of amounts needed to make those payments.

COTTONSEED ASSISTANCE PROGRAM

Mrs. Emerson: It has been nearly 3 months since legislation authorizing cottonseed assistance was approved. When do you expect to announce the details of the program?

Response: We are working up the final details. One source of delay in our actually writing the checks is the time required to write, clear, and publish the regulation and the application form we will need to determine the payments. We are working as fast as we can and understand the urgency of implementing the program.

Mrs. Emerson: The first handler payment option appears to offer the advantage of reducing the administrative burden on FSA. What other actions could be considered to reduce the administrative cost of the program?

Response: That appears to offer the largest potential saving of administrative costs. Administering the program directly from FSA's Kansas City Commodity Office instead of through FSA county offices could be another.

Mrs. Emerson: Will the administrative costs be deducted from the funds available for the cottonseed assistance program?

Response: No, the administrative costs will not be deducted.

Mrs. Emerson: I understand the remaining funds could be used for the cottonseed assistance program and a competitiveness program for Pima cotton. I understand the language in the legislation could be interpreted to authorize you to utilize CCC funds to operate the Pima program thereby maximizing the financial assistance that could be made available for cottonseed. Are you considered using CCC funding for the Pima program so the full $84.1 million remaining balance could be available for cottonseed assistance?

Response: We are of the opinion that the language in the Consolidated Appropriations Act, Pub.L. 106-113, will not permit us to operate the program through CCC borrowing authority. Rather, the funding appears to be limited to an amount allocated from the unspent supplemental AMTA funds. To provide some support for ELS producers in the face of often subsidized foreign competition, we will likely allocate $10 million for the ELS program, leaving $74 million for cottonseed payments.

P.L. 480 AND SECTION 416(B)FOOD ASSISTANCE

Mrs. Emerson: As you well know, Mr. Secretary, exports are absolutely critical to the livelihoods of America's farmers and ranchers. In fact, the Mississippi River forms the eastern border of my District which gives our farmers the access they need to world markets. However, we've seen a significant decline in the value of our agricultural exports -- the most recent figures from the Economic Research Service at USDA tell us that our agricultural exports are off 7 percent from 1998, off 9 percent in bulk commodities such as cotton and soybeans. With this in mind, I am wondering why you aren't being more aggressive in promoting exports and moving commodities through our food donation programs. You are essentially asking for level funding, for example, of the P.L. 480 program. And the section 416(b) program is being reduced dramatically from last year. Where in your budget can you demonstrate a renewed commitment to exports and food donations?

Response: The budget does not represent any reduction in the Administration's commitment to expanding overseas markets for America's farmers and ranchers. In many cases, the budget continues export promotion and trade programs at or near current program levels. This is true for CCC export credit guarantees, the Market Access Program, and Foreign Market Development Program.

In the case of foreign food assistance, we are being aggressive in the use of our authorities. Last year, we programmed the highest level of food assistance under USDA programs in at least the last 25 years. This year, we currently expect to program close to 4.0 million metric tons of commodities to nearly 50 countries under the authority of section 416(b). We are actively working with foreign governments, private voluntary organizations, and the World Food Program on these donations. In addition, we continue to use the authority of the Food for Progress Program to its full extent as well as implement the P.L. 480 Title I program.

Mrs. Emerson: With regard to section 416(b), USDA shipped as much as 6 million metric tons last year, but proposes to ship just 3 million metric tons this year. With commodity prices still as low as last year and the financial difficulties for farmers as severe as ever, my question is, why would you hold back? Isn't now the time we need to use section 416(b) to the maximum extent

that we can?

Response: We are in the process of implementing recent decisions which will provide a total of 4 million tons of commodities under section 416(b) authority. This is somewhat below last year's level, but it is important to remember that about 1.7 million tons of wheat and wheat products donated under section 416(b) last year were shipped to Russia. As you know, we are still reviewing a request from Russia for additional assistance this year.

It also is important to note that in making decisions on food aid programming we must be careful not to undercut commercial export sales and not create disincentives to production in the recipient countries. There are limits to how much food assistance can be programmed, and we make decisions with those factors in mind.

Mrs. Emerson: As you know, I have written to you many times about the urgent need to include soybeans and soybean products as part of the section 416(b) program. I'm glad to see that you included soybeans in your recent announcement, though I think that you were rather stingy in this area. Soybean producers need your help on a much larger donation program for soybeans and soybean products, and I would urge you to make additional section 416(b) allocations this year toward that end. My question relates to the proposal that the soybean industry, in conjunction with private voluntary organizations (PVOs) sent up to your office and which I have endorsed, which lays out a plan to send soybean and soybean products to specific countries while not displacing commercial sales. A lot of work went into that proposal and I would like to know what your opinion of it is, and whether or not you think you will be able to accommodate that proposal.

Response: USDA greatly appreciates the work of the soybean industry with the private voluntary organizations. USDA staff spent many hours reviewing the plan to meet the requirement that the United States not disrupt our own commercial sales or those of competing exporters. Based on this review soybeans and products will be included in this year's section 416(b) program. The current allocation for these products is about 425,000 tons.

EXPANDING CRP PROGRAM

Mrs. Emerson: I support your proposal to expand the CRP by 3.6 million acres and I applaud you for making this part of your farm plan. However, I am concerned that you are leaving your existing CRP authority unused. Why is it that the administration refuses to enroll nearly 5 million acres that would bring total CRP acreage up to the 36.4 million acre limit? Certainly, we shouldn't let this important conservation program that is good for farmers and the land pass us by.

Response: We agree that CRP is an important tool in addressing some of the most serious environmental problems associated with agricultural production. It allows farmers to voluntarily protect environmentally sensitive land while receiving fair compensation. Our position is to fully utilize our acreage authority to enroll agricultural lands that will yield the greatest environmental benefits. If acreage authority is expanded we will fully utilize the authority and enroll land that will best protect and enhance our natural resources in a cost-effective manner.

To date, USDA has not accepted the maximum number of acres allowed under the 36.4-million-acre cap for two reasons. First, experience from past sign-ups indicates that we will be better able to maximize the long-term benefits of the Conservation Reserve Program by accepting only the most environmentally beneficial acreage in each signup, rather than accepting much lower rated acreage solely for the purpose of meeting the legislated enrollment cap and then being unable to accept more highly environmental desirable land in future sign-ups.

Second, we believe that it is important to maintain room under the cap for high priority practices (e.g., filter strips, riparian buffers, and grass waterways) enrolled under the continuous signup program and Conservation Reserve Enhancement Program (CREP). Less than one million acres have been reserved under CREP which is a Federal-State partnership that targets financial and technical assistance to resource concerns of National and State significance.

FOREST SERVICE DRUG ENFORCEMENT

Mrs. Emerson: Do you know how much marijuana and methamphetamine was eradicated from the National Forest System Lands in calendar year 1999?

Response: In 1999, 1,078,669 pounds of marijuana was eradicated (490,304 plants) from 4,864 sites. Law enforcement personnel also seized 8,898 pounds of processed marijuana, primarily along the southwest and northern borders. In addition,107 methamphetamine labs/dump sites were found on NFS lands.

Mrs. Emerson: How much money was requested to the Office of Management and Budget for the Forest Service Law Enforcement? How much was in the President's Budget?

Response: In FY 2001, the Department request to OMB was $70,288,000. This amount did not include adjustments for indirect expenses or primary purpose reform. The President's FY 2001 budget includes $72,823,000 for Law Enforcement. This is adjusted to include indirect expenses and revision for primary purpose reform. The FY 2001 President's budget adjusted for comparability to the Department request is $70,488,000.

Mrs. Emerson: How much of that money was to be spent on eradicating marijuana and methamphetamine from Forest Service Lands?

Response: Each year the agency provides estimates to the Office of National Drug Control Policy (ONDCP) for how much we anticipate spending on drug enforcement. This allows ONDCP to decide whether or not to certify the Agency for its efforts to comply with the President's National Drug Control Strategy. For the past several years we've estimated that $6.8 million is spent out of our regular appropriation for drug enforcement efforts, thereby decreasing the available appropriated amounts to be spent on visitor, employee and natural resource protection.

Mrs. Emerson: Do you feel that drugs on Forest Service lands is a serious problem? If yes, then why haven't you focused more on resources on this growing problem?

Response: Yes, drugs are a significant and increasing problem on National Forest System lands. We are unable to focus more resources on this growing problem because we have limited resources at our disposal. The Forest Service employs about 580 law enforcement employees out of the roughly 35,000 Forest Service employees nationwide. These 580 law enforcement employees are spread out among 155 National Forests and 20 Grasslands and have responsibility to patrol and investigate criminal activity on 192 million acres of NFS lands.

Law enforcement personnel have a tremendous array of responsibilities that include, illegal drug activities, archeological resource protection, timber theft investigation, wildland fire investigation, forest product theft and unauthorized commercial use, large group events and incident management, environmental protests, and violence directed toward employees or government facilities, to name a few. This is a tremendous workload and is straining our already limited resources. With increased recreational activity on NFS lands and an increase in criminal activity, the Law Enforcement program is directly linked to the need to provide commensurate services to protect public safety.

QUESTIONS SUBMITTED BY MS.KAPTUR

MONETIZATION OF FOOD AID COMMODITIES

Ms. Kaptur: Of particular concern to me is the perception that monetization programs are being delayed. Our report on the fiscal 2000 appropriations called on the Department through the Foreign Agricultural Service to provide us with a report on the impacts and benefits of monetization. We also explicitly stated that monetization is one of the tools of development that should be used. Does the Food Assistance Policy Council understand this point?

Response: Yes, the Food Assistance Policy Council understands the role and importance of monetization in food aid programs. It specifically addressed this issue in determining the level of this year's section 416(b) programming.

Monetization of P.L. 480 Title II, Food for Progress and section 416(b) commodities can play a role in meeting the costs of implementing direct feeding programs, and it can support food security and broader development objectives in many developing countries.

TRACKING OF FOOD AID COMMODITIES

Ms. Kaptur: Last year, we reviewed my concerns about how the Russian food aid program was operating. I have met with you, Under Secretary Schumacher, and the General Sales Manager, Dick Fritz, about my concerns that food aid should go to those who need it, and that the proceeds from monetization should be used to promote worthwhile development goals in the recipient nation. I have and will continue to disagree about the emphasis placed on putting funds into the Russian Pension Fund, particularly if we do not have the ability or the desire to make sure those funds are used properly. You have taken steps to do a good job, but more can and should be done. It has been reported that the Administration is seeking funds to adequately monitor trade agreements. Some of these funds are destined for the Foreign Agricultural Service. Given that you are requesting funds to monitor trade agreements, wouldn't it be equally prudent to establish a fund to monitor the provision of food aid, either through FAS or the Inspector General's Office?

Response: FAS has an existing system that monitors compliance of food aid programs. For last year's large program with Russia FAS did establish a special monitoring system. We work especially closely with the private voluntary organization community to assure proper monitoring of agreements.

Ms. Kaptur: Can you tell us how much, by agency, the Department has spent for each year since fiscal 1997 for the monitoring of trade agreements, and what has been the source of those funds?

Response: FAS estimates that it spends just over $1 million a year for monitoring implementation and ensuring compliance with trade agreements. This funding, included in the FAS appropriation, supports 14 staff years annually. The monitoring process has dealt with major market access issues for U.S. farm products, including such diverse issues as poultry and pork Tariff-Rate Quotas (TRQs) in the Philippines, the dry milk TRQ in the Dominican Republic, Hungary's excessive domestic subsidies, and the dispute settlement case against Canada's dairy export programs and the case against South Korea's segregation of imported beef.

Ms. Kaptur: How does that amount compare with what you are requesting for FAS for fiscal 2001?

Response: The 2001 budget requests an additional $750,000 for FAS to support 8 additional staff years to address the workload associated with the ongoing work of monitoring activities. These relate to the activities of the World Trade Organization, sanitary and phytosanitary measures, technical barriers to trade, NAFTA, etc. and pending WTO accessions (e.g. Russia, Ukraine, and others). The work involves significant analysis, development of negotiation strategies and private sector coordination, outreach to foreign countries to help build support for further reform, and country intelligence and diplomacy. Without increased funding, the ability of USDA to monitor existing trade agreements could be seriously impaired.

Ms. Kaptur: Are you requesting any additional resources for the Inspector General's Office for this purpose? Isn't the IG more likely to be more objective about how trade agreements and aid packages are being implemented?

Response: No additional funding is requested in the 2001 budget for OIG for the specific purpose of expanding its monitoring of trade and food aid agreements. However, OIG will continue the work they have been doing in recent years in this area. Their work is valuable as it brings objectivity to the monitoring and evaluation process and helps to ensure that these programs are being carried out effectively.

IMPORTANCE OF DEVELOPMENT AID

Ms. Kaptur: I am also concerned that not enough has been done to provide consideration for applications in Russia for monetization intended for development. Unless the proper infrastructure for commerce and communities is developed, we can never expect our aid to be fully successful, nor can we expect to take maximum advantage of new trade opportunities. Why has this step not been taken and can you give me any hope that this policy will change for the better?

Response: USDA shares your concerns about helping Russia develop appropriate infrastructure and marketing and financial institutions to promote economic activity. Prior to the devaluation of the Russian currency in 1998, USDA used its Food for Progress authority to provide commodities to private voluntary organizations to implement development activities. A few of these programs were successful, but a large number of the projects encountered severe difficulties, mostly due to defaults by buyers of commodities or by Russian loan recipients. The problems experienced by the organizations likely centered around the broader economic and legal difficulties of the Russian system. USDA and other U.S. government agencies will continue to monitor the situation and will keep the serious development needs of Russia in mind when evaluating future proposals.

IMPORTANCE OF PEOPLE TO PEOPLE AID

Ms. Kaptur: It also should be no surprise to you that I continue to believe that one of the most meaningful forms of assistance would be for the women and children of the United States to provide seeds to the women and children of Russia for use in their own gardens for their own food supply. However, this is not a component of the seed aid package for 2000. I am told that the one proposal that came forward was considered to be unacceptable. What if anything did the Department do to negotiate a more acceptable proposal, or to find an alternative supplier? Is there any way we can still work together towards the achievement of this goal? We are about at the point where it is almost too late for seeds to be of benefit to needy people this year.

Response: USDA has continued to try to arrange for the donation of seed packets to recipients in Russia. USDA has identified potential seed suppliers who may be able to respond to invitations for bids. One of the U.S. private voluntary organizations in Russia is interested in distributing the seed packets to women and children and low income families with access to land plots. USDA hopes to procure and donate seed packets through private voluntary organizations for planting in the Spring through the Fall of 2000.

FARM ASSISTANCE PROGRAMS

Ms. Kaptur: I was critical of the economic assistance package that was approved last fall because it did not provide sufficient assistance across a variety of crops produced in this nation. It shouldn't make a difference whether a farmer grows wheat or tomatoes or hogs, but it did. The proposal the Administration is making, while improving on last year's package, does not provide enough assistance across all agriculture. What do we need to do to provide more realistic assistance to our specialty crop farmers - many of whom do not have crop insurance available to them?

Response: We share your concern that financial problems occur across all of agriculture, not just to producers of the traditionally supported crops. Our proposal tries to address the broader needs of agriculture in several ways. We propose another year of crop insurance premium reductions for purchasers of buy-up coverage, which would assist all insurable crops. For those crops not

having crop insurance, we propose a $30-million increase in crop insurance research to develop policies that the private sector has not developed. Such policies could include insuring specialty crop operations such as organic farming, or alternative production practices. We have also proposed lifting the area-wide trigger on the Noninsured Assistance Program, which covers crops for which insurance is not available, including many horticultural crops. The trigger requires a production loss of 35 percent or more in the area in which the farmer produces. Waiving the trigger would allow producers to receive a payment if they suffer a loss and the area in which they farm does not incur the 35 percent loss.

Our proposal also includes a pilot program for price insurance for livestock producers. In addition to these risk management provisions, which would broaden the commodities receiving Federal support, our proposal includes funding for a range of conservation programs which would benefit producers of all commodities. In particular, our proposal for a Conservation Security Program would provide payments to many producers for undertaking conservation practices, and these payments would, in part, be income support payments. Lastly, our Supplementary Income Assistance Program (SIAP), which would provide payments to the traditionally supported field crops, was limited in funding so that the risk management and conservation initiatives could be funded and still meet an overall budget target. Although we have not proposed an expansion of the SIAP to other commodities, if enough funding were available, some expansion could be considered.

BIOBASED PRODUCTS/BIOENERGY

Ms. Kaptur: We keep hearing about alternative markets for our commodities, and perhaps 60 Minutes has given us one. I am sure you heard of their recent report regarding the inclusion of MTBE - methyl tertiary butyl ether - as a component of oxygenated fuels used in nine cities which face the worst air pollution. Ethanol could be substituted for MTBE to the benefit of both the environment and our farmers. Your budget proposes significant funds for work on biobased fuels. With this market opportunity because of the concerns about MTBE in front of us, what can you do to more effectively promote ethanol and other biobased fuels?

Response: There are two things the Department can do. First, is to use our research capabilities in league with DOE and others to lower the cost of ethanol, thereby enhancing its competitiveness. Our scientists believe there are potential savings of 8 - 15 cents per gallon to lower ethanol process cost directly and further savings of 13 - 18 cents per gallon through coproduct development. Second, is to work within the Administration policy process to provide information and ideas to facilitate the increased use of ethanol and other biofuels. For example, the analysis for Senator Harkin demonstrated the ability of the agricultural sector to replace MTBE use entirely with ethanol and leaving no disruption to the agricultural sector. USDA has also supported the idea of national averaging of oxygenate use in Federal RFG areas rather than a per gallon requirement. EPA is interested in proposing such a rulemaking that we believe would expand ethanol use.

LANDS LEGACY PROGRAM

Ms. Kaptur: I am very interested in your proposals for the Lands Legacy program. One of my concerns is that many of the lands that should be preserved are under the control of people outside of agriculture. Does the Lands Legacy proposal offer an opportunity for non-producers, for units of government, or for other businesses to participate? If not, how can Lands Legacy be modified to include them, or do they have any other options that can be coordinated with this program?

Response: Both the Natural Resources Conservation Service (NRCS) and the Forest Service (FS) support the Administration's Lands Legacy Initiative, the purpose of which is to provide the tools for States, localities and tribes to plan for smart growth and open space preservation. I will ask both agencies to address your concerns.

[The information follows:]

The Land's Legacy Initiative contains the Farmland Protection Program (FPP) administered by the Natural Resources Conservation Service (NRCS). This program was authorized in the Federal Agriculture Improvement and Reform Act

of 1996 (H.R. 2854/Public Law 104-127) for the purpose of purchasing conservation easements or other interests on lands with prime, unique, or other productive soil that is subject to a pending offer from a state or local government body or tribe, to limit non-agricultural uses of the land. Units of government are able to participate through the purchase of conservation easements, however current authorization restricts non-governmental organizations from being able to hold conservation easements. We are requesting authorization of the Farmland Protection Program to enable non-governmental organizations to hold conservation easements, broadening the program and enabling all states to participate in farmland preservation efforts. If the law is changed non-producers and other businesses could participate as members of non-governmental organizations.

The 1996 Federal Agriculture Improvement and Reform Act of 1996 authorized $35 million for the FPP and all funds have been exhausted. However, demand for the program continues to increase, agricultural producers want to sell the development rights for their farms and be assured that their family farms will remain in agricultural use for future generations. In addition, States, local governments, land trusts and other non-governmental organizations are anxious to preserve open space and maintain livability of local communities.

The Forest Service (FS) also supports the Lands Legacy Initiative primarily through two of its program areas. The Land Acquisition Program acquires lands, waters and related interests within the National Forest System as authorized by the Land and Water Conservation Fund Act of 1965 (P.L. 88-578). Many of the acquired lands are located in congressionally designated areas such as Wilderness, National Recreation Areas, Wild and Scenic Rivers and National Scenic Trails. Land acquisitions also improve forest management through consolidation of boundaries and providing access to existing National Forests and Grasslands. Land acquisition funds are provided through the Land and Water Conservation Fund under the Department of the Interior. In FY 2001, a total of $130 million has been requested for acquisition, management, forest and wilderness inholdings and cash equalization.

The second FS mission area that focuses on the Lands Legacy Initiative is State and Private Forestry. The purpose of these programs is to maintain working landscapes, to assure the economic vitality of communities and individuals through sustainable management of the natural resource base on which they rely. Among the State and Private Forestry programs, the Forest Legacy Program (FLP) conserves resource values of forest land, emphasizing lands of regional and national significance that are threatened with conversion to nonforest uses. Working in partnership with State Foresters, local governments, land trusts and interested landowners, the Forest Service supports the acquisition, by States or local entities, of conservation easements or fee simple title to unique lands. The program provides a cost-effective mechanism to protect critical wildlife habitat, conserve watershed functions, and maintain recreation opportunities.

Another State and Private Forestry program, the Urban and Community Forestry Program works to assist local communities in managing trees, forests, urban parks, greenspace and vegetation in order to improve urban lands livability, and reduce sprawl that encroaches on rural working lands. Through planning, demonstration projects, and technical assistance, Urban and Community Forestry programs improve air quality, diminish noise pollution, cool air, reduce erosion, and cut water treatment costs.

Finally, the FS will also serve as a key partner with USDA's Rural-Business Cooperative Service to make loans available through a new USDA revolving loan program to State, local and tribal governments in order to establish a green trust partnership that enables communities to protect open space, limit sprawl, enhance air and water quality, and reduce greenhouse emissions.

Administrative Funding for Commodity Supplemental Food Program

Ms. Kaptur: Many of us were quite pleased to hear that five new states, including Ohio, were approved for the Commodity Supplemental Food Program. However, as I understand it, local program operations are receiving a lesser amount of administrative dollars per caseload slot, and this has been happening for a number of years. The protocol of basing administrative dollars on a percentage of funds appropriated for food does not work for program operators when the average food package cost is declining. There have been suggestions that some operators may have to close distribution sites

because of the loss of administrative dollars, and this could be disruptive to the programs' beneficiaries. The lower per participant administrative funding rate could also make it more difficult for new programs, which traditionally face higher start-up costs to begin. Do you have any ability under current law to provide any additional assistance to CSFP operators?

Response: Section 5 of P.L. 93-86 authorizes CSFP State and local agencies administrative costs of 20 percent of the total funds appropriated for the program each fiscal year, and 20 percent of any food funds carried over from the previous year. We do not have the ability under current statute to provide additional administrative funding. Let me provide some additional detail on this.

[The information follows:]

The amount of the total allocated to each State is proportional to the percentage of caseload each State has been assigned relative to total, National caseload assigned. The amount of administrative funds to be allocated to each State for fiscal year 2000 was reported in an FNS memorandum disseminated on January 3, 2000. However, a small amount of additional funds for administrative costs may be available for dissemination to States later in the year as a result of the return of funds not used by States in the previous year, and final calculation of the amount of unused food funds carried over from the previous year.

Administrative Funding for Commodity Supplemental Food Program

Ms. Kaptur: What is the amount of funds that you would need in order to provide CSFP operators the same per caseload slot level of administrative funds as in fiscal 1999?

Response: This is not something I am prepared to speak on, so please allow me provide that information shortly.

[The information follows:]

Caseload is authorized on a calendar year basis, rather than on a fiscal year basis. The caseload authorized for calendar 1999 was 411,936. The total funds used for administrative expenses during fiscal year 1999 were $19,632,038. The administrative funds were $47.66 per caseload slot.

Caseload for calendar year 2000 is 436,019 which, when multiplied by $47.66, comes to $20,780,665. The budget estimate for FY 2000 for administrative funds in CSFP is $20,075,319. This funding level is a function of the requirements that 20 percent of the appropriation be available for administrative expenses plus 20 percent of any food funds available from the prior year and 100 percent of any administrative funds available from the prior year be made available for operators' administrative expense. An increase of $705,346 would be necessary to keep the administrative funding for 2000 at the same per caseload slot level as in 1999. USDA has not issued caseload for Calendar 2001.

Commodity Supplemental Food Program Legislation

Ms. Kaptur: Do you have any recommendations as to what legislative modifications you would need to rectify this problem for the current fiscal year and for the future?

Response: I know that there is no legislation on this in the budget. Please allow me to submit additional comments on the matter.

[The information follows:]

Since caseload assignment, and allocation of all but a small fraction of administrative funds, have been completed for 2000, there is no immediate means of addressing the issue.

For the longer term, while we cannot offer specific recommendations at this time, we will continue to work with the National CSFP Association to explore alternatives to the present administrative funding system. The Department would, of course, have to consider any changes that would increase CSFP administrative funding in the context of overall budgetary constraints and

limitations for the very tight, discretionary budget accounts.

Plate Waste in Elementary School Lunch Programs

Ms. Kaptur: I am very concerned about the waste I see in our schools. Students leave behind clothing and supplies that have gone out of fashion. Worse yet, we see troubling amounts of food in our school food programs that is thrown out rather than consumed. Some people with the Ohio School Food Services Association suggested to me that the "offer versus serve" standard is not being effectively observed in our elementary schools, and that this results in waste that we should not have. What kind of attention is the Department giving to this issue?

Response: Plate waste has been a concern for the school meals programs partly because schools try to introduce children to new foods. Also, food is not eaten due to children being eager to go to recess, or socialize. And sometimes the meals could be more attractive or be presented in a more attractive setting. The Program has addressed the problem in two general ways. First, high school children and younger ones at State option, are permitted to decline some items in a reimbursable meal. This is known as "offer versus serve," a flexibility that allows the meal to still be reimbursed if the school offers the food, but the child refuses it. That way the food does not go to waste, and the school is not penalized by loss of meal reimbursement. The other way the issue of plate waste is addressed, is through providing training and technical assistance as well as guidance materials for local school food service professionals to assist them in planning and preparing meals that are appealing to children in addition to being nutritious. So, reasonable flexibility and a strong effort to make sure that the meal offerings are not only nutritious, but appealing, is the approach here.

Please allow me to submit additional comments on the matter.

[The information follows:]

Historically, there have been concerns about plate waste in the school meal programs. This was addressed in the National School Lunch Program in the mid-1970's by allowing high school children to decline certain food items in reimbursable meals they do not wish to eat. This provision, known as "offer versus serve" can be extended to elementary and junior high school children at State or local option. Later, "offer versus serve" was adopted in the School Breakfast Program at local option.

USDA has also been providing increased levels of training and technical assistance as well as guidance materials for local school food service professionals to assist them in planning and preparing meals that are appealing to children in addition to being nutritious. Through "offer versus serve" and our efforts to help local schools provide quality meals, we have made significant progress in controlling plate waste in the school meal programs.

As you know, some schools do not elect to allow younger children to decline food items that are part of the reimbursable meal because they have reservations about the ability of these children to make informed food choices and they want children to try new foods. The Department would be reluctant to impose additional requirement son local schools because we believe schools should have flexibility to deal with local circumstances. We think it is a better approach to provide increased levels of training and technical assistance as well as guidance material s for local school food service professionals to assist them in planning and preparing meals that are appealing to children in addition to being nutritious. It is equally important to educate children and their families on the importance of good nutrition and to encourage them to try new foods. We are currently pursuing both goals through Team Nutrition, and we believe that we are having success in increasing children's willingness to eat all of the nutritious meals served in school cafeterias.

Recent Studies of Plate Waste

Ms. Kaptur: Have you done any recent studies on waste to determine patterns and causes?

Response: USDA has not recently studied "plate waste" in the National School Lunch Program. In 1996, however, the General Accounting Office (GAO) performed a study on this matter in response to a request from Representative William F. Goodling. As I recall, they concluded that plate waste was about the same for children eating program lunches as for those who brought food from home; and that the kids desire to get to recess or socialize was apparently more important to them than finishing their meal. Let me submit more details on this.

[The information follows:]

GAO surveyed a Nationally representative sample of cafeteria managers and obtained their perceptions on (1) the extent to which plate waste is a problem, (2) the amount of plate waste by type of food, and (3) the reasons for plate waste.

GAO's report (RCED-96-191) indicates that about one-quarter of the cafeteria managers who were surveyed view plate waste as at least a moderate problem. At the same time, the report indicates that NSLP participants are not more likely to waste food than children who bring their lunches. It indicates that almost four-fifths (79 percent) of cafeteria managers who had an opinion on the matter believe children who eat school lunches waste the same amount or a lesser amount of food than children who bring their lunches.

The report also provides information on the amount of plate waste by type of food. The report indicates that cooked vegetables, raw vegetables/salad, and fresh fruits are the food types that children waste most often. GAO estimated that children waste 42 percent of all cooked vegetables that they are served and waste 30 percent and 22 percent, respectively, of all raw vegetables/salad and fresh fruit that they are served. The report indicates that children in elementary schools are more likely to waste food than older children, but that the aforementioned pattern of waste by food type holds within every age group (elementary/middle/high school) and each urban/rural group.

Finally, the report discusses cafeteria managers' perceptions on the causes of plate waste in the NSLP. Managers were asked about a number of factors. Almost four-fifths (78 percent) of all managers indicated that children's focus on recess, free time, or socializing caused plate waste. Sixty-five percent indicated that children's dislike for particular foods was a cause for waste, and 50 percent indicated that children's dislike for how a particular food tastes or looks is a cause. About 43 percent indicated that each of the following factors was a cause: not having enough time to eat, taking more food than can be eaten, and not being hungry. These results indicate that socialization, desire to play after lunch, children's food preferences, schools' scheduling of lunch-time, and food presentation all play a role in causing plate waste.

Changes Needed to Reduce Plate Waste

Ms. Kaptur: Do you have any suggestions as to what we can or should do about the situation, including what changes we need to have in the authorizing statute?

Response: USDA and all of the program stakeholders are, of course, committed to improving the children's nutritional intake and minimizing plate waste in the school nutrition programs. This is not something that we think we can legislate, but we can work on making the meals attractive and the atmosphere conducive. An action I do recommend that the Congress take, however, is to fund the Nutrition Education and Training (NET) Program. The President's budget for Fiscal Year 2001 includes $2 million in funding to begin to restore NET. The NET funding goes directly to the States to help them develop nutrition-oriented curricular modules to be used in school education programs, and to develop and disseminate other information to help local school food professionals improve their offerings and teach the children proper nutrition.

Working together with NET, the program took a major step to dealing with plate waste and improving children's nutritional intakes about five years ago when Team Nutrition was launched. Team Nutrition is an initiative designed to provide comprehensive training and technical assistance to local food service professionals to increase the quality and the excitement of their offerings,

and to educate children and their families about the importance of a balanced, nutritious diet. By helping school food professionals to prepare foods that are appealing to children and by making children aware of how good these foods are, Team Nutrition, working together with NET, can help to overcome children's normal resistance to trying new foods such as vegetables.

Finally, USDA is working with the U. S. Department of Education and State and local educators on such issues as the length of meal periods and the quality of the dining area environment. We believe that when children have enough time to eat their meals properly and the dining environment is a pleasant place to be, there will be less waste of food.

Food Recovery for School Food Program Unused Food

Ms. Kaptur: Is there any way we can use 4-H programs around the country to try to recover the waste in our schools and redirect it to others who can make better use of discarded personal items or unwanted food?

Response: Schools participating in the school nutrition programs are required to plan and prepare for one meal per child per meal service each day. Because the school cannot estimate the precise number of children who will participate on a given day, and because they do not want to run out of food during the meal period, excess food will frequently be prepared. When this happens, the school has a number of options for disposing of it, subject to State or local health and food safety requirements. First, whenever feasible, the school should reuse the food in subsequent meal services as a prudent business practice. If it is not feasible for the school to reuse the food itself, the food may be donated to community organizations such as soup kitchens and the like for their use. Again, such donations would have to comply with State or local requirements. In these instances, a school organization such as the 4-H club could assist in delivering or serving the food.

Locally Produced Foods in School Food Programs

Ms. Kaptur: I am very interested in finding ways to get more locally produced products purchased for us in our school food programs. I raised this issue with you last year. What efforts has the Department made to itself to purchase more products from small producers, and to encourage school food authorities to make similar decisions.

Response: Under our Small Farms/School Meals Initiative, the Department began a comprehensive approach to connecting small farmers to the school meals programs in the summer of 1997. This effort, popularly known as the "farm-to-school" initiative, encourages small farmers to sell fresh fruits and vegetables to schools and schools to buy this wholesome produce from these farmers. Under this initiative, schools are able to provide fresh foods to children and small farmers develop new markets.

Since its inception, pilot projects under the initiative have been conducted in several States, including California, North Carolina and Florida. Based on experience with these pilots, the Department has just published a step-by-step guide--Small Farms/School Meals Initiative, Town Hall Meetings--which provides guidance on how to bring small farms and local schools together. In addition, the Department is in the process of contacting other States and interested parties for the purpose of helping expand this effort in other parts of the country.

WIC Farmers' Market Program

Ms. Kaptur: You have increased the number of farmers' markets participating in the WIC program to help bring fresh products to program participants. What assessments have you made of the success of this program, and how do you expect to see this program grow in the coming year?

Response: This program has been popular among both producers and WIC recipients. As you know, we are seeking a $5 million increase for the program for 2001. Since the original study done on the program, that showed how successful it is, every year State agencies complete a survey of farmers and recipients. Please allow me to provide detail on the most recent survey.

[The information follows:]

State agencies conduct annual surveys of both farmers and recipients in the WIC Farmers' Market Nutrition Program (FMNP). Based on our most recent available data from respondents to surveys conducted in 1998:

Recipients:

- 71 percent said they will continue to shop at farmers' markets, even after they no longer have FMNP coupons to spend there.
- 58 percent had never visited a farmers' market before taking part in the FMNP.
- 74 percent reported that they ate more fresh produce last summer (1998) than usual because of the FMNP, and 79 percent said they plan to eat more fresh produce all year round.

Farmers:

- 80 percent said that the FMNP increased their farmers' market sales.
- 50 percent said they increased their fruit and vegetable production.

Farmers' markets continue to be a high priority for the Department. We have allocated all of the $15 million appropriated for this year and over $2 million in recovered funds. We anticipate allocating all of our unspent fiscal year 1999 funds to those States desiring additional expansion funds.

Partnership for Change - Colonias Initiative

Ms. Kaptur: You are requesting $5 million for Partnership for Change to promote coordination of Federal, State, local and private efforts in the Colonias along the Mexican border. I know that Lucille Roybal-Allard, a key member of the Hispanic Caucus, is very supportive of this program. Can you tell us how this money would be used, whether or not it requires additional funding or action by State and local authorities, and what you can anticipate to be the duration of the program?

Response: The $5 million requested by FNS would be used to expand the Partnership for Change model to all four U.S. Mexico border States and to increase the effort at existing sites. Depending on how successful the effort is, we may seek expanded funding in future years. The Initiative will increase our ability to bring together Federal, State and local programs and resources to work with residents to address their special needs.

Partnership for Change seeks to coordinate and effectively use existing social services and infrastructure building resources. The Initiative does NOT seek to initiate new, not-yet-authorized programs, to change existing regulations, or increase funding for those programs. The Colonias Initiative is part of the Partnership for Change Initiative that has been operating in the Food and Nutrition Service's Southwest Regional Office for several years.

The Colonias are the focus of the 2001 budget initiative due to their extreme need. These communities along the U.S. Mexican border, are occupied primarily by Hispanics experiencing high poverty and unemployment rates, and are supported by little infrastructure - substandard housing, utilities, water, health, and roads. The FNS Southwest Regional Office, as part of its normal operating activity, worked in 10 Colonias communities in Texas in 1999, sparking the building of some WIC clinics, helping with USDA rural development targeted loans and grants to the Colonias for installing water and sewer systems, and also getting the various programs there working together to assist residents in finding employment and job training, housing, and language and health services. The Department of Housing and Urban Development (HUD), Texas A&M staff, and USDA Rural Development and many State and local agencies that operate social services and infrastructure development projects are working together on an as needed basis.

Partnership for Change Promoting Program Efficiencies

Ms. Kaptur: Is this the kind of program that can promote efficiencies across our social welfare programs and potentially help to reduce the costs of running each of these programs?

Response: Yes. This effective program coordination effort, especially given the wide range of programs that can work together, should increase the overall effectiveness of each of the programs, increasing the results delivered for these needy communities. Over the long-term, as the infrastructure, health and economic conditions improve in the communities, the need for government assistance should decline.

GENETICALLY MODIFIED FOODS

Ms. Kaptur: There is understandable concern among both consumers and producers regarding genetically modified foods. We are hearing from constituents who believe that there should be labeling requirements to notify people about whether or not the foods they eat include any genetically modified foods. We are hearing from producers who are concerned about whether or not there is a scientific basis for consumer's worries. People are fearful about environmental implications. And many do not know whether or not to address the labeling demands of other countries as legitimate safety actions or as non-tariff trade barriers. Even the marketing and regulatory agencies of USDA have expressed their belief that testing of GMO's is not dependable nor cheap, that there are not standards that can be used to truly identify what is a GMO, and that there may not be sufficient resources available to hire the qualified staff to inspect, test, and certify food items. What can you tell us about this situation and how your appropriation request addresses these many issues?

Response: Biotechnology is affecting our programs in two fundamental ways: (1) increased consumer demand for conventional crops has created a need for reliable testing methodologies to distinguish between bioengineered and conventional crops; and (2) an anticipated increase of new value-enhanced traits will create an expanded need for standardized testing methodologies to measure the enhanced quality attributes.

To meet the market's need for impartial professional verification of biotechnology testing technologies, GIPSA announced on November 12, 1999 that it would establish a biotech reference library. Their request for an additional $1.98 million and 10 staff years will allow the Agency to effectively address the complex quality information needs emerging as a result of today's biotechnological advances.

Ms. Kaptur: Can you describe for us exactly what was agreed to recently in Canada with respect to the labeling of genetically modified foods, and what the next steps might be for both the US and our trading partners?

Response: The Biosafety Protocol to the United Nations Convention on Biological Diversity will provide a regulatory framework for international trade in bio-engineered products referred to as living modified organisms. The scope of the Protocol does not cover food safety. Processed food products also are not covered by the Protocol.

Because the Protocol is designed primarily to protect the environment from the potential effects of introducing a living modified organism, the most immediate impact on agricultural trade will be for seeds exported for planting. Bio-engineered seeds for planting will be part of an Advance Informed Agreement procedure. This means that before a biotech seed can be shipped for the first time, the importing country must decide whether to approve it. If seeds are approved for import, they will need documentation specifying their identity and traits. This formalizes the steps that seed and biotech companies currently go through in countries where they want to sell seeds.

To a large extent, the Protocol will not alter the status quo for bulk commodities containing a biotech component. These commodities will not have to be segregated. Countries may, as many currently do, require the approval of new biotech crop varieties under their national laws and regulations. The Protocol, however, does not mandate or encourage countries to take such action nor does it mandate any transaction-by-transaction notice and consent procedure for commodities.

After the Protocol enters into force, documentation for shipments of bulk commodities will have to state that the shipment "may contain" living modified

organisms and that the contents of the shipment are not intended for planting. In addition, the Protocol establishes a 2-year process under which further documentation requirements will be considered.

AGRICULTURAL CONTRACTS

Ms. Kaptur: I also want to thank you for the efforts that have been made since last year to call attention to the need for an open discussion about contracting in agriculture. I know that the Agricultural Marketing Service under the direction of Administrator Kathleen Merrigan has responded to the very real concerns that producers have about their right to a fair deal in today's competitive economy. As you may recall, I have introduced a bill, HR 2829, to provide contract poultry growers the same protections as livestock producers by extending the powers of GIPSA to cover live poultry dealers in the same fashion as -packers of cattle and swine. I am pleased that the American Farm Bureau Federation has been supportive of the bill. Can you tell me what additional efforts the Department will be making in this area in the coming year.

Response: The Department continues to support legislative efforts to extend the administrative authority of GIPSA to cover live poultry dealers just as packers of cattle and swine are covered. Until then, GIPSA will use current authority in cooperation with the U.S. Attorney's office to protect producers' rights under the Packers and Stockyards Act with the following actions: 1) Vigorously investigate poultry grower complaints; 2)continue programs of compliance investigations in live poultry weighing and the provision of feed and chicks that increase voluntary compliance and cooperation from live poultry dealers; 3) pursue cooperative agreements with university researchers to better understand the competitive structure of and contractual arrangements in the live poultry industry; and 4) promote amendments to current regulations reflecting a change in industry conditions to ensure that poultry growers rights are protected when contracting with poultry dealers in a fair, non-deceptive and non-discriminatory fashion.

CONCENTRATION

Ms. Kaptur: Many producers are concerned - and so should be consumers - about the concentration in the agricultural industry. The country elevator is more and more an extension of a distant buyer, and producers find that they do not have the marketing options they did before. What developments have their been on this matter over the past year?

Response: USDA is equally concerned about the rising levels of concentration in the meat packing and grain industries and continues to monitor these events. There have been numerous developments on this issue and the Grain Inspection, Packers and Stockyards Administration (GIPSA) has addressed some of these concerns. GIPSA has administrative authority in the livestock sector under the Packers and Stockyards Act. GIPSA does not have administrative authority in the marketing of grain, but it monitors market developments closely, and assists other Agencies and the Justice Department in pursuit of competitive violations in these sectors. For example, in the Cargill/Continental case the proposed merger was allowed, but Cargill was ordered to divest itself of various holdings in strategically located ports so that competition would be fair and remain competitive for producers.

CONCENTRATION

Ms. Kaptur: Is the trend continuing abating, or getting worse?

Response: Concentration in cattle and hog slaughter has increased greatly since 1985. For cattle, four-firm concentration rose 31 percentage points to 70 percent by 1994 and has remained fairly constant. Four-firm concentration in hog procurement has risen more than 24 percentage points since 1985, to 56 percent in 1998, increasing steadily over the period. Four-firm concentration in sheep and lamb slaughter rose rapidly in the mid 1980s, from 51 percent in 1985 to 77 percent in 1988, but has fallen over the last decade to 68 percent in 1998.

OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

Ms. Kaptur: I appreciate your request for a $7 million increase for the Socially Disadvantaged Farmers Outreach Program and want to work with you towards this goal. Can you tell us in greater detail what steps you have taken this year to help these producers?

Response: USDA has taken several steps to help these producers. We have funded the 2501 projects at $8.2 million by using an additional $5.2 million from the Fund for Rural America. This funding will allow organizations with demonstrated experience in providing agricultural education or service to socially disadvantaged farmers and ranchers to continue and expand their technical training and assistance efforts. However, this is still short of the $10 million full operating level we are requesting in the FY 2001 Budget. USDA also created a National Outreach Council and State Outreach Councils. These councils will help to identify under-served customers and assist USDA in developing strategies and plans to reach those customers with USDA programs. USDA also established the National Small Farms Advisory Committee which will work through Small Farm Agency Coordinators to provide information and recommendations on our outreach plans to maximize the viability of small farms in rural America. We are also currently developing a Minority Farm Register and plan to follow that with a Small Farms Register. These databases will allow us to better identify potential customers, and track progress of improving service to these customers.

COMMON COMPUTING ENVIRONMENT

Ms. Kaptur: This committee has had some concerns in the past with respect to your proposals for a Common Computing Environment centering around whether or not there is a realistic plan in place with clear reporting lines resulting in an individual who had the authority to make the decisions to make this important effort happen. While your suggestion of a completed comprehensive Service Center Modernization Plan is encouraging, can you tell us in greater detail what is in the plan, the timeframe for it, and who is in charge.

Response: The plan, which is entitled The Service Center Modernization Plan of the County-Based Agencies, is a comprehensive document which contains our vision, objectives, goals, milestones, and detailed components for modernizing program delivery in the Farm Service Agency, the Natural Resources Conservation Service, and the Rural Development mission areas. It details specific activities related to: consolidation and collocation of offices, a comprehensive cultural change management program, the reengineering of our business processes, how we will acquire and manage our data so that it is consistent and sharable, the technologies that we will acquire to achieve a Common Computing Environment for these agencies, projected cost and benefits, and how we will manage the overall initiative. Major milestone target dates are indicated for each of the major activities with additional detail available for each major component in a separate Appendix. Basically, the plan calls for most of the activities to be completed and the basic shared CCE to be in place by the end of FY 2002, depending upon funding. Some reengineering, data acquisition, and legacy system migration would extend beyond that time frame. In fact, our concept is that business process reengineering and technology refreshment would be a continuing process.

The Deputy Secretary is the overall individual in the Department who is in charge of the modernization effort. He has assigned the Department's Chief Information Officer the responsibility for the IT component of modernization, Decisions regarding the other components of the modernization effort, such as office collocations, reengineering, and change management training, are made

by agency administrators acting collectively as the National Food and Agriculture Council.

DES

Ms. Kaptur: Mr. Secretary, today the Chairman and I received letters from the Center for Science in the Public Interest in which they call for an inquiry by either the Inspector General or the General Accounting Office into why USDA is waiting until spring to resume testing for DES, what is the Department doing to conduct a thorough investigation of how DES got into the beef exported to Switzerland?

Response: FDA and USDA have initiated investigations into the possible misuse of drugs in food animals. In light of the recent concerns that have been raised, I have asked the Under Secretary for Food Safety to look into this matter and report back to me. I will provide you a copy of the report when it is completed.

[The information follows]

USDA Food Safety and Inspection Service

Key Facts

...arch 2000

Use of DES in the United States

Issue

In July 1999, Switzerland reported to the United States that it had found low levels of diethylstilbestrol (DES) in two samples of U.S. beef. Since the Swiss samples were taken during a random check of imports, the Swiss government did not retain the beef from which the samples were taken. The Swiss government issued a press release in July 1999 announcing that the amounts of DES detected were at low levels and did not pose an acute threat to human health. The Swiss government sent the two positive samples to a European Union (EU) reference laboratory for reconfirmation. In October 1999, the EU laboratory issued a report stating, "we must conclude that our analyses do not confirm the presence of DES in the samples submitted for analysis."

Background

The U.S. Department of Health and Human Services (HHS), Food and Drug Administration (FDA) banned the use of diethylstilbestrol (DES) in food animal production in the United States in 1979. No DES has been found by any regulatory authorities on any U.S. farm for at least the last 16 years. All U.S. New Animal Drug Approvals (NADAs) for use of DES in food-producing animals were withdrawn by 1979. Also, FDA implementing regulations (21 CFR Part 530.41) of the Animal Medicinal Drug Use Clarification Act of 1996 prohibit the extra-label use of DES in food-producing animals.

There is no logical use for DES in U.S. beef, because other effective growth promotants are approved for use in the United States. Scientists at FDA report that currently approved hormone combinations, such as trenbolone acetate and estradiol, are more effective than DES alone as a growth promotant. FDA scientists have also noted, based on what they have found in their investigation, that DES appears to be more expensive than legal growth promotants and is not widely available.

USDA's Response to Switzerland

In July 1999, FSIS requested additional information from the Swiss, such as information about testing methods, sample handling and storage, and test results. In response to FSIS' request, Switzerland provided an English language summary description of the analytical testing method used, descriptions of sample handling and storage, and barely legible copies of fractograms, which are graphical printouts from chemical detection equipment that can indicate the presence of a substance.

On July 21, 1999, FSIS sent a letter to the Swiss government expressing concern about its report of possible DES residues in U.S. beef and indicated that the United States took this information seriously and was initiating an investigation.

U.S. Investigation of DES

The U.S. beef, from which the Swiss took samples in July 1999, was exported from a processing plant that receives beef from various U.S. slaughter plants. The Swiss temporarily removed this company from the list of plants approved for export, pending investigation. Based on its earlier findings, the Swiss government retained a later shipment from the same U.S. plant, tested it, and released the shipment when the test results for DES proved negative. However, the plant remains delisted.

FSIS initiated an investigation of the U.S. plant in question in July 1999, immediately after learning of the findings reported by the Swiss. The FSIS investigation raised concerns about the plant's recordkeeping and the accuracy of information relating to the originating slaughter plant listed as the source of the beef exported to Switzerland.

In addition to FSIS' investigation, FDA, which has the responsibility to investigate misuse of drugs in food animals, has carried out an intensive investigation over the past 8 months. The investigation is ongoing, but nearing completion. FDA has not uncovered any misuse of DES in food animals.

FDA inspectors have conducted on-farm investigations of animal producers and feedlots delivering animals to the plant in question. They have investigated bulk drug repackers, compounding pharmacies, and other points at which illegal diversions of drugs might be uncovered. FDA has thus far found no evidence of illegal importation of DES or evidence of its diversion to use in food animals. FDA has also found no evidence that anyone is making DES in implant form.

FSIS Testing Plans for DES

Decisions about whether to include DES -- or any other compound -- in FSIS testing plans are based on data available from many sources. Before the July 1999 report by the Swiss, FSIS and FDA had no reason to believe that DES was being misused in the United States.

The last year in which DES was monitored in FSIS' National Residue Plan was 1991. DES was removed from the National Residue Plan after many years because no recent positive results or confirmable findings were found. The last positive findings, in the early 1970's, led to two Department of Justice, FSIS, and FDA investigations and trials, in Wichita, Kansas, and Syracuse, New York. In the early 1990's, Agriculture Canada reported finding DES in a U.S. meat product, but that finding was not confirmed.

In 1998, a seven-agency group that determines the testing priorities for the FSIS National Residue Program decided to include substances not approved by FDA or EPA for use in food-producing animals. This decision, documented in the National Residue Program's 1999 annual report, led to the inclusion of DES in the 1999 National Residue Program. DES was included as a special project to focus on sampling and analysis of 300 fancy veal samples, which was slated to begin on October 1, 1999. Resource limitations, most significantly an inability to upgrade FSIS analytical methods and equipment, prevented initiation of the DES project at that time.

Some have suggested that FSIS' announcement that it had not tested for DES since 1991 provides unscrupulous individuals with a reason to begin using

these illegal drugs. It is difficult to understand how USDA's announcement of imminent testing for a banned substance would create an invitation to commence illegal use of that substance.

After the July 1999 report by the Swiss, FSIS and FDA redoubled their efforts to update their DES analytical capabilities. On February 10, 2000, FDA informed FSIS that it is now capable of detecting DES at levels as low as 20-30 parts per trillion (ppt), which is within the range allegedly detected by the Swiss. FSIS expects to be able to detect DES at 10 parts per trillion (ppt) by mid-April 2000.

Results of DES Testing Conducted by Other Countries Receiving U.S. Meat

No other major U.S. trading partner has reported finding DES residues in U.S. meat in the past 10 years. Korea, a major importer of U.S. meat, tested 447 samples of beef and 375 samples of pork for DES in 1999. No residues of DES were found. Canada tests for DES at port of entry. No positives have been found since 1990. Mexico does not test for DES and Japan is seeking information from FSIS about how to test for DES.

Ms. Kaptur: Is this incident evidence of the lack of an effective "trace back" system, and whether or not the Department should have announced in July 1998 in its National Residue Program Plan that it had not tested DES and other illegal drugs since 1991 creating an expectation that these substances would not be used?

Response: After learning of the Swiss finding, USDA investigated the establishment processing the beef exported to Switzerland. The investigation raised questions about the establishment's recordkeeping system and the accuracy of information relating to the originating slaughter plant listed as the source of the beef exported to Switzerland. The use of DES was last monitored under the National Residue Program (NRP) during 1991. Testing for DES under the NRP was discontinued after many years with no positive results or confirmable findings. I have no reason to believe that the 1998 announcement that testing for DES would be resumed led to the illegal use of that substance.

Ms. Kaptur: How do you respond to this call for an investigation?

Response: Additional investigation into this matter does not appear to be warranted. In addition to requesting the Under Secretary of Food Safety to look into this matter, the Food and Drug Administration is also conducting an investigation into the alleged illegal use of DES in the U.S.

Ms. Kaptur: What can you tell us about the situation and how do you respond to each concern?

Response: The Under Secretary for Food Safety's report to me will address concerns raised by this incident.

FREEDOM TO FARM ACT

Ms. Kaptur: Proponents of the Freedom to Farm legislation enacted in 1996 told us that it would improve conditions in the farm economy while also saving the government money as farm program spending steadily declined. My impression is that exactly the opposite has happened: farm incomes have gone down while the cost of farm assistance programs has gone way up. Is this impression correct?

Response: Partially. If one compares the 1998 President's Budget (which was made shortly after the 1996 Act was signed into law) to the historic 1996-98, in 99 and forecast 2000 estimates, one will find that realized direct government payments for 1996 and 1997 were close to those projected in 1997. However, the historic 1998 and 1999-2000 actual and forecasted estimates for direct government payments are dramatically higher than those projected in 1997. Actual outlays exceeded projections due to lower than expected market prices which triggered large LDP/MLG payments and prompted Congress to provide two year's worth of emergency assistance and a disaster assistance/insurance premium supplement package. Alternatively, net farm income, in all years, exceeded the 1997 projections. See attached tables A and B.

[The information follows:]

Table A -- 1998 President's Budget

Farm receipts, expenses, and incomes (nominal dollars, calendar year)

	1996	1997	1998	1999	2000
				Billion dollars	
Cash receipts:					
Crops 1/	108.3	101.5	101.8	104.0	107.7
Livestock & products	92.0	92.1	92.7	92.8	95.0
All commodities	200.4	193.7	194.5	196.8	202.7
Farm-related income 2/	11.2	11.4	11.7	11.9	12.2
Direct Government payments	7.8	7.6	7.7	7.7	7.1
Gross cash income	219.4	212.7	213.9	216.4	222.0
Value of inventory change	4.9	0.5	-1.4	0.2	0.7
Non-money income 3/	10.5	11.1	11.1	11.3	11.5
Gross farm income	234.8	224.2	223.6	227.9	234.1
Total production expenses	183.1	183.8	187.9	190.6	194.9
NET FARM INCOME	51.8	40.4	35.7	37.4	39.3

1/ Includes CCC loans. 2/ Income from custom work, machine hire, recreational activities, forest product sales and other farm sources.
3/ Value of home consumption of farm products plus the imputed rental value of operator dwellings.
Totals may not add due to rounding.

Table B --Historic 96-98, Projection 99, Forecast 00

Income statement for U.S. farm sector, 1996-2000F (nominal dollars, calendar year)

	1996	1997	1998	1999P	2000F
			$ billion		
Cash receipts:					
Crops 1/	106.2	111.1	102.2	95.1	93.3
Livestock	93.0	96.5	94.5	96.9	96.5
All commodities	199.1	207.6	196.8	191.9	189.9
Farm-related income 2/	11.0	12.4	13.8	14.4	14.1
Direct Government payments	7.3	7.5	12.2	22.7	17.2
Gross cash income	217.4	227.5	222.8	229.1	221.1
Value of inventory change	8.0	0.5	-1.0	-1.4	-0.1
Nonmoney income 3/	10.3	10.6	11.3	11.5	11.6
Gross farm income	235.7	238.7	233.1	239.1	232.7
Total production expenses	180.8	190.0	189.0	191.1	192.3
NET FARM INCOME	54.9	48.6	44.1	48.1	40.4

P = preliminary. F = forecast.
1/ Includes CCC loans. 2/ Income from custom work, machine hire, recreational activities, forest product sales and other farm sources.
3/ Value of home consumption of farm products plus the imputed rental value of operator dwellings.
Totals may not add due to rounding.
Information contact: Roger Strickland, e-mail: rogers@econ.ag.gov

Ms Kaptur: What's happened to the cost of federal farm assistance programs over the past few years?

Response: Basically, the outlays to total direct payments, marketing loan gains and emergency assistance in actual FY 1999 and estimated FY 2000 greatly exceeded those projected in the FY 1998 President's Budget. The FY98 Budget estimated a 7 percent year-to-year average increase between 1996 and 2000 for these total payments to producers while the current budget suggests an average 45 percent year-to-year increase. Current estimates for total direct payments are $.4 billion, $5.9 billion and $13.2 billion more for years 1998, 1999 and 2000, respectively, than those projected in 1997. Likewise, current marketing loan gain estimates are $.2 billion, $1.0 billion and $1.5 billion more than projected in 1997. Fiscal years 1999 and 2000 witnessed $2.2 billion and $1.6 billion more for emergency assistance than projected in 1997. In total, an additional estimated $26 billion in payments to producers has been spent compared to the first projections of the impacts from the 1996 Act. See attached table C.

[The information follows:]

Table C – Direct Government Payments ($thousands, fiscal year estimates, nominal terms)

FY 1998 President's Budget	FY 1996 Actual	FY 1997 Estimate	FY 1998 Estimate	FY 1999 Estimate	FY 2000 Estimate	Average Year-to-Year % Change
Production Flexibility Contract Payments	5,140,978	6,350,491	5,706,495	5,512,654	5,047,564	
Deficiency Payments	567,423	(1,127,781)				
CRP and Other	1,946	1,905,059	2,152,806	2,133,127	2,228,418	
Non-Insured Assistance Payments (NAP)	2,013	62,787	60,000	60,000	60,000	
Loan Deficiency Payments	45	25	2,046	7,745	39	
Other Direct Payments 1/	94,731	375	113,000	210,000	231,000	
Total Direct Cash Payments	5,807,136	7,190,956	8,034,347	7,923,526	7,567,021	
Marketing Loan Gains	(210)	1	48	181	45	
Emergency Assistance	94,701	48,000	0	0	0	
Total Payments to Producers	5,901,627	7,238,957	8,034,395	7,923,707	7,567,066	7%

FY 2001 President's Budget	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Actual	FY 2000 Estimate
Production Flexibility Contract Payments	5,140,978	6,320,138	5,671,770	5,475,570	5,049,271
Marketing Loss Assist & Oilseeds Payments	0	0	0	3,011,313	6,062,400
Deficiency Payments	567,423	(1,117,501)	(7,114)	(2,755)	
CRP and Other	1,946	1,755,697	1,848,984	1,681,333	1,904,874
Non-Insured Assistance Payments (NAP)	2,013	51,713	22,941	53,930	74,629
Loan Deficiency Payments	45	3	477,715	3,360,359	7,222,100
Other Direct Payments	94,731	6,452	416,502	280,890	500,979
Total Direct Cash Payments	5,807,136	7,016,502	8,430,798	13,860,640	20,814,253
Marketing Loan Gains	(210)	(28)	157,211	987,879	1,465,942
Emergency Assistance	93,465	130,080	3,346	2,240,550	1,552,141
Total Payments to Producers	5,900,391	7,146,554	8,591,355	17,089,069	23,832,336	45%
Difference 98 vs current - Total Direct	0	(174,454)	396,451	5,937,114	13,247,232	
Difference 98 vs current - MLG's	0	(29)	157,163	987,698	1,465,897	
Difference 98 vs current - Emergency	(1,236)	82,080	3,346	2,240,550	1,552,141	

1/ Includes Cotton User Marketing payments and residual Wool and Mohair payments

Ms. Kaptur: Are there ways of making these programs work better for those most in need while perhaps also reducing their cost? (Presumably, that is the purpose of your Farm Safety Net proposals.)

Response: Yes, that is my intent behind recommending a targeted and counter-cyclical package. By knowing, in advance, the amount of money available for this program, we are better able to define and target those most in need. Payments would kick in when incomes drop. They would go to farmers not landlords who are hardest hit. Scarce budget dollars can be more efficiently spent when time is allowed for planning rather than responding to emergencies. As I have indicated in the past, I am willing and eager to work with members of Congress to develop a program which will achieve these goals.

Ms. Kaptur: Are you familiar with the analysis of Freedom to Farm payments in the State of Iowa published last month by the Environmental Working Group?

Response: Yes. I would caution, however, that the findings of the Environmental Working Group's (EWG) brief analysis of Farm Service Agency payments to Iowa producers is somewhat misleading. The conclusions drawn from that analysis also reflect the overall agenda of EWG, not an objective review of current and past U.S. farm programs and their impacts on producers.

Ms. Kaptur: This analysis showed wide disparities in the size of payments received by farmers in Iowa, with a small handful (17) receiving payments averaging more than $100,000 per year (including agricultural market transition, loan deficiency, and emergency market loss payments), while almost 30,000 Iowa farmers received less than $1,000 per year. Do you have any comment on these findings?

Response: The findings of the Environmental Working Group (EWG) in their analysis of Farm Service Agency payments may reflect problems associated with the use of the data used in the analysis as much as any undue bias toward larger producers in current program operations. Although it would not have been impossible for an individual Iowa farmer to receive in excess of $100,000 in Agricultural Marketing Transition Act (AMTA) payments and payments made under marketing assistance loan programs or marketing assistance programs during the 1996-98 period, it does seem highly unlikely, especially in 1996 and 1997 when commodity prices were high enough to limit the amount of loan deficiency and marketing loan gain payments. Without knowing exactly what data was used by EWG and how it was used in their analysis, it is hard to determine the accuracy of their findings.

Ms Kaptur: What are the implications for use of the Freedom to Farm formula as the basic means of distributing emergency economic aid, as Congress has been doing?

Response: Using the Freedom to Farm formula in distributing emergency aid has some of the same implications as distributing Producer Flexibility Contract (PFC) payments under the provisions of the Agricultural Marketing Transition Act. In both cases, payments are made based on historical production patterns that predate passage of Freedom to Farm in 1996. Using historical production acreage results in a payment distribution that does not reflect today's production agriculture. Since the early 1990's shifts in cropping patterns have substantially affected where some crops are raised, particularly corn and soybeans. The producers who farm the land have also changed over the past few years as older farmers have retired and new farmers have replaced them. Land ownership has changed too and PFC payment eligibility has affected land values and cash rents. In addition to these problems, disbursing emergency aid under the PFC payment formula fails to take into consideration which crops and which regions are most affected by lower prices. For these reasons the proposal I have put forth under the Supplemental Income Assistance Program focuses on farm revenues and is not tied to historical production. The use of the PFC payment process in 1998 and 1999 simply provided Congress with an established mechanism to get much needed

emergency aid into the hands of producers in a timely fashion.

Ms. Kaptur: You are proposing a new Supplementary Income Program that would provide better targeted assistance to farmers facing low prices and low incomes, to replace the extra "Freedom to Farm" payments that have been enacted on an ad hoc basis over the last two years. When would the new program take effect under your proposal? When would payments begin to be made?

Response: The proposed program would take effect with the 2000 crop. We anticipate to begin making payments for fall seeded crops late this summer or early next fall, if the provisions of the program are enacted in a timely manner.

Ms. Kaptur: When would the authorizing legislation need to be enacted in order to meet this schedule?

Response: In order to make timely payments, legislation would have to been enacted by late spring or early summer.

Ms. Kaptur: Why are the proposed new supplementary payments that form the core of your Farm Safety Net initiative limited to producers of program crops and oilseeds?

Response: The supplementary payments were designed to replace the market loss assistance program and the oilseed program payments in the appropriation bills. The market loss assistance payments often went to producers who did not plant a crop nor was the payment tied to income loss.

Ms. Kaptur: Was this done simply to contain the cost of the proposal, or are there other rationales as well?

Response: The supplementary payments were not designed to encompass all crops.

Ms. Kaptur: Would it make sense to expand this concept to producers of other crops, such as fruits and vegetables and livestock?

Response: The Department will be studying how best to assist fruit and vegetable producers and livestock owners.

Ms. Kaptur: How might a program to assist these producers be structured?

Response: I do not have enough information available at this time to provide any guidance.

DROUGHT AND OTHER NATURAL DISASTER ASSISTANCE

Ms. Kaptur: Last year, we enacted emergency appropriations to help farmers who lost or incurred extraordinary feed costs because of droughts or hurricanes or other natural disasters. These appropriations were designed to cover certain percentages of each farmer's losses, but by necessity they were made before complete loss data were available. Now that more data is available, have the amounts appropriated proved sufficient under the intended formulas, or has it been necessary to further pro-rate payments?

Response: It is likely that producers' losses will exceed the appropriated amount and that payments will have to be pro-rated, possibly about 50 cents on the dollar.

Ms. Kaptur: Is there need for additional funding to address losses caused by last year's droughts and floods?

Response: Additional funding would be necessary to cover more of a producer's loss.

Ms. Kaptur: What programs do we have in place - and what improvements are you proposing - to make sure that we provide adequate help to farmers and ranchers suffering from droughts, floods and other natural disasters?

Response: The Administration is implementing all the programs within our authority to alleviate the financial hardship caused by drought. These programs include the crop disaster program, crop insurance, non-insured assistance program, emergency conservation program, the livestock assistance program, the pasture recovery program, and emergency loans.

AD HOC DISASTER RELIEF

Ms. Kaptur: Waiting until things get really bad and then enacting ad hoc disaster relief appropriations may not be the best way to approach this problem. If serious drought strikes again this year, what aid will be in place?

Response: Programs like crop insurance, the non-insured assistance program, emergency conservation program and emergency loans in place this year. Authority for additional crop loss programs would have to be enacted by Congress.

Ms. Kaptur: What should Congress be doing to make provision for the natural disasters that will inevitably happen?

Response: We would like to continue working with Congress on reforming the crop insurance and non-insured assistance programs to broaden the number of crops eligible for these programs and to make the programs more affordable and equitable.

OUTBREAKS OF EMERGING PESTS AND DISEASES

Ms. Kaptur: The Administration's budget proposes a substantial increase for APHIS, in large part to help deal with some serious outbreaks of emerging pests and diseases such as citrus canker and the Asian Long-horned beetle. I understand that these increases would replace emergency funding that has been provided this year through the CCC. How does the funding proposed for FY 2001 compare with the amounts spent in FY 2000 to deal with these kinds of serious outbreaks of pests and diseases?

Response: We will provide a table that will show the funding comparison.

[The information follows:]

	Transfer from CCC FY 2000	Requested in Appropriation FY 2001
Citrus Canker	23,220,561	20,500,000
ALB* (APHIS share)	11,474,349 (Pending)	4,600,000
Medfly (Mexico)	21,100,000	23,200,000

*2,100,000 appropriated in FY 2000 for ALB in the emerging plant pests program

Ms. Kaptur: I recognize the seriousness of the problem, but I'm concerned

that it may be difficult to increase regular appropriations sufficiently to cope with these kinds of emergencies. Is there a need for some other funding mechanism? Should we be considering emergency appropriations? Should the Department continue to rely on the emergency authorities of the CCC?

Response: Eradicating exotic pests and diseases enables American farmers and producers to remain competitive in the domestic and international marketplace. My emergency authority to transfer such sums from CCC as are necessary for emergency programs relies on the Office of Management and Budget to apportion funds. When it is known that whether a given pest or disease incursion requires a multi-year eradication, such as these eradication efforts for citrus canker, Asian long-horned Beetle, and Medfly, we believe it is appropriate to obtain Congressional scrutiny and fund the remainder of these eradication programs through the regular budget process.

COMMODITY CREDIT CORPORATION SECTION 11 CAP

Ms. Kaptur: Would you explain the Administration's proposal to increase the so-called section 11 cap, which limits the amount of conservation technical assistance that can be funded through the CCC. Why is this action necessary?

Response: When the section 11 cap was implemented, technical assistance for WRP and CRP was funded by appropriated funds. Until 1999, technical assistance for these programs was paid from carry over balances from the old appropriated accounts. Now that the carry over fund balances have been exhausted, the technical assistance needed to support these programs exceeds funds available under the Section 11 cap.

Ms. Kaptur: What would be the consequences if action is not taken?

Response: Based on current law and current allocations of section 11 funds, WRP would be funded at $6.8 million, only enough to enroll the 40,000 additional acres needed to achieve the 975,000 acre cap and insufficient funds would be available for the technical assistance necessary to support enrollment of the additional 210,000 WRP acres called for in the Administration's Farm Safety Net proposal. In addition, no funds would be available for NRCS to provide technical assistance to CRP in 2001 and beyond. Thus, NRCS would be unable to provide technical assistance for CRP unless a solution for the cap is reached. If the caps are not raised, these programs would support 794 few FTEs in FY 2001 from FY 2000.

FUNDING FOR MANDATORY PRICE REPORTING

Ms. Kaptur: Could you please tell us where the Department stands with respect to implementation of the new mandatory livestock price reporting program?

Response: A proposed rule is currently in clearance and will be published for comments soon. The Agricultural Marketing Service expects to implement the program by late summer.

Ms. Kaptur: I understand that the first-year cost of the program was funded by a special transfer from the CCC authorized by the Omnibus Appropriations Act. Is there authority to make a similar transfer in future years, or will an appropriation be needed to continue this program in FY 2001?

Response: There is no authority to transfer funds from the CCC in 2001, so an appropriation will be needed.

Ms. Kaptur: If so, what amount will be needed?

Response: For 2001, the budget includes $5.9 million in funds appropriated to the Agricultural Marketing Service to continue the mandatory livestock reporting program. In addition the budget includes an increase of

$0.4 million for the Grain Inspection, Packers and Stockyards Administration to establish a swine contract library and an increase of $0.6 million to the National Agricultural Statistics Service to increase the frequency of hog and pig reports from quarterly to monthly.

EMPLOYMENT INCREASES

Ms. Kaptur: I understand that the FY 2001 budget proposes an increase of about 2 percent in employment at the Agriculture Department. Could you please tell us why this increase is being proposed? What will the new staff be doing? Will they be located mainly at headquarters or in the field?

Response: The FY 2001 budget proposes an increase in staffing of 2,338, excluding the Forest Service. Of this amount, 2,212 are planned to be located in the field. Of the 2,338 increase in staffing, the major components are:

(1) 1,843 for the Natural Resources Conservation Service, including an increase of 1,385 for the Conservation Security Program and an increase of 401 for Conservation Operations technical assistance.

(2) 247 for the Animal and Plant Health Inspection Service, mostly for the Agricultural Quarantine Inspection activity.

(3) 114 for Rural Development, including an increase of 23 for program delivery, an increase of 17 for testing/evaluation of prequalification and qualification process for loans, and 80 to fill critical vacancies.

AGRICULTURAL EXPORTS AND IMPORTS

Ms. Kaptur: Please give us an update on agricultural exports compared with imports for the last decade on a comparative and annual basis, both in total figures and broken down by key sectors.

Response: The total value of both U.S. agricultural exports and imports has increased in the past decade. U.S. exports rose from $40.3 billion in fiscal 1990 to a record $59.8 billion in fiscal 1996, then fell to $49.0 billion by fiscal 1999. Most of the overall variation is due to changing global supply/demand conditions for bulk commodities. Prices and export volumes for key U.S. bulk commodities (grains, oilseeds and cotton) and value-added oilseed products (soybean meal and vegetable oils) generally skyrocketed in 1995 and 1996, then plummeted immediately thereafter. The trend for most high-value products, and especially consumer foods, has remained more stable. For most of the 1990s, the value of these exports rose steadily. Beginning in 1997/98, however, a notable slowdown also occurred for high-value products in the wake of the global financial crisis which began in Asia. The current fiscal 2000 forecast for total U.S. agricultural exports is $49.5 billion.

On the import side, U.S. agricultural imports rose from $22.6 billion in fiscal 1990 to a record $37.1 billion in fiscal 1999. Most of the expansion has come from increased purchases of high-value consumer foods like beer and wine, fruits and vegetables, olive oil, pastas, and confectioneries. The current forecast for fiscal 2000 is $38.0 billion.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

US AG EXPORTS
to ALL COUNTRIES

FOREIGN AGRICULTURAL SERVICE
CUMULATIVE TO DATE VALUES IN 1000 DOLLARS
Fiscal Years OCTOBER - SEPTEMBER

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
BULK	21,785,568	17,693,289	19,511,471	19,073,156	17,934,832	24,443,986	28,778,521	24,247,161	20,941,592	18,566,167
COARSE GRAINS	7,971,761	5,660,159	5,659,879	5,170,767	4,567,569	7,407,326	9,335,357	6,928,825	4,990,549	5,607,268
SOYBEANS	3,940,192	3,461,986	4,322,691	4,614,975	4,150,278	5,266,772	6,310,112	6,985,462	6,137,169	4,747,528
WHEAT	4,224,046	2,910,511	4,267,278	4,773,551	4,011,145	4,983,719	6,873,576	4,184,218	3,804,522	3,653,941
COTTON	2,719,485	2,643,225	2,192,457	1,544,431	2,301,075	1,328,352	1,392,722	1,611,797	1,447,815	1,375,539
TOBACCO	1,359,233	1,530,498	1,567,284	1,444,324	1,254,899	3,495,375	3,031,696	2,736,211	2,543,060	1,323,355
RICE	829,505	755,602	753,580	790,210	893,721	1,049,106	1,003,990	961,685	1,137,792	1,014,913
OTHER BULK	203,842	248,241	283,037	298,516	327,982	383,378	351,748	343,721	358,742	375,701
PULSES	320,000	329,564	218,666	216,287	258,099	275,924	264,298	262,062	318,988	269,900
PEANUTS	217,504	153,504	246,599	220,095	170,064	274,033	215,023	233,181	202,954	188,021
INTERMEDIATE	8,723,869	8,645,776	9,409,631	9,178,798	9,577,625	11,448,258	10,984,642	12,230,217	12,095,645	10,627,888
OTHER INTERMEDIATE	1,401,363	1,483,513	1,609,519	1,760,962	1,794,940	2,121,770	2,251,255	2,689,855	2,307,899	2,558,440
FEEDS & FODDERS	1,571,287	1,584,246	1,701,538	1,722,326	1,724,294	1,894,012	1,843,025	1,930,223	1,675,029	1,551,890
HIDES & SKINS	1,772,828	1,436,585	1,318,302	1,289,981	1,423,411	1,719,789	1,649,529	1,674,206	1,336,763	1,102,131
SOYBEAN MEAL	1,020,449	1,026,170	1,338,154	1,149,207	1,016,276	1,078,177	1,304,995	1,746,651	1,944,113	1,064,711
SUGAR, SWEETNER, BASE	519,433	621,966	598,007	553,397	640,713	917,135	836,656	857,879	1,027,195	918,852
PLANTING SEEDS	578,319	623,909	660,325	662,035	612,116	678,112	727,583	828,773	807,224	810,223
VEGETABLE OILS (EX SOY	393,571	400,556	498,830	496,983	607,334	663,318	668,475	710,397	715,714	669,007
LIVE ANIMALS	457,150	655,208	686,686	482,552	586,898	517,723	547,965	622,532	655,280	621,118
ANIMAL FATS	467,976	412,293	481,130	507,893	537,979	809,267	271,785	514,633	882,070	607,505
SOYBEAN OIL	339,002	200,421	355,360	340,322	433,718	806,074	638,553	516,259	629,482	529,104
WHEAT FLOUR	202,492	200,909	161,780	233,141	199,946	242,880	144,820	138,808	114,875	174,907
CONSUMER-ORIENTE	9,821,765	11,514,690	13,618,162	14,790,086	16,332,187	18,710,959	20,061,554	20,808,519	20,605,052	19,809,814
RED MEATS, FR/CH/FR	2,296,413	2,594,339	3,019,167	3,099,610	3,194,303	4,012,999	4,307,236	3,948,889	3,995,430	4,056,205
FRESH FRUIT	1,363,196	1,528,389	1,740,902	1,656,186	1,902,870	2,050,865	2,145,036	2,398,772	2,281,511	2,405,721
OTHER CONSUMER ORIE	818,251	995,343	1,199,915	1,470,152	1,727,060	1,901,818	1,918,661	2,056,411	2,086,099	2,084,017
PROCESSED FRUIT & VEG	1,186,418	1,356,955	1,526,925	1,620,043	1,665,804	1,961,011	1,983,536	2,090,509	1,852,873	1,843,137
POULTRY MEAT	630,704	737,812	914,867	1,030,546	1,420,419	1,894,135	2,382,942	2,511,952	2,347,110	1,742,988
TREE NUTS	744,938	821,486	943,135	919,199	1,124,517	1,063,265	1,144,409	1,248,931	1,325,697	1,296,156
SNACK FOODS	477,301	592,446	782,054	953,857	1,100,242	1,135,587	979,431	1,061,944	1,114,247	1,100,971
FRESH VEGETABLES	607,415	835,451	866,693	997,475	969,903	1,108,227	1,375,190	1,282,128	1,218,174	1,076,951
DAIRY PRODUCTS	352,650	358,034	717,436	914,340	783,637	807,893	738,337	875,077	931,304	886,981
PET FOODS	218,146	309,296	378,005	471,723	559,561	631,687	665,477	685,723	684,205	768,514
FRUIT & VEG JUICES	351,104	368,854	466,037	460,529	516,175	614,837	674,931	725,525	784,854	743,021
WINE AND BEER	244,900	310,420	349,980	388,372	484,720	620,072	679,013	743,043	733,805	689,131
BREAKFAST CEREALS	133,068	218,410	196,852	258,977	265,734	270,220	318,845	344,715	364,970	370,586
RED MEATS, PREP/PRES	127,761	154,670	176,796	199,133	248,001	276,851	338,773	397,373	409,277	312,630
NURSERY PRODUCTS	173,354	194,938	201,936	209,631	191,596	196,081	201,195	221,654	250,316	249,218
EGGS & PRODUCTS	96,146	137,848	137,463	140,312	157,644	165,610	208,543	215,874	225,182	183,588
TOTAL	40,331,201	37,853,755	42,539,264	43,042,041	43,844,644	54,603,203	59,824,717	57,285,897	53,642,289	49,003,869

SOURCE: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics
Categories and groups defined by FAS/USDA

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

US AG IMPORTS
from ALL COUNTRIES

CUMULATIVE TO DATE VALUES IN 1000 DOLLARS
Fiscal Years OCTOBER - SEPTEMBER

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
BULK	4,784,989	4,654,202	5,468,782	4,897,442	5,622,539	7,101,222	7,619,602	8,663,954	7,630,948	6,471,942
RAW COFFEE	1,685,167	1,579,819	1,552,747	1,250,516	1,660,857	2,747,260	2,298,302	3,064,093	2,878,048	2,343,484
TOBACCO	588,030	698,167	1,302,114	1,106,907	912,118	1,610,541	1,342,167	1,175,917	1,039,138	753,155
RUBBER/ALLIED PROD	726,204	673,591	765,679	848,692	896,982	571,636	769,768	1,178,932	822,038	741,815
RAW BEET/CANE SUGAR	713,065	682,856	604,216	528,891	550,560	287,031	565,238	466,343	662,585	582,248
COARSE GRAINS	148,291	168,050	210,160	145,204	416,524	622,694	1,009,950	973,458	727,482	563,210
COCOA BEANS	368,132	337,292	424,505	365,691	407,962	362,898	651,634	466,415	438,583	530,213
OTHER BULK	268,462	217,587	191,075	194,750	360,883	241,644	199,499	354,560	302,330	293,971
WHEAT	70,021	71,950	165,787	169,372	311,591	302,694	342,755	445,223	336,777	255,447
TEA, INCL HERB	145,642	145,834	165,424	177,966	176,818	180,572	183,809	186,428	233,598	220,099
RICE	71,954	79,056	87,075	109,452	126,264	122,939	146,739	203,464	190,368	188,301
INTERMEDIATE	3,918,816	4,117,255	4,633,244	4,912,349	5,042,361	5,946,958	6,389,871	6,777,503	7,202,895	6,429,669
LIVE ANIMALS	1,068,489	1,144,850	1,290,847	1,572,634	1,354,775	1,533,160	1,745,765	1,850,220	2,081,456	1,859,843
OTHER INTERMEDIATE	908,590	966,020	1,064,022	1,109,723	1,283,645	1,652,471	1,546,770	1,527,031	1,671,003	1,429,238
OTHER VEG OIL	370,490	454,184	508,286	531,091	600,487	719,309	917,438	895,103	889,024	857,831
TROPICAL OILS	289,542	227,774	320,081	349,044	341,314	227,218	293,951	354,641	421,022	452,904
COCOA PASTE/BUTTER	395,230	406,896	403,344	339,920	335,760	361,533	405,309	577,187	531,396	442,872
ESSENTIAL OILS	212,416	227,515	272,125	261,145	289,441	360,317	367,916	436,140	478,751	367,371
PLANTING SEEDS	143,576	157,480	206,222	200,856	229,341	365,348	340,769	351,130	379,075	340,904
SUGAR/SWEETEN/BASES	205,400	224,855	223,259	198,568	216,471	205,934	263,717	277,273	280,701	272,233
FEEDS & FODDERS	142,838	154,874	180,228	167,677	216,066	227,759	296,927	286,879	286,172	280,352
HIDES & SKINS	182,246	152,806	184,830	181,700	195,061	210,243	192,200	209,899	184,296	146,121
CONSUMER-ORIENTE	13,898,524	13,852,798	14,288,172	14,663,556	15,583,121	16,596,576	18,276,279	20,041,657	21,802,721	24,175,820
RED MEATS FR/CH/FR	2,191,266	2,375,078	2,189,949	2,226,925	2,189,032	2,199,268	2,647,310	3,058,367	3,493,412	4,001,973
WINE AND BEER	1,799,444	1,775,885	1,925,071	1,874,161	2,053,633	1,864,438	1,770,497	2,121,336	2,266,432	2,596,001
PROCESSED FRUIT/VEG	1,332,903	1,345,848	1,514,707	1,507,583	1,557,554	1,574,603	1,755,037	1,969,614	2,119,998	2,394,928
OTHER CONSUMER	940,016	1,084,195	1,229,657	1,375,343	1,552,586	1,673,195	1,760,398	1,941,764	2,003,881	2,325,868
FRESH VEGETABLES	1,043,759	928,085	771,500	1,069,247	1,156,153	1,403,433	1,609,955	1,643,593	2,116,745	2,045,136
SNACK FOODS	826,268	840,372	968,460	1,023,488	1,110,041	1,295,680	1,426,191	1,609,463	1,832,367	2,041,009
BANANAS/PLANTAINS	909,677	970,865	1,058,010	1,053,046	1,033,907	1,048,514	1,163,708	1,284,116	1,448,087	1,885,426
OTHER FRESH FRUIT	740,405	825,955	828,956	842,572	894,797	1,104,483	1,151,895	1,189,052	1,184,502	1,177,980
FRUIT/VEG JUICES	1,012,515	746,255	876,090	643,221	690,890	802,984	930,508	955,218	1,061,377	1,055,732
NURSERY PRODUCTS	517,395	533,983	573,666	620,113	680,417	635,097	830,268	939,138	682,892	787,037
RED MEATS PREP/PRES	661,679	645,439	496,938	500,677	536,378	492,857	591,306	625,669	701,019	746,136
CHEESE	439,983	418,669	420,630	455,360	492,977	521,838	557,288	575,952	588,801	718,824
TREE NUTS	351,554	427,312	417,440	483,711	450,288	468,850	499,541	515,112	601,387	668,784
OTHER DAIRY PRODUCT	477,872	354,891	402,124	393,040	437,882	620,582	525,412	636,477	712,924	626,926
SPICES	336,426	325,375	366,388	340,899	384,752	420,649	466,972	512,055	536,199	610,774
ROAST/INSTANT COFFEE	315,362	254,592	248,585	254,168	361,836	470,124	482,403	462,721	452,698	493,285
TOTAL	22,600,329	22,624,255	24,390,198	24,473,347	26,448,021	29,509,577	32,049,313	35,333,994	36,636,564	37,077,431

SOURCE: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics
Categories and groups defined by FAS/USDA

Ms. Kaptur: Break down these same figures for trade specifically with Mexico for this time period.

[The information follows:]

US AG EXPORTS to MEXICO

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
CUMULATIVE TO DATE VALUES IN 1000 DOLLARS
Fiscal Years OCTOBER - SEPTEMBER

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
BULK	1,365,562	1,152,332	1,380,014	1,271,473	1,568,201	1,552,720	2,767,050	2,277,889	2,723,570	2,428,076
COARSE GRAINS	903,748	561,915	884,924	458,553	580,219	667,391	1,320,858	695,442	904,792	926,692
SOYBEANS	217,308	329,221	451,012	410,971	529,668	413,390	638,261	821,782	818,033	699,341
COTTON	38,528	73,947	74,778	169,921	208,811	188,247	261,162	315,715	512,473	398,477
WHEAT	46,823	35,356	49,529	108,743	95,655	116,344	317,825	212,616	208,405	201,757
RICE	61,951	25,557	40,309	52,261	62,250	73,275	88,014	82,884	96,607	79,439
OTHER BULK	17,808	42,141	50,170	46,174	55,761	63,551	61,088	59,542	63,328	50,312
PULSES	72,431	79,903	17,948	13,940	20,380	15,024	55,203	54,362	97,572	46,728
PEANUTS	6,952	4,045	11,275	10,806	14,953	17,382	24,172	25,270	22,160	25,162
TOBACCO	11	247	69	104	504	117	448	277	202	148
INTERMEDIATE	766,536	909,196	1,039,748	1,022,314	1,038,248	1,004,939	1,153,042	1,308,948	1,434,237	1,286,129
LIVE ANIMALS	85,158	157,328	216,961	117,471	130,506	67,098	62,116	170,095	177,382	104,562
ANIMAL FATS	90,840	87,627	95,858	103,303	118,238	142,120	136,782	154,376	168,802	142,008
FEEDS & FODDERS	53,866	70,096	99,727	112,835	117,071	93,315	87,551	89,216	118,974	107,395
PLANTING SEEDS	94,181	87,127	108,697	120,536	102,458	103,266	163,562	150,264	125,466	132,679
HIDES & SKINS	86,561	128,629	133,640	112,323	98,497	70,348	109,486	136,544	172,294	149,765
VEGETABLE OILS (EX SOY)	28,755	27,995	37,243	93,370	84,621	135,673	117,819	127,643	171,468	166,494
SOYBEAN MEAL	77,061	63,949	82,210	59,571	71,161	72,878	84,669	22,375	44,845	28,131
SUGAR, SWEETNER, BASES	91,736	113,018	41,659	46,487	49,713	57,127	84,916	126,083	92,577	80,975
SOYBEAN OIL	2,975	6,074	11,555	19,500	11,318	35,775	25,720	42,861	64,082	54,222
WHEAT FLOUR	1,329	7,259	12,755	7,706	3,889	3,003	14,031	17,199	6,692	11,641
OTHER INTERMEDIATE	154,074	160,094	197,644	229,213	250,775	224,335	266,291	270,291	291,653	310,256
CONSUMER-ORIENTED	534,739	827,023	1,254,583	1,365,513	1,574,191	1,156,244	1,085,724	1,480,568	1,793,139	1,944,552
RED MEATS, FR/CH/FR	180,232	329,491	408,115	298,475	371,901	263,570	246,570	420,781	583,113	652,977
POULTRY MEAT	49,590	94,682	158,706	199,410	214,897	182,800	187,419	229,493	233,011	196,442
DAIRY PRODUCTS	70,373	70,913	186,640	245,762	168,580	130,252	119,437	154,996	158,751	171,764
FRESH FRUIT	31,267	36,181	62,497	85,718	153,505	88,721	79,381	94,931	102,245	150,024
SNACK FOODS	52,499	67,601	104,321	105,469	109,054	75,562	65,430	91,119	110,570	115,808
PROCESSED FRUIT & VEG	41,368	46,272	70,638	74,966	98,661	79,531	77,163	111,387	158,396	149,739
RED MEATS, PREP/PRES	14,177	23,172	36,111	47,590	64,645	41,749	32,249	33,171	43,496	36,888
FRESH VEGETABLES	11,622	28,059	28,406	46,783	40,770	31,429	27,578	42,102	39,304	47,308
BREAKFAST CEREALS	8,251	13,756	18,382	32,833	37,232	27,178	35,571	39,663	42,317	41,414
TREE NUTS	10,102	16,472	25,734	23,557	28,857	19,435	23,261	20,422	27,177	33,662
WINE AND BEER	10,067	13,295	16,031	20,407	28,547	17,167	15,036	21,141	20,177	22,969
PET FOODS	2,875	4,198	9,766	17,407	28,428	25,887	29,465	38,859	55,502	57,587
NURSERY PRODUCTS	4,710	9,354	14,180	13,849	17,868	23,064	22,827	24,530	23,008	21,338
EGGS & PRODUCTS	8,489	11,126	7,536	12,870	14,859	14,508	21,955	25,581	44,503	25,119
FRUIT & VEG JUICES	3,305	5,032	8,897	9,091	14,327	10,307	8,874	10,327	16,310	20,790
OTHER CONSUMER ORIENTED	35,792	57,420	100,624	131,326	181,957	125,063	93,509	122,087	135,261	198,724
AGRICULTURAL TOTAL	2,666,837	2,888,551	3,674,346	3,659,300	4,180,640	3,713,903	5,005,816	5,067,405	5,950,946	5,660,757

SOURCE: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

US AG IMPORTS from MEXICO

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
CUMULATIVE TO DATE VALUES IN 1000 DOLLARS
Fiscal Years OCTOBER - SEPTEMBER

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
BULK	396,410	357,783	292,374	258,909	311,864	571,501	566,071	612,613	581,635	455,696
RAW COFFEE	342,789	292,438	232,246	186,267	260,623	425,997	470,872	505,801	481,870	348,345
OTHER BULK	41,824	43,451	39,071	40,429	47,044	39,230	53,326	49,333	39,421	38,590
TOBACCO	9,191	18,202	11,275	20,785	2,839	1,695	12,932	39,886	20,354	31,853
COARSE GRAINS	100	213	380	400	529	812	882	1,209	2,912	3,151
COCOA BEANS	0	0	8,993	10,932	443	6,928	1,772	11,963	17,902	4,618
TEA, INCL HERB	0	14	2	28	234	103	810	2,899	2,395	4,551
RUBBER/ALLIED PROD	73	48	341	11	91	60	169	135	269	319
RICE	24	15	65	52	61	68	182	598	802	3,365
RAW BEET/CANE SUGAR	2,410	3,401	0	0	0	9,489	7,585	786	15,645	19,528
WHEAT	0	0	0	5	0	0	0	2	66	1,376
INTERMEDIATE	457,871	498,857	393,015	504,154	487,362	662,743	329,078	287,222	345,129	400,357
LIVE ANIMALS	376,813	408,758	297,692	425,240	406,652	453,454	182,790	150,393	191,093	252,432
OTHER INTERMEDIATE	27,468	31,680	39,920	34,929	33,428	29,727	40,146	48,075	57,352	57,735
SUGAR/SWEETEN/BASES	6,210	15,732	13,571	5,991	11,070	12,389	27,689	27,060	29,374	24,446
ESSENTIAL OILS	8,979	9,186	9,155	9,309	10,019	13,702	22,894	15,434	16,491	17,668
PLANTING SEEDS	4,457	5,078	7,358	6,761	6,346	6,495	10,571	16,749	14,923	13,449
OTHER VEG OIL	7,060	12,768	14,429	8,649	7,905	10,683	17,976	15,606	25,470	25,794
HIDES & SKINS	11,892	4,553	5,665	5,363	4,884	7,079	2,234	3,787	2,345	2,045
COCOA PASTE/BUTTER	14,573	8,756	4,957	7,442	4,717	9,988	8,575	7,300	4,865	5,596
FEEDS & FODDERS	419	368	117	470	341	1,260	1,534	2,819	1,195	1,189
TROPICAL OILS	0	0	151	0	0	0	185	0	0	3
CONSUMER-ORIENTED	1,726,671	1,681,579	1,600,462	1,944,285	2,018,004	2,506,170	2,804,172	3,006,865	3,705,121	3,937,057
FRESH VEGETABLES	813,636	694,329	554,022	804,369	829,180	939,846	1,178,363	1,146,585	1,449,967	1,318,241
OTHER FRESH FRUIT	183,932	260,154	258,872	254,576	287,150	218,635	403,920	423,897	555,283	706,740
PROCESSED FRUIT/VEG	193,277	203,251	242,581	260,494	251,186	237,061	262,494	318,534	346,656	404,981
WINE AND BEER	152,036	130,729	144,794	162,016	178,793	179,782	272,553	360,967	529,196	648,883
OTHER CONSUMER	78,116	83,245	76,310	97,956	121,570	97,325	138,457	213,267	225,840	262,570
SNACK FOODS	36,804	39,229	52,459	62,206	91,372	81,784	107,868	141,536	169,842	199,470
BANANAS/PLANTAINS	26,344	48,363	94,745	98,588	63,665	45,680	37,984	65,019	56,533	43,920
ROAST/INSTANT COFFEE	53,115	46,027	29,802	33,221	51,440	68,416	92,408	114,921	116,418	86,060
FRUIT/VEG JUICES	98,116	53,885	35,950	30,404	51,327	63,702	65,630	72,880	86,649	78,257
TREE NUTS	24,138	53,747	46,884	83,444	32,245	64,321	53,868	40,309	72,079	83,682
SPICES	47,421	44,793	46,607	34,573	32,238	20,096	27,464	30,426	39,557	42,625
NURSERY PRODUCTS	17,027	20,783	17,251	20,127	20,722	24,341	27,002	32,180	35,884	38,542
RED MEATS FR/CH/FR	2,008	2,692	1,824	1,749	3,957	4,026	7,506	8,354	6,747	8,384
OTHER DAIRY PRODUCT	649	174	130	185	1,761	6,039	12,725	5,726	5,994	5,711
RED MEATS PREP/PRES	52	181	231	376	1,371	772	3,406	4,121	6,389	7,734
CHEESE	0	0	0	0	29	71	82	321	2,087	1,257
AGRICULTURAL TOTAL	2,580,952	2,536,219	2,285,851	2,707,348	2,817,230	3,740,414	3,699,321	3,906,700	4,631,885	4,793,110

SOURCE: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

PRE AND POST NAFTA TRADE

Ms. Kaptur: What is the changing nature of U.S. trade with Mexico and Canada, pre and post NAFTA?

Response: We will provide for the record a table highlighting U.S. agricultural trade (both exports and imports) with Mexico and Canada which covers the period in question from calendar year 1984 through 1999. This table also identifies significant trade policy events that affected North American trade during this period. These are:

- Mexico joins the GATT (1986)
- Mexico initiates unilateral trade liberalization (1988)
- Canada/US FTA Phase-in Begins (1989)
- NAFTA Phase-in Begins (1994)

Despite some outstanding issues with Canada on supply managed industries and technical SPS issues, the vast majority of agricultural trade between Canada and the United States moves freely across the border. With respect to U.S.-Mexico trade, trade barriers continue to be progressively reduced so the full impact of the Free Trade Agreement will only be realized several years down the road. Since 1996, we have seen a decrease in our positive trade balance with Mexico (now roughly +$800 million) and a progressive increase in our trade deficit with Canada which has grown to -$900 million. On-going appreciation of the U.S. dollars vis-a-vis the currencies of our neighbors and a remarkably strong U.S. economy have been the single most important factor in the deterioration of our terms of trade.

For the most part, our trade profile with Canada has changed little throughout the pre and post NAFTA periods. Two-way U.S.-Canada trade remains dominated by high-value consumer foods. Over 90 percent of U.S. exports and imports to and from Canada consist of fresh fruits and vegetables, animal products, and a very diverse assortment of processed consumer foods.

As for U.S.-Mexico trade, we have begun to see the impact of NAFTA on the sales of high-value fresh/processed fruit and vegetables and processed consumer foods. This is true for trade in both directions. The U.S. remains a major supplier of coarse grains and oilseed products (which support Mexico's livestock and poultry sectors), is the dominant supplier of cotton, and we have seen a large growth in the sales of meats, fresh and processed fruits, and assorted consumer foods. U.S. imports of tropical and other bulk commodities (coffee and cocoa beans, tobacco, grains) and intermediate products (live animals, sweeteners, etc) from Mexico have changed little over the past ten years. The near doubling of import value since 1990 ($2.6 billion to $4.8 billion) is due to rising U.S. purchases of high-value consumer foods. Expansion has been very broad based with especially large gains in fresh and processed fruits and vegetables.

[The information follows:]

			Mex Joins GATT		Mex Liber ImpPolicie	Can/US FTA -->					NAFTA -->	PeaceImpact				
U.S. AGRICULTURAL EXPORTS ($1,000)																
Canada	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GRAINS & FEEDS 1							556,994	612,379	771,431	825,785	893,846	978,870	1,051,403	1,088,396	1,154,586	1,177,585
OILSEEDS & PRODUCTS 2							224,128	339,218	359,870	405,186	358,702	467,188	510,182	534,948	514,590	540,961
COTTON 3			Commodity Detail Not Available				122,609	137,444	132,851	135,227	145,500	181,673	196,585	187,708	233,966	183,579
TOBACCO 4							2,940	4,768	6,076	2,632	1,940	1,896	4,488	5,331	1,896	1,070
DAIRY & POULTRY 5							223,551	228,434	270,248	290,256	292,127	304,624	338,854	386,898	447,409	448,265
LIVESTOCK & MEATS 6							609,421	690,561	670,515	723,412	822,237	814,597	820,051	900,840	877,825	980,170
FRUITS & VEGS 7							1,997,825	2,167,379	2,288,587	2,481,751	2,524,293	2,570,284	2,669,515	2,951,221	3,097,933	3,180,650
SUGAR & TROP 8							374,826	413,747	460,015	510,843	515,284	544,986	557,769	621,775	706,070	695,226
Total	2,796,125	2,583,263	2,668,186	2,993,755	3,351,493	3,739,818	4,313,325	4,603,951	4,958,592	5,315,043	5,553,430	5,804,026	6,157,849	6,784,124	6,994,331	7,053,287
% chg previous year:		-8%	3%	12%	12%	12%	15%	9%	7%	8%	4%	5%	6%	11%	3%	1%
Mexico																
GRAINS & FEEDS 1	702,313	448,230	270,542	379,710	630,086	1,016,013	1,032,756	727,525	1,034,659	848,261	1,202,672	1,026,361	2,091,550	1,354,572	1,700,955	1,582,479
OILSEEDS & PRODUCTS 2	820,988	394,422	375,077	316,270	611,890	454,056	357,992	561,984	757,512	795,521	908,322	870,077	1,139,565	1,251,846	1,187,311	1,073,972
COTTON 3	63,923	54,119	49,725	76,400	62,641	151,637	134,779	143,844	727,859	312,510	504,031	295,515	468,958	470,165	745,748	417,933
TOBACCO 4	0	2	5	37	0	189	53	197	69	379	255	430	163	395	114	93
DAIRY & POULTRY 5	59,240	82,742	95,142	94,300	218,362	275,560	134,508	254,257	346,254	474,502	436,566	306,991	346,260	432,257	463,023	401,664
LIVESTOCK & MEATS 6	275,492	383,341	226,408	262,667	613,680	560,933	531,987	875,871	918,654	712,159	937,358	533,589	771,336	1,126,409	1,244,155	1,265,626
FRUITS & VEGS 7	39,049	57,925	56,418	61,437	70,992	133,737	178,368	225,402	324,663	379,319	547,792	528,343	492,904	496,083	596,361	696,311
SUGAR & TROP 8	30,454	14,846	8,168	11,008	26,369	130,493	182,830	210,237	182,945	172,389	236,149	153,681	219,889	206,743	214,528	244,203
Total	1,992,519	1,435,633	1,081,487	1,201,831	2,233,020	2,720,619	2,553,353	2,999,358	3,793,615	3,696,036	4,572,926	3,518,986	5,429,516	5,178,569	6,152,202	5,623,341
% chg previous year:		-28%	-25%	11%	86%	22%	-6%	17%	26%	-5%	27%	-23%	54%	-5%	19%	-9%
Grand Total	4,788,638	4,017,896	3,741,673	4,193,586	5,585,513	6,460,439	6,866,678	7,603,309	8,751,106	8,921,098	10,126,356	9,323,013	11,587,366	11,964,695	13,146,534	12,676,628
% chg previous year:		-16%	-7%	12%	33%	16%	3%	12%	15%	2%	14%	-8%	24%	3%	10%	-4%

US AGRICULTURAL IMPORTS ($1,000)																
Canada	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GRAINS & FEEDS 1	312,601	315,669	357,982	384,102	470,823	543,792	524,287	539,698	747,619	909,363	1,240,244	1,252,392	1,477,542	1,629,326	1,467,866	1,376,711
OILSEEDS & PRODUCTS 2	56,136	70,265	58,123	77,546	165,491	259,511	240,032	272,760	330,152	429,262	653,098	623,468	791,393	776,499	825,138	668,674
COTTON 3	23,494	23,118	39,693	34,939	44,837	45,755	38,405	41,144	52,356	54,330	70,885	70,955	86,325	101,357	105,132	102,101
TOBACCO 4	19,256	17,941	23,098	31,689	21,552	9,808	2,793	16,997	34,638	27,818	9,422	10,159	12,211	23,965	23,849	28,653
DAIRY & POULTRY 5	36,884	36,814	37,944	43,912	43,792	61,262	70,211	69,860	72,665	78,230	82,060	110,780	152,716	195,497	254,141	303,500
LIVESTOCK & MEATS 6	883,380	899,090	852,686	959,451	1,051,721	1,172,610	1,416,280	1,428,728	1,784,659	1,937,787	1,867,202	2,038,650	2,508,864	2,682,658	2,668,031	2,674,483
FRUITS & VEGS 7	335,651	339,162	377,956	410,826	467,484	537,613	564,827	582,316	668,503	715,812	815,743	928,028	1,091,250	1,253,644	1,331,304	1,699,415
SUGAR & TROP 8	180,538	193,324	264,505	251,581	195,568	283,374	310,295	356,582	670,362	463,896	521,950	551,197	627,213	724,172	848,486	870,218
Total	1,847,691	1,894,363	2,018,797	2,214,045	2,443,273	2,915,726	3,153,177	3,304,885	4,103,954	4,618,578	5,361,588	5,586,589	6,747,517	7,388,917	7,723,643	7,923,754
% chg previous year:		3%	7%	10%	10%	19%	8%	5%	24%	13%	14%	6%	21%	10%	5%	3%
Mexico																
GRAINS & FEEDS 1	23,484	26,323	28,477	29,736	33,460	43,835	49,300	50,566	62,292	67,745	94,377	115,452	139,765	169,561	166,624	172,277
OILSEEDS & PRODUCTS 2	2,175	1,781	1,710	4,613	7,953	14,567	9,832	18,042	17,196	14,504	13,339	25,421	27,782	23,344	38,450	33,395
COTTON 3	9,971	10,149	7,461	4,225	5,241	9,028	22,226	12,183	23,829	12,986	16,723	14,778	34,506	47,143	21,493	20,397
TOBACCO 4	14,387	7,590	11,612	16,667	18,425	24,153	11,255	15,426	13,452	19,523	2,659	3,553	23,917	33,027	29,999	23,973
DAIRY & POULTRY 5	6	9	116	21	26	648	331	178	186	390	3,597	10,983	10,221	6,849	8,415	7,227
LIVESTOCK & MEATS 6	104,372	134,619	310,820	261,662	270,858	303,154	451,166	388,717	370,781	457,404	380,052	583,134	596,681	316,772	254,348	241,956
FRUITS & VEGS 7	709,284	793,623	1,015,179	1,036,815	1,064,364	1,241,656	1,603,533	1,575,092	1,503,259	1,749,202	1,888,540	2,273,566	2,556,893	2,688,845	3,334,026	3,492,616
SUGAR & TROP 8	414,381	463,444	704,211	513,098	419,182	640,465	464,705	460,290	387,515	379,120	473,332	760,966	775,476	904,835	783,503	755,855
Total	1,277,973	1,445,538	2,079,586	1,866,437	1,819,518	2,279,497	2,610,547	2,527,454	2,372,509	2,788,475	2,876,028	3,805,188	3,734,508	4,077,702	4,652,184	4,847,519
% chg previous year:		13%	44%	-10%	-3%	25%	15%	-3%	-6%	18%	3%	32%	-2%	9%	14%	4%
Grand Total	3,125,664	3,339,901	4,098,383	4,080,482	4,262,789	5,195,223	5,763,719	5,832,338	6,476,463	7,407,053	8,237,617	9,391,769	10,482,024	11,466,627	12,376,827	12,771,273
% chg previous year:		7%	23%	-0%	4%	22%	11%	1%	11%	13%	11%	15%	12%	9%	8%	3%

US AGRICULTURAL TRADE BALANCE ($1,000)																
Canada	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GRAINS & FEEDS 1							32,647	72,681	23,811	(83,580)	(346,399)	(273,523)	(446,139)	(540,931)	(312,978)	(199,126)
OILSEEDS & PRODUCTS 2							83,096	66,458	(283)	(24,306)	(294,395)	(156,281)	(281,011)	(241,351)	(310,548)	(127,713)
COTTON 3			Commodity Detail Not Available				84,094	95,300	80,494	80,898	74,616	(110,758)	111,220	84,351	128,833	81,478
TOBACCO 4							(4,793)	(12,228)	(30,563)	(25,206)	(7,582)	(8,263)	(7,851)	(18,636)	(21,953)	(27,582)
DAIRY & POULTRY 5							153,340	158,574	197,583	212,026	210,068	193,844	186,139	191,398	192,269	144,765
LIVESTOCK & MEATS 6							(806,967)	(738,167)	(1,113,989)	(1,224,746)	(1,044,963)	(1,224,143)	(1,688,817)	(1,772,892)	(1,790,353)	(1,793,314)
FRUITS & VEGS 7							1,432,998	1,587,062	1,683,084	1,695,939	1,707,547	1,641,277	1,578,486	1,697,777	1,525,631	1,469,234
SUGAR & TROP 8							64,531	57,165	(10,347)	46,947	(6,645)	(6,211)	(69,544)	(102,398)	(142,416)	(174,992)
Total	948,434	687,898	641,309	777,707	908,272	824,084	1,060,954	1,299,066	824,738	696,684	292,343	217,437	(615,477)	(602,792)	(729,113)	(870,668)
Mexico																
GRAINS & FEEDS 1	679,829	421,907	242,066	349,975	596,626	972,178	983,456	676,959	972,367	780,518	1,108,295	910,909	1,951,785	985,111	1,534,330	1,410,202
OILSEEDS & PRODUCTS 2	818,813	392,641	373,367	311,658	603,937	449,489	348,160	543,943	740,116	691,017	894,983	844,656	1,101,784	1,228,502	1,148,853	1,040,578
COTTON 3	54,003	35,971	42,266	72,175	57,200	142,610	114,553	124,701	212,030	291,924	283,299	267,409	424,284	435,659	728,336	397,733
TOBACCO 4	(14,387)	(7,588)	(11,608)	(16,630)	(18,423)	(23,964)	(11,201)	(15,230)	(13,383)	(19,151)	(2,824)	(3,123)	(23,754)	(32,632)	(29,883)	(23,887)
DAIRY & POULTRY 5	59,240	82,733	95,026	94,280	218,336	274,920	133,977	254,120	346,069	474,112	432,770	296,008	336,040	425,408	454,637	394,437
LIVESTOCK & MEATS 6	171,120	248,722	(84,412)	1,005	343,812	255,779	(80,821)	487,154	547,873	254,755	557,305	(49,545)	174,655	809,636	989,787	963,650
FRUITS & VEGS 7	(670,235)	(735,694)	(958,761)	(975,178)	(963,372)	(1,107,919)	(1,425,166)	(1,349,690)	(1,180,596)	(1,369,883)	(1,340,747)	(1,042,223)	(2,133,989)	(2,192,782)	(2,737,302)	(2,796,406)
SUGAR & TROP 8	(383,928)	(448,597)	(696,043)	(502,090)	(392,812)	(509,972)	(281,825)	(250,053)	(204,570)	(205,731)	(237,184)	(607,285)	(555,586)	(698,113)	(568,977)	(511,589)
Total	714,537	(9,906)	(998,180)	(664,807)	414,302	451,131	(57,294)	471,904	1,419,905	897,563	1,696,899	(286,194)	1,695,018	1,180,810	1,459,418	774,722
Grand Total	1,662,970	677,992	(356,711)	112,900	1,322,574	1,275,206	1,003,660	1,770,971	2,244,643	1,594,247	1,989,160	(68,757)	1,079,541	498,018	770,106	(95,746)

TOTAL US AGTRADE WITH	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Canada	4,643,816	4,476,624	4,678,983	5,205,801	5,794,764	6,655,544	7,265,297	7,908,816	9,043,646	9,933,641	10,815,419	11,390,615	12,879,556	14,175,043	14,717,974	14,977,041
		-4%	5%	11%	11%	15%	11%	7%	14%	10%	9%	5%	13%	10%	4%	2%
Mexico	3,270,483	2,881,171	3,161,073	3,068,468	4,053,339	5,010,116	5,163,800	5,526,811	6,164,924	6,314,509	7,448,954	7,324,167	9,164,034	9,256,329	10,804,987	10,469,760
		-12%	10%	-3%	32%	24%	3%	7%	12%	2%	18%	-2%	25%	1%	17%	-3%
Both	7,914,299	7,357,795	7,840,056	8,274,271	9,848,102	11,665,652	12,529,097	13,435,648	15,207,570	16,248,150	18,264,373	18,714,782	22,043,590	23,431,372	25,522,961	25,446,801
		-7%	7%	6%	19%	18%	7%	7%	13%	7%	12%	2%	18%	6%	9%	-0%

Source: All data derived from DOC Bureau of the Census, with the exception of U.S. exports to Canada from 1984-89 (bracketed data).
Data for those years are based on official Canadian import statistics which are deemed more reliable than U.S. export data in those years.

Ms. Kaptur: If imports to the United States are doubling every six years, what does this say about the position of US agriculture vis-a-vis the international economy?

Response: To set the record straight, the value of U.S. imports is not doubling every six years. A realistic long-term projection, one offered in the Department's long-term baseline studies, uses an average annual rate of 3.1 percent which would cause total import value at its current level of about $37 billion to double in 24 years.

At the current level of imports, the average annual growth rate would have to be 15 percent for imports to double within six years. We have never come close to this rate of increase. The highest year-over-year increase was 11.6 percent in 1995. In reality, the value of U.S. agricultural imports rose on average 2.9 percent from the late-1980s to the early-1990s, after which we had a brief but significant increase in the rate to 9.6 percent (on average) between 1994-97. Since then (1998-99), the rate has settled back to 2.4 percent. During the 1994-97 period, the combination of a rapidly growing U.S. economy and generally higher prices caused the value of U.S. imports to rise at a faster rate, a rate that would have doubled U.S. import value in nine years had it continued. With generally lower prices for high-value products after 1997, the average annual rate of increase in total import value has slowed dramatically, from 9.6 to 2.4 percent. At current import levels, a rate of 2.4 percent would cause the value of imports to double in 30 years.

Import growth is a normal condition for a nation that follows a strategy of free trade. Imports provide U.S. consumers with more choices of products at more competitive prices. It also has the added benefit of keeping U.S. growers and processors more efficient and competitive than they would be otherwise. Recently, imports of agricultural and manufactured goods have risen more rapidly in response to the unprecedented growth in the U.S. economy and generally weak economic conditions overseas. As a result most U.S. sectors have suffered increasingly larger trade deficits. However, agriculture is one of the very few which continue to enjoy a trade surplus, even though admittedly the size of its trade surplus has recently declined. The Department's long-term projections indicate that this surplus will expand on average 8 percent through 2009.

Most of the expansion in imports is due to a broad based increase in U.S. consumer demand for high-value fresh and processed fruits and vegetables, and imported wines and beers. Other products that complete this list are pastas, olive oil, and confectioneries. But the United States also remains a world class exporter of most of the products it imports. Fruit and vegetable exports are at or near the top of the list of major U.S. agricultural exports, and the United States is a major "new world" producer and exporter of wines and beers. While pasta exports are rather small we are a top supplier of wheat flour, another value-added wheat product. While we don't export olive oil we are a top supplier of soybean and several other vegetable oils. Although we are the world's largest beef importer we are also the largest exporter. Clearly U.S. agriculture with its large-scale operations, willingness to apply new technologies, and ability to innovate remains highly competitive.

US - CHINA TRADE

Ms. Kaptur: Describe the nature of U.S. agricultural trade with China over the past fifteen years. What has been the overall trade surplus/deficit situation?

Response: Over the last 15 years U.S. agricultural exports to China have been quite variable, but the United States has retained a net surplus, except for three years in the 1980's just as economic reforms had begun. U.S. exports peaked in 1995 at $2.6 billion, but have fallen each year since, as China closed its markets to imported wheat, corn, cotton and other commodities. That year the surplus was over $2 billion. In 1999, the U.S. agricultural trade surplus with China was at its lowest level in 7 years at $90 million due to shrinking exports to China. If Congress passes PNTR, once China accedes to the WTO, the U.S. agricultural net surplus with China will not diminish, but grow larger. China made a significant concession by agreeing to a 12 year product-specific safeguard to protect the U.S. market from import surges. Even after that period ends, Section 201 safeguard provisions will remain available to address potential increasing U.S. imports. Meanwhile, USDA's conservative estimate is that U.S. agricultural exports to China are expected to increase by $2 billion annually by 2005, the end of the implementation period. In calendar 1999 the United States exported $1.1 billion directly to China and $2.2 billion to China and Hong Kong combined. A significant portion of U.S. exports to Hong Kong are transhipped to China, often avoiding high duties and technical barriers.

Ms. Kaptur: What aspects of that trade relationship remain the same? What aspects are changing?

Response: China is a net agricultural exporter to the world market -- in 1999 $14.7 billion exported to $10 billion imported, according to Chinese official statistics. So how is it that U.S. agriculture stands to benefit from China's Accession to the World Trade Organization and a successful U.S. Congressional vote on Permanent Normal Trade Relations with China? The underlying assumption of the WTO is that free trade is an engine for growth that enables each country to make the most efficient use of its resources by focusing on its own "comparative advantage". China does not have a comparative advantage in agriculture and recent policy changes are a recognition of that fact. China currently maintains a costly, non-market, and artificial system to stimulate domestic field crop production. In recent years agricultural exports have increased and imports have declined. But the Chinese Government cannot afford to continue this strategy and, as the WTO agreement is implemented, structural reform and market liberalization will result in export opportunities to China and mean less competition with China in third country markets.

QUESTIONS SUBMITTED BY MS. DeLAURO

WIC and Establishment of Good Nutrition Habits

Ms. DeLauro: The WIC program currently serves approximately 47 percent of all infants born in the United States. The USDA Budget Summary mentions that this vital program has contributed to better birth outcomes and reductions in childhood anemia - key indicators of the healthy of American Children. Would you give the Committee examples of parts of the WIC program that help children establish patterns of diet and nutrition that benefit them as they grow up?

Response: WIC assists women, infants and children in establishing good dietary habits for life through a combination of dietary assessment, supplemental foods provided to directly address nutritional weaknesses, and nutrition education to teach recipients how to get the nutrients they need from WIC and all other foods brought into the household. Particular emphasis has been place on raising iron levels. And, I believe, WIC is widely credited with the improved scores America has seen in recent years. Let me provide some additional details on how this works.

[The information follows:]

A dietary assessment (usually a food frequency, or 24-hour recall) is administered when a persons first seeks WIC certification. The results of this assessment serve both to establish the risk status of an applicant, as well as to identify areas for improvement. Most States use tools that assess individual dietary patterns against the recommendations of the most current *Food Guide Pyramid* and *Dietary Guidelines for Americans*. Inappropriate dietary patterns identified through assessment are addressed through the supplemental food package, and through nutrition education.

Each participant receives vouchers for one of several available types of packages. Within each type of package, specific foods can be selected (e.g. beans or peanut butter), and amounts tailored to participant dietary needs and preferences, within overall limits specified by program rules. The food package not only provides direct supplementation, it provides a practical tool for encouraging positive dietary habits. In most States, WIC participants go to the store with their WIC vouchers, and the voucher helps show them how to shop for healthy foods, and encourages them to try things that they might not otherwise eat.

In addition, WIC provides general nutrition education aimed at encouraging participants to eat according to the *Food Guide Pyramid* and *Dietary Guidelines for Americans*, as well as advice and counseling pertinent to specific risks identified during the individual assessment process. Nutrition education is currently provided in a variety of formats (individual, group, facilitated group, etc.) and languages, to meet the needs of participants from different educational and cultural backgrounds. In some State WIC agencies, nutrition education is provided directly to 3 and 4-year-old children.

Long-Term WIC Benefits to Recipient Families

Ms. DeLauro: What are some of the long-term health benefits that families who qualify for WIC enjoy?

Response: The long-term health benefits to families who qualify for and participate in WIC are likely to be substantial. These include a greater likelihood of being born full-term and at normal birth weight, a reduced risk of dying in infancy, and improved diets in infancy and early childhood, leading to reduced rates of anemia and improved school readiness. These things, as you know, make a big difference to the recipients, as well as to America. There is much more to be said about this, so let me provide some additional information later.

[The information follows:]

Infants who are born premature or at low birth weight account for a disproportionate share of health care costs. Studies suggest that the WIC Program has been playing an important role in improving birth outcomes and

containing costs. A series of reports published by USDA over the last few years based on linked 1988 WIC and Medicaid data found that Medicaid eligible pregnant women in 5 States who participated in WIC during their pregnancies had significantly longer pregnancies, fewer premature births, a lower incidence of moderately low and very low birth weight[1], fewer infant deaths[2], and a greater likelihood of receiving prenatal care relative to similarly low-income women who did not participate in WIC.

A 1995 USDA report based on data from the 1988 National Maternal and Infant Health Survey (NMIHS) found similar relationships among WIC participation and birth outcomes in a Nationally representative sample of WIC participants, suggesting that the positive effects of WIC are not limited to the most disadvantaged segments of the low-income population.[3]

Current science also emphasizes the importance of the preschool years in laying the foundation long-term health and cognitive development. Studies of WIC's effect on diet and anemia prevalence suggest that WIC participation by children may have a substantial positive effect on their health and readiness to learn during the school years.

1. Participation in WIC has a positive effect on children's intake of iron, vitamin A and vitamin C and iron. Children participating in WIC also had higher intakes of thiamin, niacin, and vitamin B6, without an increase in food energy intake, indicating an increase in the nutrient density of the diet. (Edozien, Switzer and Bryan, 1979; The National WIC Evaluation, 1986)

2. WIC children were less likely to be anemic than non-WIC children, and were more likely to be immunized. (Edozien et al., 1979; Miller, Swaney and Deinard, 1985; Yip, Binkin, Fleshood and Trowbridge, 1987). Anemia is associated with adverse effects on cognitive and behavioral development. Children who experience iron deficiency anemia as infants are considered to be at risk for long-lasting developmental disadvantages compared to non-anemic infants. The risk increases with the duration and severity of anemia, and damages are unlikely to be reversed through later therapy.

3. WIC children are more likely to have a regular source of health care than other low-income children (National WIC Evaluation, 1986).

These improvements are likely to lead to children who are in better health, and who are better prepared for school. In fact, one study found that WIC children performed better than non-WIC children on two measures of cognitive development: the memory subscale of the McCarthy test, and the Peabody Picture Vocabulary Test (National WIC Evaluation, 1986).

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[1] U.S. Department of Agriculture Food and Nutrition Service. Very Low Birth weight Among Medicaid Newborns in Five States: The Effects of Prenatal WIC Participation. Alexandria, Virginia: 1992.

[2] U.S. Department of Agriculture Food and Nutrition Service. Infant Mortality Among Medicaid Newborns in Five States: The Effects of Prenatal WIC Participation. Alexandria, Virginia: 1993.

[3] U.S. Department of Agriculture Food and Nutrition Service. Characteristics and Outcomes of WIC Participants and Non-Participants: Analysis of the 1988 National Maternal and Infant Health Survey. Alexandria, Virginia: 1995.

Long-Term Health Care Cost Savings Due to WIC

Ms. DeLauro: What are the long-term benefits to our Nation in terms of money saved in health care?

Response: The long-term health care savings to the Nation as a result of WIC participation are likely to be substantial. Studies have shown that infants of mothers who participated in WIC during pregnancy were more likely to be born full-term and at normal birth weight, and have a reduced risk of dying in infancy. WIC also improves infants' and children's diets, leading to reduced rates of anemia and improved school readiness. Please, may I add more detail to my response.

[The information follows:]

Infants who are born premature or at low birth weight account for a disproportionate share of health care costs. Studies conducted by USDA and by GAO suggest that the WIC Program plays an important role in improving birth outcomes and containing costs. A series of reports published by USDA based on linked 1988 WIC and Medicaid data found that Medicaid eligible pregnant women in 5 States who participated in WIC during their pregnancies had significantly longer pregnancies, fewer premature births, a lower incidence of moderately low and very low birth weight[1], fewer infant deaths[2], and a greater likelihood of receiving prenatal care relative to similarly low-income women who did not participate in WIC. Associated with these improvements in birth outcomes were significant savings in health care costs. Prenatal participation in WIC was associated with savings of $1.77 (in Florida) and $3.13 (in North Carolina) in the first 60 days postpartum for each dollar spent on WIC.[1] A 1992 GAO study estimated that prenatal participation in WIC would save approximately $3.50 in health care and related costs to Federal, State and local governments over the first 18 years of life, for each dollar spent on WIC.

The studies summarized above were based primarily on women whose income was well below the poverty line. A 1995 USDA report based on data from the 1988 National Maternal and Infant Health Survey (NMIHS) found similar relationships among WIC participation and birth outcomes in a Nationally representative sample of WIC participants, suggesting that the positive effects of WIC are not limited to the most disadvantaged segments of the low-income population.[3]

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[1] U.S. Department of Agriculture Food and Nutrition Service. Very Low Birth weight Among Medicaid Newborns in Five States: The Effects of Prenatal WIC Participation. Alexandria, Virginia: 1992.

[2] U.S. Department of Agriculture Food and Nutrition Service. Infant Mortality Among Medicaid Newborns in Five States: The Effects of Prenatal WIC Participation. Alexandria, Virginia: 1993.

[3] U.S. Department of Agriculture Food and Nutrition Service. Characteristics and Outcomes of WIC Participants and Non-Participants: Analysis of the 1988 National Maternal and Infant Health Survey. Alexandria, Virginia: 1995.

Question: As you may know, dairy plays a large role in Connecticut's economy. Our 340 dairy farms bring $71.3 million to my state each year. Most of these farms are small family farms, and all of them are still reeling from the drought that hit us last summer. The recent record-breaking jump in oil prices in Connecticut has made transporting milk from farms increasingly tough. I applaud the Administration's decision to extend its dairy price support system until 2002. However, I am concerned that this initiative may not be enough to help our family farms. Would you comment on how and whether or not the Administration plans to more fully address this issue?

Response: Although it is too early to determine how much more assistance may be required for 2000, USDA is willing to work with Congress to determine adequate emergency funding levels as the economic condition of dairy farmers becomes clearer in 2000.

Outreach and Education for Non-Participant Food Stamp Eligibles

Ms. DeLauro: In November 1999, The Washington Post highlighted a serious problem - many low-income families do not know that they qualify for food stamps, or have difficulty obtaining them. In you testimony, you touched on this important issue. Could you provide me with more details about the Administration's outreach and education to address this problem?

Response: Low-income families not realizing that they may be eligible for Food Stamp Program (FSP) benefits or having difficulties obtaining them are what prompted President Clinton, on July 14, 1999, to initiate three executive actions to improve access to the FSP. The first two of these actions were to issue guidance to make it easier for families to own reliable cars and to provide States with options to simplify income reporting rules. The third, an announcement of a public education campaign, sets goals to reach and educate individuals and families about the FSP and help those who are eligible to access the program. Low-income working families are a targeted group for this campaign.

State agencies have a wide variety of initiatives underway to promote FSP access. To assist State agencies in their efforts, USDA has developed materials consisting of color brochures, flyers and posters, all of which can be accessed on USDA's FNS web site. A CD-ROM containing reproducible files of all the materials is also available, at no cost, to government agencies, organizations, and others who wish to print the materials.

Enhancements to the FSP toll free number have been made. Callers now have the option of hearing the message in English and Spanish and of obtaining their State's toll free number. We are also conducting customer service program access reviews to ensure that potential applicants are being afforded the opportunity to apply for benefits and to identify best customer service practices to share with other States.

In order to build on these efforts, the Administration is requesting $10 million for fiscal year 2001 for nutrition education and outreach. These funds will be used to educate food stamp eligibles not currently participating in the program about the nutritional benefits of the Food Stamp Program and how to apply for these benefits. This finding will also be used to reinforce healthy eating messages to program participants to assure wise and economical food choices.

Study of the WIC Package

Ms. DeLauro: I understand that USDA is considering reviewing the WIC package. Would you elaborate on the need for this study?

Response: The Center for Nutrition Policy and Promotion completed a study August 1999, titled "*Review of the Nutritional Status of WIC Participants*" based on existing information. Food intake data from the National Health And Nutrition Examination Survey was used to estimate the nutrient intake of WIC participants. So the study has already been completed. The results of the study, other research, and the experience and concerns of stakeholders at all levels are being taken into account as USDA considers how the WIC food packages might be refined to better achieve WIC's nutritional targets.

Vegetables in the WIC Packages

Ms. DeLauro: What changes do you expect to be recommended?

Response: It is too early for me to outline USDA's conclusions with respect to refinements that may be needed for the WIC food packages. At the same time, it is pretty easy to observe that the *Food Guide Pyramid* and *Dietary Guidelines for Americans* include recommendations for the "Vegetable Group." Except for the Farmers' Market Nutrition Program, that group is only represented by carrots in the package. Overall, the changes should increase the percentage of recipients who achieve the recommendations provided in the *Food Guide Pyramid* and *Dietary Guidelines for Americans*. Through achieving these general, servings and food group based recommendations, the program would seek to help recipients achieve America's science based nutrient targets with the effect of improving overall recipient health and life quality.

[Clerk's Note: The following FY 2001 Budget Amendments were received after the hearings:]

THE WHITE HOUSE

WASHINGTON

March 31, 2000

The Speaker of the

House of Representatives

Sir:

I ask the Congress to consider the enclosed requests for FY 2001 budget amendments for the Departments of Agriculture, Commerce, Defense, Energy, Health and Human Services, State Transportation, and the Treasury; the Corps of Engineers; the Office of the United States Trade Representative; International Assistance Programs; the Small Business Administration; and, the Corporation for National and Community Service. In aggregate, the discretionary resources proposed in my FY 2001 Budget would not be affected by these requests.

The details of these actions are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Sincerely,

William J. Clinton

Enclosure

Estimate No. 10
106th Congress, 2nd Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
March 31, 2000

THE DIRECTOR

The President

The White House

Submitted for your consideration are requests for FY 2001 budget amendments for the Departments of Agriculture (USDA), Commerce, Defense, Energy, Health and Human Services, State, Transportation, and the Treasury; the Corps of Engineers; the Office of the United States Trade Representative (USTR); International Assistance Programs; the Small Business Administration; and, the Corporation for National and Community Service. In total, the discretionary funding proposed in the FY 2001 Budget would not be affected by these amendments.

As described below and in more detail in the enclosures, the amendments include the following:

Trade Compliance Initiative

As part of your Administration's effort to build a rules-based trading system in which international trade is both free and fair, your FY 2001 Budget included a $22.0 million initiative to strengthen the Federal Government's capacity to ensure that our trading partners comply with the multilateral and bilateral trade agreements that they have entered into with the United States. Of this total, $21.2 million was requested to be provided to the International Trade Administration (ITA) in the Department of Commerce, and $0.8 million was requested to be provided to the Foreign Agricultural Service (FAS) in USDA. The proposed budget amendments would reduce the pending FY 2001 appropriations request for ITA by $5.0 million and reallocate that funding directly to the participating agencies, as follows:

- $3.0 million is proposed to be provided to the Department of State to support the expansion of its cadre of economic officers dedicated to trade agreement monitoring and compliance;

- $1.3 million is requested to be provided to USTR to strengthen its ability to pursue a two-track strategy of negotiating new, effective agreements and ensuring that the terms of those agreements are fulfilled; and,

- $0.7 million is proposed to be provided to USDA to strengthen its ability to provide technical support to FAS, USTR, and other agencies facing food safety, sanitary and phytosanitary, and biotechnology issues when negotiating new trade agreements and ensuring that the terms of those agreements are fulfilled.

Other FY 2001 Amendments

Technical amendments to your FY 2001 Budget are included in this transmittal for the Departments of Agriculture, Commerce, Defense, Energy, Health and Human Services, State, Transportation, and the Treasury; the Corps of Engineers; International Assistance Programs; the Small Business Administration; and, the Corporation for National and Community Service.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that you transmit the proposals to the Congress.

Sincerely,



Jacob J. Lew
Director

Enclosures

Agency:	DEPARTMENT OF AGRICULTURE
Bureau:	OFFICE OF THE SECRETARY
Heading:	Office of the Secretary
FY 2001 Budget Appendix Page:	57
FY 2001 Pending Request:	$3,314,000
Proposed Amendment:	-$400,000
Revised Request:	$2 ,914,000

This proposal would amend the pending appropriations language to reflect correctly the policy proposed in the FY 2001 Budget. The FY 2001 Budget proposes a total of $2,914,000 for the Office of the Secretary.

This amendment would not affect the proposed budget totals.

Agency:	DEPARTMENT OF AGRICULTURE
Bureau:	ANIMAL AND PLANT HEALTH INSPECTION SERVICE
Heading:	Salaries and Expenses
FY 2001 Budget Appendix Page:	78
FY 2001 Pending Request:	$512,044,000
Proposed Amendment:	$400,000
Revised Request:	$512,444,000

(In the appropriations language under the above heading, delete "$512,044,000," and substitute $512,444,000, of which $400,000 shall be for the support of foreign market access activities, to remain available until expended.)

This proposal would increase the pending FY 2001 appropriations request for the Animal and Plant Health Inspection Service (APHIS) by $0.4 million. This increase is offset by a reduction to the International Trade Administration in the Department of Commerce, proposed in an accompanying budget amendment.

As part of President Clinton's effort to build a rules-based trading system in which international trade is both free and fair, the FY 2001 Budget includes a $22.0 million initiative to strengthen the Federal Government's capacity to ensure that our trading partners comply with the multilateral and bilateral trade agreements that they have entered into with the United States. (Of this total, $0.8 million was requested in the budget for the Department of Agriculture's Foreign Agricultural Service (FAS).)

The additional resources now requested for APHIS -- reallocated from funds originally requested in the Department of Commerce -- would strengthen APHIS' ability to provide technical support to FAS, the Office of the United States Trade Representative, and other agencies facing food safety, sanitary and phytosanitary, and biotechnology issues when negotiating new trade agreements and ensuring that the terms of those agreements are fulfilled. This amendment would support the enhancement of market-opening negotiations and their implementation.

Taken together, these proposed actions to reallocate funds originally requested in the Department of Commerce would not affect the proposed budget totals.

Agency:	DEPARTMENT OF AGRICULTURE
Bureau:	FOOD SAFETY AND INSPECTION SERVICE
Heading:	Salaries and Expenses
FY 2001 Budget Appendix Page:	81
FY 2001 Pending Request:	$687,904,000
Proposed Amendment:	$300,000
Revised Request:	$688,204,000

(In the appropriations language under the above heading, delete "$687,904,000," and substitute $688,204,000, of which $300,000 shall be for the support of foreign market access activities, to remain available until expended.)

This proposal would increase the pending FY 2001 appropriations request for the Food Safety and Inspection Service (FSIS) by $0.3 million. This increase is offset by a reduction to the International Trade Administration in the Department of Commerce, proposed in an accompanying budget amendment.

As part of President Clinton's effort to build a rules-based trading system in which international trade is both free and fair, the FY 2001 Budget includes a $22.0 million initiative to strengthen the Federal Government's capacity to ensure that our trading partners comply with the multilateral and bilateral trade agreements that they have entered into with the United States. (Of this total, $0.8 million was requested in the budget for the Department of Agriculture's Foreign Agricultural Service (FAS).)

The additional resources now requested for FSIS -- reallocated from funds originally requested in the Department of Commerce -- would strengthen FSIS' ability to provide technical support to FAS, the Office of the United States Trade Representative, and other agencies facing food safety, sanitary and phytosanitary, and biotechnology issues when negotiating new trade agreements and ensuring that the terms of those agreements are fulfilled. This amendment would support the enhancement of market-opening negotiations and their implementation.

Taken together, these proposed actions to reallocate funds originally requested in the Department of Commerce would not affect the proposed budget totals.

[An executive summary of the USDA budget request for FY 2001 follows:]

U.S. Department of Agriculture

2001
BUDGET SUMMARY

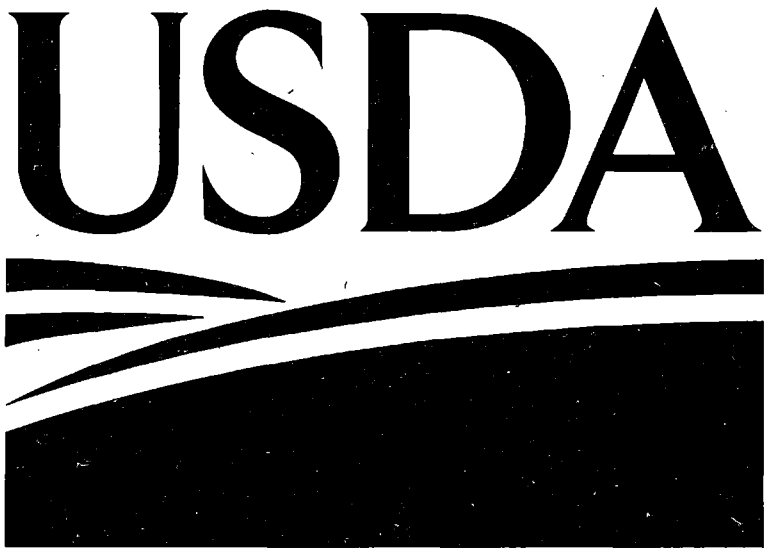


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INTRODUCTION

The Budget Summary describes the fiscal year 2001 budget for the U.S. Department of Agriculture (USDA). All references to years refer to fiscal year, except where specifically noted. Throughout the booklet, "1996 Farm Bill" is used to refer to the Federal Agriculture Improvement and Reform Act of 1996.

The Summary is organized into five sections: Funding Overview, Major Initiatives, Mission Area Highlights, Mission Area/Agency Details, and Appendix Tables.

Basic budget terminology:

- **Program Level** represents the gross value of all financial assistance USDA provides to the public. This assistance may be in the form of grants, guaranteed or direct loans, cost-sharing, professional services such as research or technical assistance activities, or in-kind benefits such as commodities.

- **Budget Authority** is the authority to commit funds of the Federal Treasury. Congress provides this authority through annual appropriations acts and substantive legislation which authorizes direct spending. The President's budget requests the Congress to appropriate or otherwise provide an amount of budget authority sufficient to carry out recommended government programs.

- **Obligations** are commitments of government funds. In order for USDA to make a valid obligation, it must have a sufficient amount of budget authority to cover the obligation.

- **Outlays** are cash disbursements from the Federal Treasury to satisfy a valid obligation.

Program level measures are used in most instances. However, there are some cases when other measures are used and the reader should take care to note which measure is being used. Estimates for 2000 have been adjusted to reflect the impact of rescissions under Public Law 106-113, the Fiscal Year 2000 Consolidated Appropriations Act. Finally, the reader should understand that many 2001 estimates are very tentative especially where programs are sensitive to weather or economic conditions.

Questions may be directed to the Office of Budget and Program Analysis via e-mail at bca@obpa.usda.gov or telephone at (202) 720-6176.

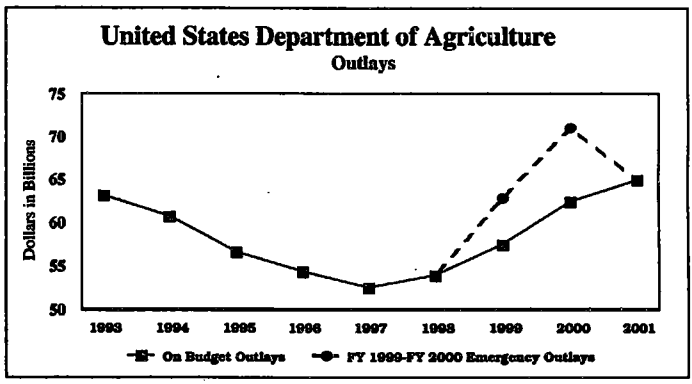
FUNDING OVERVIEW

2001 Funding Overview

Emergency funding to address natural and economic disasters in the agriculture and rural economies in recent years is reflected in USDA outlay trends. Outlays increased by $8.9 billion from $53.9 billion in 1998 to $62.8 billion in 1999, largely as a result of supplemental funding to address farm income and natural disasters. Additional supplemental funding in 2000, including funding proposed as part of the President's Farm Safety Net Initiative, and other farm program outlays are projected to increase 2000 outlays by an additional $8.3 billion to $71.1 billion. Outlay estimates for 2001, although about $6.1 billion below the 2000 peak, include the proposed farm income, crop insurance, conservation and other initiatives to improve the farm safety net.

USDA's 2001 discretionary program outlays, about $16.7 billion, or about 26 percent of total USDA outlays, include the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); rural development; research and technical assistance; soil and water conservation technical assistance; management of the National Forests and Grasslands; State and Private Forestry Programs; and domestic and international marketing assistance. Mandatory programs account for the remaining 74 percent of USDA outlays, about $48.2 billion in 2001. These programs provide services as required by law and include the majority of the nutrition assistance programs, commodity programs, and a number of conservation programs. The total USDA program level is projected to decrease from $105.4 billion in 2000 to an estimated $100.2 billion in 2001.

The budget will strengthen the safety net for farmers and low-income populations, provide economic opportunities for rural Americans, protect our natural resources and further improve the safety of the food supply. Funding is included within a number of agencies to support programs proposed as segments of multi-agency Administration initiatives. More detailed information is provided under the relevant sections of this document.



FUNDING OVERVIEW

UNITED STATES DEPARTMENT OF AGRICULTURE
(Dollars in Millions)

AGENCY / PROGRAM	Program Level 1999 Actual	2000 Current Estimate	2001 Budget	Change 2000 to 2001	Outlays 1999 Actual	2000 Current Estimate	2001 Budget	Change 2000 to 2001
FARM AND FOREIGN AGRICULTURAL SERVICES								
Farm Service Agency:								
Farm Loan and Grant Programs	$3,941	$5,842	$4,562	-$1,280	$225	$985	$217	-$768
Conservation Reserve Program	1,462	1,610	1,742	132	1,514	1,631	1,742	111
Conservation and Other Programs	30	50	0	-50	58	82	51	-31
Commodity Programs	24,767	33,330	24,725	-8,605	16,923	24,615	15,258	-9,357
Commodity Credit Corporation Programs	(30,352)	(40,119)	(32,339)	(-7,780)	(19,457)	(27,930)	(19,306)	(-8,624)
Salaries and Expenses	1,009	1,062	1,095	33	978	996	1,090	94
Total, Farm Service Agency	31,209	41,894	32,124	-9,770	19,698	28,309	18,358	-9,951
Risk Management Agency:								
Administrative and Operating Expenses	64	64	68	4	54	64	67	3
Crop Insurance Fund	1,913	2,104	2,169	65	1,677	1,936	2,529	593
Total, Risk Management Agency	1,977	2,168	2,237	69	1,731	2,000	2,596	596
Foreign Agricultural Service:								
Export Credit Guarantees	3,045	3,787	3,792	5	148	45	317	272
Market Development Programs	118	120	120	0	142	162	126	-36
Export Subsidy Programs	146	698	544	-154	128	711	569	-142
P.L. 480	1,808	1,229	1,017	-212	1,296	1,827	1,039	-788
Section 416(b) Donations: Ocean Freight and Overseas Distribution Costs	428	75	0	-75	290	261	131	-130
Food for Progress Program	101	131	118	-13	82	124	124	0
Salaries and Expenses	178	169	172	3	122	129	137	8
Total, Foreign Agricultural Service	5,824	6,209	5,763	-446	2,208	3,259	2,443	-816
Total, Farm and Foreign Agricultural Services	39,010	50,271	40,124	-10,147	23,637	33,568	23,397	-10,171
RURAL DEVELOPMENT								
Rural Utilities Service:								
Electric and Telephone Loans	2,027	2,787	2,220	-567	187	94	79	-15
Water and Waste Disposal Loans and Grants	1,301	1,287	1,614	328	612	621	559	-62
Distance Learning and Telemedicine Loans and Grants	68	221	427	206	9	15	18	3
Total, Rural Utilities Service	3,396	4,294	4,261	-33	808	730	656	-74
Rural Housing Service:								
Rural Housing Loan and Grant Programs	4,853	5,402	6,194	792	1,438	1,281	1,402	121
Rural Community Loans and Grants	278	409	484	75	27	22	46	24
Total, Rural Housing Service	5,131	5,811	6,678	867	1,465	1,303	1,448	145
Rural Business - Cooperative Service:								
Loans and Grants	1,372	1,067	1,464	397	91	132	110	-22
Salaries and Expenses	515	534	581	47	110	122	130	8
Rural Community Advancement Program	(2,885)	(2,661)	(3,447)	(786)	(680)	(714)	(658)	(-56)
Total, Rural Development	10,414	11,706	12,984	1,278	2,474	2,287	2,344	57
FOOD, NUTRITION, AND CONSUMER SERVICES								
Food and Nutrition Service:								
Food Stamp Program	19,295	19,832	21,185	1,353	18,915	19,629	20,959	1,330
Child Nutrition Programs	9,651	9,846	10,367	521	9,278	9,754	10,289	535
Women, Infants and Children (WIC)	4,061	4,141	4,278	137	3,932	4,034	4,148	114
All Other	493	516	538	22	490	512	543	31
Total, Food and Nutrition Service	33,500	34,335	36,368	2,033	32,615	33,929	35,939	2,010
Section 32 Funds	347	137	139	2	432	135	137	2
Total, Food, Nutrition, and Consumer Services	33,847	34,472	36,507	2,035	33,047	34,064	36,076	2,012

FUNDING OVERVIEW

UNITED STATES DEPARTMENT OF AGRICULTURE
(Dollars in Millions)

AGENCY / PROGRAM	Program Level 1999 Actual	Program Level 2000 Current Estimate	Program Level 2001 Budget	Program Level Change 2000 to 2001	Outlays 1999 Actual	Outlays 2000 Current Estimate	Outlays 2001 Budget	Outlays Change 2000 to 2001
FOOD SAFETY								
Food Safety and Inspection Service	713	751	771	20	604	653	158	-495
NATURAL RESOURCES AND ENVIRONMENT								
Natural Resources Conservation Service:								
Conservation Operations	641	661	747	86	657	686	738	52
Watershed and Flood Prevention Operations	194	171	83	-88	208	249	197	-52
Other Conservation Programs	65	50	46	-4	89	86	83	-3
Programs financed by CCC:								
Conservation Security Program	0	0	600	600	0	0	600	600
Wildlife Habitat Incentives Program	0	0	50	50	0	0	13	13
Environmental Quality Incentives Program	174	174	325	151	128	161	190	29
Farmland Protection Program	0	0	65	65	7	10	7	-3
Wetlands Reserve Program	123	157	286	129	157	210	222	12
Total, Natural Resources Conservation Service	1,197	1,213	2,202	989	1,246	1,402	2,050	648
Forest Service:								
National Forest System	1,110	1,148	1,287	139	1,078	1,153	1,284	131
Reconstruction and Maintenance	414	437	425	-12	359	401	398	-3
Wildland Fire Management	723	618	770	152	764	552	605	53
Land Acquisition	118	156	130	-26	93	144	139	-5
State and Private Forestry	171	208	261	53	181	198	247	49
All Other	220	245	237	-8	225	245	237	-8
Total, Discretionary Accounts	2,756	2,812	3,110	298	2,700	2,693	2,910	217
Mandatory	735	674	743	69	725	664	707	43
Total, Forest Service	3,491	3,486	3,853	367	3,425	3,357	3,617	260
Total, Natural Resources and Environment	4,688	4,699	6,055	1,356	4,671	4,759	5,667	908
MARKETING AND REGULATORY PROGRAMS								
Animal and Plant Health Inspection Service	652	633	645	12	612	658	634	-24
Agricultural Marketing Service	248	252	270	18	182	164	185	21
Grain Inspection, Packers and Stockyards Administration	62	70	76	6	24	26	14	-12
Total, Marketing and Regulatory Programs	962	955	991	36	818	848	833	9
RESEARCH, EDUCATION, AND ECONOMICS								
Agricultural Research Service	814	853	917	64	779	847	904	57
Buildings and Facilities	56	53	39	-14	68	65	65	0
Cooperative State Research, Education, and Extension Service	928	1,074	1,096	22	880	957	1,002	45
Economic Research Service	63	65	55	-10	58	56	56	0
National Agricultural Statistics Service	104	99	101	2	105	100	101	1
Total, Research, Education, and Economics	1,965	2,144	2,208	64	1,890	2,025	2,128	103
OTHER ACTIVITIES								
Departmental Offices	114	119	145	26	106	110	140	30
Centralized Activities	227	161	214	53	180	233	214	-19
Outreach for Socially Disadvantaged Farmers	3	3	10	7	4	5	10	5
Office of the Inspector General	65	65	70	5	62	65	70	5
Fund for Rural America	2	60	60	0	10	20	60	40
Common Computing Environment	0	13	75	62	0	10	71	61
Pre - Credit Reform Loan Repayments	0	0	0	0	-3,694	-6,149	-5,315	834
Receipts	0	0	0	0	-971	-1,400	-898	502
USDA, TOTAL	$92,010	$105,419	$100,214	-$5,205	$62,834	$71,096	$64,953	-$6,119

MAJOR INITIATIVES

FARM SAFETY NET IMPROVEMENTS

The 2001 budget proposes a major new initiative to improve the farm safety net. The initiative includes proposals for new legislation to enhance the farm income support provided by the 1996 Farm Bill with supplementary countercyclical income assistance payments targeted to producers actually facing reduced prices and revenues and to reform the Crop Insurance Program to provide better protection against natural disasters. These and other legislative proposals including a new Conservation Security Program (CSP), expansion of the Conservation Reserve Program (CRP) and other conservation programs will strengthen farm income support for those producers most in need of assistance due to depressed prices and natural disasters while also stimulating achievement of major environmental benefits through better management of our farmland. These legislative proposals coupled with actions to be undertaken using current authorities will provide $11 billion in additional assistance to the rural economy over the period from 2000 through 2002. The Farm Safety Net Initiative is designed to eliminate or minimize the need for continued costly, and ineffectively targeted emergency farm income and disaster assistance such as has been the case over the past 2 years. Nearly $15 billion in emergency farm assistance has been legislated over the past 2 years to address the continuing farm economic crisis caused by low prices, weakened exports, and losses from natural disasters. The Administration's initiative will lay the basis for more permanent and effective assistance at less cost. Major components of the overall initiative are described below.

- **Farm Income**

  The 2001 budget proposes a Supplementary Income Assistance Program to provide supplemental income assistance payments for the 2000 and 2001 crop years to eligible producers of wheat, feed grains, rice, upland cotton and oilseeds. The payments would be made only if projected gross income, including other government payments, for the crop falls below 92 percent of the preceding 5 year average. The supplementary payments would be crop specific and would be based on actual production rather than some historical base. This proposed program, thus, addresses major weaknesses of the 1996 Farm Bill and of the emergency income assistance authorized by the Congress in the past 2 years based on Agricultural Market Transition Act (AMTA) contract payments. Specifically, the proposed program will provide payments only to current producers of those crops with low prices and income. The payments would also be subject to a rigorous payment limitation of $30,000 combined for these supplementary payments plus AMTA payments. The proposed program will provide projected payments of $600 million in fiscal year 2000 and about $2.5 billion per year in 2001 and 2002.

  Additional initiatives to improve the farm safety net include the proposed extension of the Dairy Price Support Program through 2002 to maintain support for dairy product prices. Currently, the program terminates at the end of 2000. Under current authority, the Department also proposes to maintain maximum authorized marketing assistance loan rates for the 2000 crop, and institute a new on-farm storage loan program to facilitate farmers' marketing opportunities.

MAJOR INITIATIVES

- **Risk Management**

Crop Insurance would be reformed by providing for an extension of the initiative taken in 1999 and 2000 to discount premium subsidy rates on buy-up coverage. Farmers who have expressed concerns about the high cost of the level of insurance coverage they need responded to this initiative by buying higher levels of coverage. With this experience to build on, it is anticipated that farmers will buy even more coverage and become steady customers. In addition, the Administration is proposing legislative changes to provide for multi-year coverage, so that farmers with production losses and price declines that extend over several years will not be driven out of the program. The Administration also proposes to establish a pilot program for insuring livestock. Few livestock producers utilize risk management tools such as options contracts to protect themselves against price declines. The pilot program would be designed to address this need by subsidizing producers' participation. This program will be similar to the one offered dairy producers under the Dairy Options Pilot Program. The Administration also proposes to improve coverage provided by the non-insured assistance program by replacing the area-wide loss trigger with a disaster declaration. This will especially benefit producers of specialty crops.

- **Conservation**

An additional $1.3 billion over authorized levels for a Farm Conservation Initiative is proposed in 2001 as a key component of the Administration's Farm Safety Net Initiative to strengthen farm family income while promoting environmentally sound land management. As part of the initiative, a new $600 million CSP is funded, to be administered by the Natural Resources Conservation Service (NRCS). The CSP would provide annual payments to farmers and ranchers who implement conservation practices such as conservation tillage, proper grazing use, buffers and irrigation water management. Within the total, funds will be made available to NRCS to provide necessary technical assistance to farmers and ranchers.

Increases are also proposed for five ongoing conservation programs:

- Wetlands Reserve Program (WRP). The initiative would remove the current cumulative acreage cap of 975,000 acres which would be met in FY 2001, and allow for the enrollment of 210,000 acres in 2001 beyond the current cap, and an additional 250,000 acres in each subsequent year.

- Conservation Reserve Program (CRP). The initiative would increase the enrollment cap by 3.6 million acres to 40 million acres. Bonuses totaling up to $100 million in FY 2000 and up to $125 million each year in FY 2001 and FY 2002 would also be offered to producers who enroll land in CRP through continuous signup provisions. These bonuses are expected to encourage enrollment of high environmental-value acreage and will provide producers with an additional incentive payment at enrollment and also when the practice is fully implemented.

- Environmental Quality Incentives Program (EQIP). For EQIP, which is also part of the President's Clean Water Action Plan, the current funding level in 2000 would be

increased from $174 million to $325 million in 2001. This program provides financial, technical and educational assistance to farmers and ranchers who wish to implement conservation practices for land currently in production.

- Farmland Protection Program (FPP). The FPP, which is also part of the President's Lands Legacy Initiative, would be funded at $65 million annually. This program provides matching funds to State, local and tribal governments to purchase permanent easements and thereby protect farmland which may otherwise be threatened by urban and suburban sprawl.

- Wildlife Habitat Incentives Program (WHIP). The initiative proposes $50 million annually for WHIP, which offers cost-share assistance to farmers and landowners for habitat restoration and technical assistance.

- **Economic Opportunity**

The budget proposes additional assistance to enhance economic opportunities for agricultural producers and rural residents. This assistance includes:

- Empowerment Zones and Enterprise Communities (EZ/EC). The Administration proposes to provide mandatory funding for $15 million in grants annually for round II Empowerment Zones and Enterprise Communities (EZ/EC). Five new rural empowerment zones were authorized by the Taxpayer Relief Act of 1997. Twenty new enterprise communities were authorized by the 1999 Appropriations Act, and $15 million in discretionary funds was appropriated in both 1999 and 2000. The multi-year mandatory funding would allow recipients greater assurance of funding for strategic planning.

- Cooperative Development Program (CDP). The Administration proposes to establish a new CDP to provide equity capital for new livestock and other processing cooperatives. This proposal would address concerns about concentration in agricultural industries and provide the opportunity for farmers to enhance prices received for their products through the ownership and the modernization or replacement of processing facilities that lack the technology to compete effectively.

- Biofuels. As part of the Administration's Biobased Products/Bioenergy Initiative, and to increase demand for agricultural commodities, CCC will provide up to $100 million in 2000 and up to $150 million in 2001 and 2002 in bioenergy incentive payments to bioenergy producers to expand production of biobased fuels.

FOOD STAMP ENHANCEMENT

The budget proposes legislation to restore benefits to certain legal immigrants and to help the many working poor families for whom owning a vehicle is the one item that makes them ineligible for food stamps. These proposals include:

MAJOR INITIATIVES

- Restoring eligibility to legal immigrants who resided in the U.S. on August 22, 1996 and who subsequently turn age 65. Benefits would be restored to 10,000 immigrants by 2005.

- Restoring eligibility to legal immigrants who resided in the U.S. on August 22, 1996 and who reside with eligible children effective on April 1, 2001. Benefits would be restored to 85,000 adults in the first year and 155,000 adults by 2005.

- Offering States the option of conforming their rules on resource value of vehicles with a more generous Temporary Assistance to Needy Families Program (TANF), effective September 1, 2001. This proposal, when fully implemented, would make it easier for 245,000 individuals in working families to own vehicles and receive food stamps. The proposal also provides States with the option to conform food stamp and Medicaid income definitions.

FOOD SAFETY INITIATIVE

For 2001, eight USDA agencies are requesting a total of $164 million, an increase of $29 million over the 2000 level, to support the President's Food Safety Initiative. Research and data collection on food safety hazards continues to be a high priority activity for USDA. Of the requested increase, $17.9 million would support food safety research aimed at developing the most effective means to detect and identify pathogens, minimize their presence in the food supply, and respond to outbreaks of foodborne illness. Microbial data would be collected to establish the level of microbial contamination on fruits and vegetables. An increase of $3.7 million would be used to conduct quantitative risk assessments needed to support implementation of Hazard Analysis and Critical Control Points (HACCP) programs and to understand the potential for food safety hazards to contaminate the food supply at each step in the farm to table continuum. In order to continue USDA's success in reducing microbial contamination of meat, poultry, and eggs, the budget includes an increase of $5.8 million to enhance Federal-State partnerships and implement the Shell Egg Action Plan.

BIOBASED PRODUCTS/BIOENERGY INITIATIVE

Increased investments in the development of biobased products and bioenergy will help to strengthen farm income, create new jobs in rural communities, broaden opportunities for rural businesses, enhance U.S. energy security by providing alternatives to foreign oil sources, and reduce air pollution and greenhouse gas emissions. The President has asked Federal agencies to report on activities to further the development and use of biobased products, with a goal to triple the U.S. use of biobased products and bioenergy by 2010. The budget proposes a total of $268 million, an increase of about $96 million (56 percent) above the 2000 level, to support research and development, demonstration and commercialization, and outreach and education activities. The increase is proposed to expand the research efforts of the Agricultural Research Service (ARS), the Cooperative State Research, Education, and Extension Service (CSREES) and the Forest Service (FS) to develop methods to transform biomass into energy and exchange technology transfer activities. Research will also be conducted to develop new biobased materials, such as lubricants, adhesives, and building materials; new crops for value-added products; increase knowledge of fundamental biomaterials science; and improve conversion of agricultural materials into biofuels. In addition to research programs,

MAJOR INITIATIVES

increased funds will be used to initiate new programs for providing technical and financial assistance for producers of bioenergy or biobased products, including development of pilot crop insurance policies for growers of crops to be used for biobased products or bioenergy; business and industry loans for cooperatives processing or marketing biobased products; and grants for bioenergy community projects. In addition, $3.6 million will be provided from EQIP funding to expand AgSTAR, which is a program that focuses on working with farmers on technologies that capture the methane released from manure management systems. The Commodity Credit Corporation (CCC) will provide up to $100 million in 2000, and up to $150 million in 2001, in bioenergy incentive payments to encourage increased production of fuel grade ethanol and biodiesel from grain.

LANDS LEGACY INITIATIVE

As the Nation's population and prosperity grows, there are new challenges to preserve the natural heritage and green spaces that Americans have come to treasure. The 2001 budget proposes a governmentwide $1.4 billion dedicated Lands Legacy Initiative to protect great places and to provide the tools for States, localities and tribes to plan for smart growth and open space preservation. Of the $1.4 billion, $236 million is proposed for USDA through the FS. In addition, the Farmland Protection Program (FPP), administered by NRCS, remains part of the Lands Legacy Initiative, but is outside of the dedicated Lands Legacy funding and is part of the Farm Safety Net proposal.

FS land acquisitions will continue to add lands valuable for recreation, wildlife habitat, and watershed protection to the National Forests. The Forest Legacy Program provides funds for the acquisition of easements on private lands to protect critical environmental habitat threatened with development. The Urban and Community Forestry Program provides grants to States and localities to establish, maintain, or expand urban and community forests and related green spaces that serve to support viable communities and neighborhoods. The new Smart Growth Partnership Program provides subsidized loans from a revolving loan program to States and municipalities for smart growth land acquisition and management. This will help communities to protect open spaces, limit sprawl, enhance air and water quality, reduce greenhouse emissions and increase greenspace. The FPP shares with State, local, tribal governments the costs of acquiring easements to limit conversion of agricultural lands to non-agricultural lands.

INVASIVE SPECIES

A total of $561 million, an increase of $136 million or 32 percent, is proposed for the Department's efforts to exclude, detect and eradicate incipient populations and manage established species. The 2001 Invasive Species Initiative continues to strengthen the Department's on-going programs which have been addressing problems caused by invasive plant and pest species. Increases are provided for the Animal and Plant Health Inspection Service (APHIS), the front line of defense for preventing the introduction of exotic plant pests and animal diseases, for detecting and mitigating introductions at ports of entry, and providing control of new introductions. Funding will support a new early warning system that will assist in the early detection and rapid eradication of newly introduced invasive species. Increases totaling $6.6 million are also proposed to support research efforts at ARS labs, universities and with other cooperators, including research to support identification of weeds and insects, integrated weed management systems, and biocontrol for weeds and insects. Included in the funding for research efforts is $1.5 million for a CSREES competitive grants program for

research, education and extension activities in collaboration with representative individuals, groups, and agencies at the local level to address invasive species on an ecoregional basis. An increase of $4 million will provide additional resources for the FS to expand control, restoration and monitoring for invasive species within the National Forests.

FOOD QUALITY PROTECTION ACT

The enactment of the Food Quality Protection Act (FQPA) in 1996 established stricter safety standards for pesticide registration, particularly for pesticides used on foods consumed by infants and children. While the Environmental Protection Agency (EPA) has primary responsibility for pesticide registration, USDA has significant responsibilities to develop alternative pest controls, promote widespread adoption of safer pest control practices, and collect and develop residue data and information on pesticide use. On April 8, 1998, the Vice President issued a directive to the Department and EPA to work jointly in implementing FQPA to ensure safer food for consumers and sufficient pest control tools for use by producers. The 2001 budget provides $108 million to fund research, technology transfer, and pesticide data programs that are needed for USDA and EPA to implement the FQPA requirements. Increases total $25 million or 30 percent above the 2000 level, including $24 million for research and extension projects to develop and test integrated pest management systems, biological controls, and other less chemically-intensive methods to control pests of fruits, vegetables, grain, forage, and fiber crops. Increases are requested for programs which target short-, intermediate- and long-term alternatives for pesticides that are most at risk for being taken off the market due to FQPA, such as organophosphates and carbamates. An increase is also proposed for establishing a program to monitor pesticide residues in drinking water.

CLEAN WATER ACTION PLAN

The budget proposes an increase of $284 million for USDA Clean Water Action Plan activities, for a total funding level of more than $1 billion. The budget proposes an increase of $195 million for NRCS Clean Water Action Plan activities, including $151 million to increase the EQIP to a total program level of $325 million. A total of $10 million is provided for a new competitive Partnership Grants Program to provide coordination for locally-led conservation efforts and direct technical assistance to private landowners to promote: (1) effective nutrient management; (2) water quality and quantity improvements; and (3) natural resource protection of watersheds. An increase of $3 million is provided for environmental monitoring of watersheds to collect data and information needed to assess water quality. An increase of $31 million is also included to provide technical assistance for animal feeding operations. The Clean Water Action Plan also includes funding from several FS programs such as Soil, Water and Air Management, Rangeland Management, Forest Stewardship, Road Maintenance and Construction, and Inventory and Monitoring. The FS programs included in the Clean Water Action Plan will increase $85 million over the 2000 enacted levels. Lastly, ARS is provided an increase of $4 million above the 2000 level to carry out research on hypoxia, harmful algal blooms, and related problems.

MAJOR INITIATIVES

GLOBAL CHANGE RESEARCH PROGRAM

The budget proposes $85 million, an increase of $32 million for the U.S. Global Change Research Program (USGCRP), which supports research to understand the human and natural forces that influence the earth's climate and understand the consequences of climatic change. USDA's Global Change Research Program is aimed at understanding the effects of climate change, such as temperature changes, rising carbon dioxide levels and other plant stresses, on agricultural production and forest heath and productivity. Within the total are increased funds ($8 million) for ARS and FS to study the role of agriculture and forests in the carbon balance and examine ways to increase carbon storage in soils and forests. An additional $12.3 million is provided to NRCS to construct soil carbon inventories and develop a soil carbon database. Increases are also provided for studying the economic consequences of climate change, including the economic value of sequestering carbon on agricultural lands. An increase is included for climate change research under the National Research Initiative Competitive Grants Programs and for the UV-B monitoring network. Additional funding is included to continue USDA participation in National Assessment activities, which are designed to synthesize scientific results, improve communication between scientists and the public, and identify gaps in the USGCRP.

CLIMATE CHANGE TECHNOLOGY INITIATIVE

The budget proposes $24 million to support the President's Climate Change Technology Initiative (CCTI) to develop and demonstrate technologies that reduce greenhouse gas emissions from agriculture and forestry and examine strategies to adapting to climate change. Within the total, ARS will provide $4 million to develop technology for predicting and adapting agricultural production to global change effects. The FS will provide $3 million for increased research on forest and rangeland carbon sequestration and the NRCS will use $3 million to support projects that demonstrate and test various greenhouse gas mitigation strategies and monitoring mechanisms. A total increase of $14 million will support ARS and FS work on converting biomass to energy, which plays a pivotal role in the Bioproducts/Bioenergy Initiative to expand opportunities for rural communities, reduce U.S. dependence on foreign oil sources, and provide a cleaner alternative energy source. Of the $14 million, FS will provide $9.5 million for research on small diameter and short-rotation trees and ARS will devote $4.5 million in program increases focused on biomass conversion technologies.

MAJOR INITIATIVES

INITIATIVES
Program Level
(Dollars in Millions)

Initiative	Increase In 2000 Current Estimate	2001 Budget	2000 - 2002 Total
Farm Safety Net Initiative:			
Farm Income:			
Freeze 2000 Crop Loan Rates	$20	$500	$530
Supplementary Income Assistance	600	2,464	5,599
Dairy Price Support Extension	0	150	300
On-Farm Storage	350	150	500
Total, Farm Income	970	3,264	6,929
Risk Management:			
Premium Discount	0	640	640
Risk Management Education	0	40	65
Multi-Year Coverage	0	100	100
Research & Development	0	30	60
Non-Insured Assistance Program	110	110	220
Livestock Insurance Pilot	0	100	200
Total, Risk Management	110	1,020	1,285
Conservation Programs:			
Wetlands Reserve Program	0	213	472
Conservation Reserve Program (CRP)	0	a/	21
CRP Continuous Signup Bonuses	100	125	350
Conservation Security Program	0	600	1,200
Env. Quality Incentives Program (EQIP)	0	125	250
Farmland Protection Program	0	65	130
Wildlife Habitat Incentives Program	0	50	100
Technical Assistance/Other	0	110	214
Total, Conservation Programs	100	1,288	2,737
Economic Opportunity:			
Empowerment Zones and Enterprise Communities (EZ/ECs)	0	15	30
Cooperative Development	0	80	130
Bioenergy Incentives	100	150	400
Total, Economic Opportunity	100	245	560
Total, Farm Safety Net	$1,280	$5,817	$11,511

a/ Rental payments on CRP acres are made in the subsequent fiscal year.

MAJOR INITIATIVES

INITIATIVES
Program Level
(Dollars in Millions)

Initiative	2000 Current Estimate	2001 Budget
Food Stamp Enhancement:		
Restore Eligibility to Legal Immigrants	0	$25
Conform Vehicle Policy With TANF Vehicle Policy	0	1
Income Definition Conformity With Medicaid	0	5
Total, Food Stamp Enhancement	0	$31
Food Safety Initiative:		
Food Safety and Inspection Service	$21	$29
Food and Nutrition Service	2	2
Agricultural Research Service	82	88
Cooperative State Research, Education and Extension Service	27	36
Economic Research Service	1	1
Agricultural Marketing Service	b/	6
Office of the Chief Economist	b/	b/
National Agricultural Statistics Service	3	3
Total, Food Safety Initiative	$136	$165
Biobased Products/Bioenergy Initiative:		
Agricultural Research Service	$46	$63
Commodity Credit Corporation	100	150
Cooperative State Research, Education and Extension Service	11	19
Forest Service	9	19
Natural Resources Conservation Service	5	9
Office of the Chief Economist	1	2
Rural Development	0	4
Risk Management Agency	0	1
Department Administration Staff Offices (DA)	b/	b/
Office of the Secretary	0	1
Total, Bioproducts/Bioenergy	$172	$268
Lands Legacy Initiative:		
Forest Service:		
Land Acquisition	$156	$130
Forest Legacy	30	60
Urban and Community Forestry	31	40
Smart Growth-Budget Authority	0	6
Total, FS	217	236
Natural Resources Conservation Service:		
Farmland Protection Program (CCC-Funded)	b/	65
Total, Lands Legacy Initiative	$217	$301

MAJOR INITIATIVES

INITIATIVES
Program Level
(Dollars in Millions)

Initiative	2000 Current Estimate	2001 Budget
Invasive Species:		
Agricultural Research Service	$75	$78
Animal and Plant Health Inspection Service	307	434
Cooperative State Research, Education and Extension Service	12	14
Economic Research Service	b/	b/
Forest Service	29	33
Natural Resources Conservation Service	2	2
Office of the Chief Economist	b/	b/
Total, Invasive Species	$425	$561
Food Quality Protection Act (FQPA):		
Agricultural Research Service	$23	$27
Cooperative State Research, Education and Extension Service	36	56
Economic Research Service	3	3
National Agricultural Statistics Service	7	7
Food Safety and Inspection Service	1	1
Agricultural Marketing Service	13	14
Total, FQPA Activities	$83	$108
Clean Water Action Plan:		
Agricultural Research Service	$1	$5
Natural Resources Conservation Service:		
EQIP (mandatory)	174	325
Monitoring	0	3
Partnership Grants	0	10
Animal Feeding Operations Strategy	56	87
Total, NRCS	230	425
Forest Service	542	627
Total, Clean Water Action Plan	$773	$1,057

MAJOR INITIATIVES

INITIATIVES
Program Level
(Dollars in Millions)

Initiative	2000 Current Estimate	2001 Budget
Global Change Research Program (USGCRP):		
Agricultural Research Service	$27	$36
Cooperative State Research, Education and Extension Service	7	14
Economic Research Service	1	2
Natural Resources Conservation Service	1	13
Forest Service	17	20
Total, USGCRP	$53	$85
Climate Change Technology Initiative (CCTI):		
Agricultural Research Service	0	$8
Natural Resources Conservation Service	0	3
Forest Service	0	13
Total, CCTI	0	$24

a/ Rental Payments on CRP acres are made in the subsequent fiscal year.

b/ Less than $500 thousand.

MISSION AREA HIGHLIGHTS

The Department's 2001 Budget supports achievement of its Strategic Goals as follows:

- ***Expand economic and trade opportunities for agricultural producers and other rural residents.***
- ***Ensure food for the hungry, and a safe, affordable, nutritious, and accessible food supply.***
- ***Promote sensible management of our natural resources.***

Following are mission area highlights of the Department's budget proposals in support of these goals:

FARM AND FOREIGN AGRICULTURAL SERVICES

This mission area supports expanded economic and trade opportunities for agricultural producers through commodity and income support, export promotion, farm credit, risk management, and related programs. These programs provide a safety net to help ensure the long-term economic vitality of American farmers and ranchers. International trade and export programs promote economic opportunity by developing and protecting expanded export markets. Income support payments help ensure the economic vitality of producers. The economic viability of a farm sector which is heavily dependent on unstable international markets and unpredictable weather is influenced significantly by the Department's risk management and export programs. The Department also provides farm credit assistance as a lender of last resort, paying particular attention to small, limited resource and minority farmers.

The Administration is committed to working with the Congress to improve the safety net for farmers, by providing countercyclical income assistance for producers affected by reduced prices and revenues, as well as broadening and strengthening the Crop Insurance Program. In addition, complementary conservation initiatives are proposed to promote environmentally sound land management while strengthening farm income. The 2001 budget includes resources to:

- **Reform crop insurance to protect producers from lower prices and production losses.** The Administration proposes to reform the Crop Insurance Program as part of its Farm Safety Net Initiative. Included in this proposal is an extension of the premium discount available for the 1999 and 2000 crops to encourage producers to purchase higher levels of coverage. The Administration's reform proposal will also include provisions to establish multi-year coverage, provide risk management education, conduct more research and development, conduct a pilot program for insuring livestock and remove the area-wide trigger requirement for non-insured payment assistance. (See page 5.)

- **Provide farm credit assistance to over 38,500 farmers in 2001.** The budget proposes a total loan level of $4.6 billion for direct and guaranteed farm loans. In particular, $128 million in funding for direct farm ownership loans will support loans to help over 1,200 farmers purchase or develop a farm in 2001, and $700 million in funding for direct farm operating loans will provide credit assistance to over 14,000 farmers. At least 20 percent of direct farm ownership

loans and 13 percent of direct farm operating loans will be targeted to socially disadvantaged farmers. (See page 28.)

- **Continue efforts to improve agricultural trade by providing a total program level of nearly $5.8 billion for the Department's international programs and activities.** This includes a program level of $3.8 billion for the CCC export credit guarantee programs, $120 million for market development programs including the Market Access Program and Cooperator Program, $478 million for the Export Enhancement Program and $66 million for the Dairy Export Incentive Program. The budget also provides a total program level of just over $1 billion for P.L. 480 foreign food assistance programs, which is expected to provide approximately 2.9 million metric tons of commodity assistance in 2001. Increased funding is proposed for the Foreign Agricultural Service (FAS) to open three new Agricultural Trade Offices and to expand market access compliance and negotiation activities. (See page 39.)

- **Continue to maintain strong farm income assistance programs including implementation of the emergency and market loss assistance programs authorized by the Congress in 1999 and propose new improved programs.** These programs are funded through the CCC. CCC farm income support outlays totalled $16.9 billion in 1999 and are projected to exceed $24.6 billion in 2000, and then decline to about $15.3 billion in 2001. However, substantial additional assistance is proposed to improve the safety net. Outlays for emergency spending authorized in the appropriations legislation totaled nearly $9.0 billion in 2000. (See page 4.)

RURAL DEVELOPMENT

The Rural Development (RD) mission area helps to improve the quality of life for rural Americans and to create opportunities for rural businesses and cooperatives to compete in the global marketplace. RD provides financial and technical assistance to help individuals, local communities and rural businesses, concentrating on those with the greatest need. These opportunities include decent, safe, affordable housing, establishment of rural businesses and community facilities, development of modern and affordable water and waste services, and installation of electric and telecommunications services.

The budget provides almost $13 billion for direct loans, loan guarantees, grants, and technical assistance – $1.3 billion more than the 2000 level. This level will support almost 200,000 jobs. Highlights of the request include:

- **Funding to support the President's National Homeownership Initiative by making almost 64,000 more homeownership opportunities available in rural America.** The budget requests $1.3 billion in direct loans and $3.7 billion in guaranteed loans for decent, safe, affordable single family housing – nearly $640 million more than was provided in 2000. A total of $50 million is proposed for Farm Labor Programs, $3 million more than provided in 2000. This funding will improve the availability and quality of housing for one of the most poorly housed groups in the country. (See page 52.)

- **Continuing support for the water and waste disposal program.** Continuation of the program is consistent with the President's Water 2000 Initiative which is designed to ensure that all rural

households have access to clean running water. The budget includes $648 million in budget authority for this program, $42 million more than 2000. The additional budget authority and greater emphasis on loans is expected to provide for over a $300 million increase in program level. The program will provide over 1 million rural residents with safer and cleaner drinking water and about 700,000 with waste disposal services. (See page 50.)

- **Business and industry loan funding to create or save over 40,000 jobs in rural America.** Funding levels of nearly $1.3 billion in guaranteed loans and $50 million in direct loans reflect the emphasis that this Administration is giving to ensuring that there are more job opportunities in rural America. (See page 55.)

FOOD, NUTRITION, AND CONSUMER SERVICES

This mission area works to improve the nutritional levels of Americans and provides direct support to improve food security for low-income families. The 2001 budget requests $36.3 billion for nutrition assistance programs for needy Americans. The budget request fully funds the expected needs of the Food Stamp, Child Nutrition, and Special Supplemental Nutrition Program for Women, Infants and Children (WIC) programs. The requested funding level guarantees the nutrition safety net to ensure that all needy Americans, especially children, have access to food and nutrition assistance. The budget includes:

- **Funding to support 18.9 million Food Stamp participants. Legislative proposals are being submitted which would restore Food Stamp eligibility to legal immigrants who entered the U.S. before August 22, 1996, and who have since reached the age of 65 or live in households with eligible children. Both of these legislative proposals would be fully implemented by 2003.** The 2001 budget funds the Food Stamp Program at a program level of $21.2 billion, an increase of $1.4 billion above 2000. The budget will allow the Department to continue its efforts in aggressively fighting error and fraud and implementing the Electronic Benefit Transfer (EBT) system. Additional funding is requested for a food stamp nutrition education and program information initiative to inform eligible non-participants of the availability of food stamp benefits. Also funded in this request is the Food Distribution Program on Indian Reservations, Nutrition Assistance for Puerto Rico, Nutrition Assistance to American Samoa, and the Community Food Projects.
(See page 58.)

- **$10.4 billion for Child Nutrition Programs, including $6 million to complete funding for the pilot project to evaluate providing breakfasts to all children regardless of income.** This includes funds to provide for additional meals in child care and after school settings as authorized by the William F. Goodling Child Nutrition Reauthorization Act of 1998. This level provides for increases in participation and food inflation costs. Funding for nutrition, education and training is requested to provide training for school food personnel in food service management, instructing teachers in nutrition education and teaching children about the relationship of nutrition to health in order to assist them in making wise food choices. The budget continues funding for strengthened education efforts on food safety in school meals as part of the President's Food Safety Initiative. (See page 58.)

MISSION AREA HIGHLIGHTS

- **Funding for the WIC Program to support a monthly average of 7.4 million participants with an objective of reaching 7.5 million participants by the end of the year.** The request reflects an increase of $137 million for the WIC Program for a total program level of $4.3 billion. The budget requests $14 million for infrastructure funding, an increase of $4 million over 2000. Of this amount $6 million is requested for EBT systems development and $8 million is available to meet other infrastructure needs such as breastfeeding promotion, and special State projects that are designed to help improve the delivery of WIC services. (See page 59.)

- **A $5 million increase to expand the Farmers' Market Nutrition Program to additional States and Tribal Organizations and to serve additional participants within the 39 States and Tribal Organizations already participating.** The Farmers' Market Nutrition Program (FMNP) provides WIC participants access to fresh fruits and vegetables and expands the awareness and use of farmers' markets to consumers. The FMNP is now operational in 39 State agencies, including 4 Indian Tribes, Guam, and the District of Columbia. In 1998, the FMNP provided coupons to 1.3 million WIC participants. The participants redeemed their coupons at 1,529 authorized Farmers' Markets, providing revenue to 9,589 small family farmers. The 2001 budget proposes a total of $20 million within the Commodity Assistance Programs account for this program. (See page 60.)

- **Funding to initiate a new Colonias Initiative to promote nutrition assistance, health care, and job training and placement to eligible participants.** USDA proposes that a new Colonias Initiative begin in 2001 and be funded at $5 million within the Food Program Administration (FPA) account. A portion of the USDA's Rural Development Program loans and grants are also targeted to the Colonias. This is a Federal-State pilot program to improve nutrition and health in the Colonias located near the Mexican border in Texas, New Mexico, Arizona and California. (See page 61.)

FOOD SAFETY

This mission area ensures that the Nation's meat, poultry and processed egg product supply is safe, wholesome and properly labeled, and oversees the work of the U.S. Manager for Codex Alimentarius (a commission that develops international food safety standards). The Administrator of the Food Safety Inspection Service (FSIS) was recently elected to serve a two year term as Chairman of the Codex Alimentarius Commission. The meat and poultry inspection system is being modernized through the implementation of the final rule on Pathogen Reduction-HACCP Systems. Both industry and USDA have worked hard to successfully implement HACCP in all meat and poultry establishments. HACCP was fully implemented in January, 2000, after very small plants were required to have HACCP plans in place. The 2001 budget requests resources to ensure that demands for inspection services can be met while implementing HACCP-based inspection procedures and continuing to make advances in reducing the risk of foodborne illness made under the President's Food Safety Initiative. The budget is also proposing legislation to cover the full cost of providing Federal inspection through user fees. The budget includes resources to:

- **Implement HACCP-based inspection procedures.** Currently, FSIS is examining how to redefine the functions of inspection personnel under a HACCP-based food safety system. By

July 1, 2001, FSIS will begin to implement new slaughter inspection models in 100 poultry broiler establishments that shift the responsibility from FSIS to establishments for segregating animals suitable for food from those not suitable for food under HACCP and other process controls. To take full advantage of the new system, FSIS will need to increase compensation and training of personnel for assuming greater responsibility for the oversight and verification of process control systems and to relocate them to areas of greatest need. Offsetting these costs are savings resulting from an anticipated reduction of other-than-permanent full-time inspection personnel not needed to conduct inspection functions under traditional inspection system configurations. In addition, FSIS will also implement daily, unscheduled inspection in processing establishments by April 1, 2001, rather than conducting inspection during each shift. Implementation of daily randomized processing inspection practices in 2001 will mean better utilization of inspection personnel, with a reduced need for inspection services on an overtime basis and 150 fewer inspection staff years, saving the industry $19 million in overtime charges.

- **Enhance the implementation of the Pathogen Reduction-HACCP systems rule.** In order to ensure that all establishments are meeting HACCP requirements, FSIS will increase the number and intensity of comprehensive reviews of State and foreign inspection programs to determine if they are equivalent with Federal requirements. The implementation of HACCP and other regulatory reforms has placed increased demands on supervisors and inspectors for learning new processes that have increased the complexity of inspection activities. In order to ensure that these new functions are uniformly and effectively applied, meetings with inspectors are needed to address concerns and questions inspectors may have regarding verification of HACCP systems, process control systems, and pathogen testing. The budget will also provide FSIS the resources needed to accelerate regulatory reform through the modification and elimination of regulations not compatible with HACCP. (See page 64.)

- **Continue efforts aimed at reducing the risk of foodborne illness under the President's Food Safety Initiative.** Further investment in improving food safety will be used to: (1) promote the adoption and enforcement by State agencies of uniform performance standards for commercial handling of inspected meat and poultry products from processing to consumers, (2) promote the adoption of National uniform laboratory standards by Federal, State, and local governments for testing meat and poultry products, (3) implement the Shell Egg Action Plan, (4) conduct risk assessment studies of *Listeria* and *Campylobacter*, and (5) provide training to State governments to facilitate the interstate shipment of State inspected products. (See page 65.)

NATURAL RESOURCES AND ENVIRONMENT

The Natural Resources and Environment mission area promotes conservation and sustainable use of natural resources on the Nation's private lands through education, technical and financial assistance. The mission area is also responsible for meeting public demands for recreation, timber and other goods and services through management of approximately 192 million acres of National Forests and Grasslands. The Administration is committed to preserving natural resources for future generations through assistance to farmers, ranchers and other private landowners and through sound management of public lands. The budgets for NRCS and FS programs include resources to:

MISSION AREA HIGHLIGHTS

- **Protect productive farmland, preserve wildlife habitat, and enhance farm family income as part of the President's Farm Safety Net Initiative.** The NRCS budget includes an additional $1 billion over authorized levels for conservation programs as part of the President's Farm Safety Net Initiative. Within this amount, $213 million will be used to increase enrollment in the WRP to 250,000 acres annually. Another $65 million is proposed for the FPP, which would be reauthorized to provide State, local, tribal governments with matching funds for the purchase of permanent conservation easements on farmland threatened by development. Also, $50 million would be used to annually fund the WHIP which offers cost-share assistance to farmers and landowners for habitat restoration and technical assistance. The budget also proposes an increase of $151 million, for a total program level of $325 million, for EQIP which provides financial, technical and educational assistance to help landowners address serious challenges impacting soil, water and related natural resources. Finally, the Farm Safety Net Initiative also includes the CSP, a new $600 million effort administered by NRCS that will provide annual payments to farmers and ranchers who implement such conservation practices as residue and nutrient management and environmentally sound grazing. Additional funding for technical assistance to implement the conservation programs is also proposed. (See page 4.)

- **Provide additional technical and financial assistance to enhance the conservation of natural resources, including water quality improvements under the President's Clean Water Action Plan.** An increase of $86 million is proposed for Conservation Technical Assistance, for a total of $654 million in 2001. A portion of the increase will support additional technical assistance to operators of animal operations to help them develop and implement waste management plans. The proposal to increase EQIP funding is also a key part of the Clean Water Action Plan, as it will provide much-needed financial assistance to producers to reduce agricultural runoff, particularly animal feeding operations. (See page 69.)

- **Preserve open space, and support smart growth as part of the President's Lands Legacy Initiative.** The USDA budget includes $236 million as part of the President's $1.4 billion Lands Legacy Initiative. Within this amount, $130 million will fund acquisition of lands valuable for recreation, wildlife habitat and watershed protection in the National Forests. Three Cooperative Forestry Programs within State and Private Forestry account for $106 million of the Initiative. The Forest Legacy Program contributes $60 million to the initiative, which will be used for the acquisition of land or interests in land through easements in order to protect critical forest land threatened with development. The Urban and Community Forestry Program contributes $40 million to the initiative, which will be used to provide grants to States and localities to establish, maintain, or expand urban and community forests and related open spaces that serve to support viable communities and neighborhoods. A new Smart Growth Partnership Program will provide $6 million in budget authority for subsidized loans to help communities protect open spaces, limit sprawl and enhance air and water quality. In addition to the $1.4 billion in discretionary Lands Legacy funds, the budget also proposes $65 million in mandatory funds for the NRCS FPP to share with State, local, and tribal governments the costs of acquiring easements to limit conversion of agricultural lands to non-agricultural uses. (See page 8.)

- **Enhance the ability of the National Forest System to meet multiple demands.** A total of $1.3 billion is proposed for management of the National Forests, including $220 million for timber sales to support a sales offer level of at least 3.2 Billion Board Feet (bbf) depending on

salvage sales volume. This funding includes survey and management activities in the Pacific Northwest. In 2000, 3.6 bbf will be offered for sale. A funding increase of $83 million for Planning, Inventory and Monitoring is included. The increase includes funds for forest land management planning, and wildlife and resource inventory and monitoring. These funds provide for 34 forests to begin or continue their forest plan revision process so that they incorporate the latest science, management practices and public expectations. Also included in this account are funding increases of $46 million for recreation and wilderness management (including $30 million for a Tourism and RD Initiative), $21 million to improve wildlife and fish management, and $4 million for Soil, Water and Air to support watershed improvements. (See page 74.)

- **Provide the necessary scientific foundation for sound management of public forest and rangelands.** Forest and Rangeland Research is funded at $231 million which is an increase of $13 million over 2000. Additional funds will support the President's Initiatives in Global Climate Change, Climate Change Technology, Partnership for Advanced Technology in Housing, and Bioenergy/Biobased Products.

MARKETING AND REGULATORY PROGRAMS

The mission of the Marketing and Regulatory agencies is to expand the domestic and international marketing of U.S. agricultural products and to protect the health and care of animals and plants. These programs improve market competitiveness and the farm economy for the overall benefit of both consumers and American agriculture. The budget proposes funding to:

- **Protect American agriculture from plant pests and animal diseases.** The APHIS program level request of $645 million includes $240 million for Agricultural Quarantine Inspection (AQI) activities, the front-line defense to protect American agriculture from imported diseases and pests. The budget includes an increase of $55 million to continue emergency operations to eradicate Mediterranean fruit fly, Citrus Canker, and Asian Long-horned beetle infestations. An increase of $9 million is requested to address the growing environmental and economic threat posed by invasive species. By strengthening the Nation's animal health monitoring and surveillance and plant pest detection and exclusion activities, the Department can reassure U.S. trading partners of its commitment to pest and disease control. These efforts will help open new export markets and strengthen the domestic and international marketability of U.S. grains, fruits and vegetables, livestock and poultry. (See page 83.)

- **Expand economic and trade opportunities for agricultural producers.** A total program level of $270 million is requested for the Agricultural Marketing Service (AMS) which includes $29 million, a $7 million increase for market news reports to expand coverage of foreign markets, expand market reporting on organic production, and to continue mandatory reporting on livestock and poultry markets begun in 2000. An increase of $1 million is requested for the Pesticide Data Program to test for residues in drinking water. An increase of $0.7 million is requested for the Organic Certification Program to implement the 1990 authority. Also, an increase of $0.3 million is requested to evaluate alternative marketing development strategies for small farmers. (See page 87.)

MISSION AREA HIGHLIGHTS

The Grain Inspection, Packers and Stockyards Administration (GIPSA) program level request of $76 million includes $57 million for grain inspection. It includes an increase of nearly $2 million to develop uniform assessments of biotech grains and an increase of $150,000 to resolve international trade disputes. The GIPSA budget also addresses Packers and Stockyards Act issues regarding fair and competitive marketing of livestock and poultry. The $19 million request includes increases of $4 million to improve the investigative capability for identifying anti-competitive behavior, evaluating the competitive structure of the poultry industry, providing rapid response teams and enhancing outreach and information efforts. (See page 90.)

RESEARCH, EDUCATION, AND ECONOMICS (REE)

The agencies of the REE mission area provide critical research and development, technology, extension, statistical information, analyses, and technical transfer capabilities and support for higher education which are essential to ensuring sound science is available to assist program managers and other decision-makers dealing with the agricultural and natural resource systems. REE programs address serious issues facing agriculture by developing tools needed to ward off any potential threats to agricultural productivity such as those posed by pests and diseases of U.S. and foreign origin, to produce high quality foods that are safe and nutritious, and to ensure an adequate supply of personnel highly trained in natural resource and agricultural sciences and technology. The economic and statistical data and analyses developed by REE agencies provide information on a wide range of topics related to global competitiveness, agricultural productivity, trade issues, and rural development. These analyses directly contribute to sound policy-making, management, and marketing decisions. Highlights in the REE budget include:

- **Prevent and control exotic diseases and pests that threaten U.S. agriculture.** There are major threats to U.S. agriculture resulting from exotic diseases, invasive species, and pests that can seriously afflict agricultural crops and livestock, causing billions of dollars in damage. Increases totaling $47 million are proposed to fund critical research at ARS and university laboratories, and other research institutions. Key programs include $10 million proposed in the ARS budget for research to expand diagnostic capabilities to help prevent chemical or biological terrorism acts against the U.S. agricultural and food system. The budget also includes an increase of $6 million to develop the tools needed to address prevention, control and eradication of invasive species. By utilizing proposed increases totaling $25 million, an emphasis also will be placed on developing pest control alternatives to replace chemical pesticides that are likely to be taken off the market due to stricter registration requirements imposed by the Food Quality Protection Act (FQPA).

- **Accelerate the development, production, and commercialization of biobased products.** Scientific advances in bioenergy and biobased products research and technology have created enormous potential to develop markets for agriculture and forestry products, new economic opportunities for rural America, enhance U.S. energy security, and protect the environment. The budget includes increases of nearly $24 million for biobased products research to improve technology for the conversion of agricultural materials and feedstocks into biofuels, enhance the development of biobased materials from agricultural commodities, and expand the development of useful components and feedstocks for new biobased products.

MISSION AREA HIGHLIGHTS

- **Develop and transfer to producers sound production practices to protect the environment.** There is a need to better understand how certain agricultural production practices impact the environment, and how environmental changes such as increased temperatures, and atmospheric variations, impact food production. Additional funding is provided to study ways to reduce nonpoint source pollutants that contribute to environmental degradation, such as harmful algal blooms and hypoxia. Funds are also provided to develop new ways to increase carbon storage in soils and to determine ways to predict and mitigate climate change impacts on agriculture. Areas of focus also include efforts to expand the use of biomass for energy sources and to reduce emissions and odors resulting from agricultural production.

- **Expand higher education capacity in agricultural and food sciences.** The research and education agenda of the future depends on a highly trained pool of qualified scientists, engineers, and technical specialists. The CSREES budget provides an increase of nearly $9 million for higher education activities carried out at the 1862, 1890 Historically Black, and 1994 Tribal land-grant universities, and other minority-serving institutions to enhance curricula and faculty development, and to provide financial support to students. An additional $2.5 million is also added to the principal balance of the Native American Institutions Endowment Fund to strengthen instructional programs and to support facility renovation and construction projects carried out at Tribal colleges.

- **Bolster local food systems to fight hunger.** Despite recent increases in income in the U.S., hunger and malnutrition continue to afflict the Nation's more vulnerable individuals. The CSREES budget provides $5 million in new funding to support community-based activities to bolster local food systems to fight hunger. The increase will be used to assist small and medium-sized producers to sell food directly to local school districts and other larger institutions, enable low-income residents to grow their own food, and increase food recovery and gleaning efforts to recover excess and wholesome food available for distribution.

- **Conduct research on structural changes and market concentration taking place in the agricultural sector.** The budget includes an increase for the Economic Research Service (ERS) of $1 million to identify ways rural communities and small farmers can remain viable under these changing sector conditions. Increased funding will enhance USDA's ability to measure and analyze changes in concentration, and to provide technical assistance to the Department of Justice regarding expected impacts of merger activity.

DEPARTMENTAL ACTIVITIES

USDA's staff offices provide a variety of essential support to Department employees to ensure their success in providing effective customer service and efficient program delivery. An overarching principle of USDA operations is effective management of human, capital, information, and other infrastructure resources. Selected highlights include funding and actions to:

- **Ensure the achievement of the Secretary's Civil Rights goals.** Civil Rights continues to be one of the Secretary's highest priorities. There are a number of ongoing activities at the Department level and within the agencies to support this priority. In addition, the budget

includes a number of proposed funding increases to support USDA civil rights activities. For example:

- The Equal Employment Opportunity Commission recently required agencies to institute Alternative Dispute Resolution (ADR) programs to help resolve equal employment opportunity complaints at an early stage. In addition, the Secretary has directed that all employees make appropriate use of ADR techniques to resolve workplace disputes. Additional funding is requested to increase the Department's capability to more efficiently and effectively resolve workplace conflicts, including equal employment opportunity complaints, through an expanded ADR program that will be jointly administered by the Office of Civil Rights and the Conflict Prevention and Resolution Center.

- The Department's Office of Outreach was established to provide leadership and coordination for all USDA outreach activities to assure that all eligible customers have access to USDA programs and services. The 2001 budget proposes additional grant funding for organizations that will provide intensive training and management assistance to socially disadvantaged farmers and ranchers in order to help these producers operate independently and maintain financial solvency.

- The Department's Office of Small and Disadvantaged Business Utilization was created to provide maximum opportunity for small, small disadvantaged and small women-owned businesses to participate in USDA's contracting activities. Additional funding is proposed for a Small Business Education and Development Pilot Program that will help the Office: (1) demonstrate strategies for the growth and stability of small businesses in rural America; (2) identify new markets for agricultural products of small, limited-resource farmers; and (3) deliver educational and technical resources to sustain economic growth and development.

- **Implement a Cyber Security Program to protect USDA's information technology systems.** The budget includes an increase of $6.6 million to address what is being referred to throughout the public and private sectors as the top information technology (IT) priority for the next several years. Strengthening the security of information on computer systems at USDA is integral to the process of expanding electronic commerce initiatives designed to provide customers a quick and easy way of conducting business with the Department. As such, the Office of the Chief Information Officer (OCIO) will build on current information security policies by developing and implementing a comprehensive cyber security plan.

- **Streamline and provide modern technology for the county offices.** The Department continues to implement major changes in the county-based field agencies in order to efficiently use declining resources and to improve customer service. The Department has co-located field offices of the county-based agencies (Farm Service Agency (FSA), NRCS, and RD) to create one-stop USDA Service Centers. These offices now have a common telecommunications network that will allow efficient e-mail, records transfer, and voice communications to provide for better customer service. The 2001 budget builds on this progress with a request for $75 million to continue implementation of a Common Computing Environment (CCE) that will optimize information sharing, customer service, and staff efficiencies. Under the oversight of

the Chief Information Officer, these funds will be used to replace separate, incompatible, and aging systems with a single, integrated, and modern information system. Funds in the individual agency budgets will support the reengineering of business processes, data acquisition for geographic information systems, and training needed to maximize the benefits of this technology as well as support the legacy systems until the CCE is in place. (See page 111 for more details on the CCE Initiative.)

- **Improve financial management and reporting.** The budget includes an increase of $1.5 million for the Office of the Chief Financial Officer's (OCFO) activities. This increase will support efforts to establish sound business practices and reliable systems that produce accurate and timely performance and financial data. These efforts include expanding departmental use of a new, integrated financial management system (the Foundation Financial Information System) and ensuring that all agencies, including the OCFO, develop and retain a level of expertise to ensure the effective and efficient use of financial management information.

- **Provide a safe and effective working environment for USDA employees and clients.** In 2001, the Department is requesting $26 million for the continued renovation of the South Building. The South Building is nearly 70 years old and is in dire need of repair to address electrical malfunctions, poor air quality, lead paint, and numerous code violations. Renovation is essential to avoid further deterioration of the building and its major systems, eliminate serious fire and health hazards, and provide modern, efficient mechanical and electrical systems. The South Building renovation project is a critical part of the 10-Year USDA Washington Area Strategic Space Plan, which seeks to reduce USDA's facilities' costs by moving all headquarters employees into modernized, government-owned workspace.

- **Protect human health and the environment by accelerating cleanup efforts at contaminated sites under USDA jurisdiction, custody, and control.** The 2001 budget includes an increase of $14.4 million for USDA's Hazardous Materials Management Program. This program provides for compliance with legislation requiring the cleanup of sites contaminated by hazardous wastes and the responsible management of hazardous materials. The USDA Hazardous Materials Policy Council oversees efforts and is responsible for setting policy across the Department, establishing priorities for the use of funds, and serves as a clearing house for information on program issues. Funding will accelerate cleanup and investigation efforts and continue a proactive approach in negotiating agreements with outside parties responsible for the contamination of sites that are now under USDA's jurisdiction. These activities will further Departmental efforts to protect public health by continuing progress toward the goal of cleaning up all contaminated sites under its jurisdiction by 2045.

FUND FOR RURAL AMERICA

The Agricultural Research, Extension, and Education Reform Act of 1998 (P.L. 105-185) extended authorization for the Fund for Rural America through October 1, 2002, but reduced the amount to be available annually for the Fund to $60 million beginning in 1999. The Secretary allocated $40 million of the available $60 million funding in 2000 to support outreach for socially disadvantaged producers, water and waste grants, farm labor housing grants, and other ongoing rural development activities. Another $20 million was provided for research focused on minority land

and community security, food entrepreneurship, manure and animal waste management, site-specific resource management, and rural people in forest communities. The Department's 2001 budget includes $60 million for additional rural development and research activities.

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FARM AND FOREIGN AGRICULTURAL SERVICES

MISSION

The mission of the Farm and Foreign Agricultural Services (FFAS) area is to ensure the well-being of U.S. agriculture through delivery of commodity, credit, conservation, insurance, and export programs. FFAS agencies include the Farm Service Agency (FSA), the Risk Management Agency (RMA), and the Foreign Agricultural Service (FAS). The Commodity Credit Corporation (CCC) is the source of funding for most of the conservation and commodity programs administered by FSA and the export programs administered by FAS.

FARM SERVICE AGENCY (FSA)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Farm Loan and Grant Programs	$3,941	$5,842	$4,562
Commodity Programs	24,767	33,330	24,725
Conservation and Other Programs	1,492	1,660	1,742
Salaries and Expenses	1,009	1,062	1,095
Total, FSA	$31,209	$41,894	$32,124

Farm Service Agency
Farm Loan and Grants Programs
Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1999 Actual P.L.	1999 Actual B.A.	2000 Current Estimate P.L.	2000 Current Estimate B.A.	2001 Budget P.L.	2001 Budget B.A.
Farm Operating Loans:						
Guaranteed Unsubsidized	$1,251	$14	$2,121	$30	$2,000	$28
Guaranteed Subsidized	525	46	919	81	478	39
Direct	789	54	935	55	700	63
Total, Operating Loans	2,565	114	3,975	166	3,178	130
Farm Ownership Loans:						
Guaranteed Unsubsidized	774	12	1,002	5	1,000	5
Direct	170	26	178	7	128	14
Total, Ownership Loans	944	38	1,180	12	1,128	19
Emergency Loans	330	78	583	91	150	37
Indian Land Acquisition Loans	0	0	1	a/	2	a/
Boll Weevil Eradication	100	1	100	0	100	0
Subtotal, Farm Credit Programs	3,939	231	5,839	269	4,558	186
State Mediation Grants	2	2	3	3	4	4
Total, Farm Loan and Grants Programs	$3,941	$233	$5,842	$272	$4,562	$190

a/ Less than $0.5 million.

The 2001 budget provides $4.6 billion for farm loans. For 2000, a total program level of $5.8 billion is available, including a $2.6 billion supplemental appropriation. The supplemental funding will reduce the backlog of farm loan applications that has resulted from the economic downturn and numerous natural disasters in recent years.

Continuing a trend of the last decade, a higher proportion of borrowers will be served through guaranteed loans rather than direct loans. Guaranteed loans have lower subsidy costs and are serviced by private lenders. Guaranteed farm operating loans are commonly used by private lenders to continue serving borrowers who become higher credit risks due to economic adversities. Guaranteed farm ownership loans are a critical source of credit for some borrowers because they allow real estate equity to be used to restructure short term debt. To facilitate participation in the guaranteed loan programs, FSA recently revised its guaranteed loan regulations in order to streamline the process. In addition, emphasis will continue to be placed on providing outreach and credit assistance to socially disadvantaged farmers. As required by statute, a portion of both direct and guaranteed farm operating and ownership loan funds are targeted to socially disadvantaged borrowers based on county level demographic data. Although targets vary by loan program and county, on average about 14 percent of loan funds are targeted to socially disadvantaged borrowers.

For farm operating loans, the 2001 budget provides $700 million for direct loans and $2.5 billion for loan guarantees. These loan levels will serve an estimated 31,000 farmers, about 14,500 of whom will receive direct loans. The availability of farm operating loans provides farmers with short term credit to finance the costs of continuing or improving their farming operations, such as purchasing seed, fertilizer, livestock, feed, equipment and other supplies. Thirty five percent of direct farm operating loans and 40 percent of guaranteed farm operating loans are reserved for beginning farmers.

For farm ownership loans, the 2001 budget maintains funding for guaranteed loans at $1 billion. Funding for direct farm ownership loans would decrease from $178 million in 2000 to $128 million in 2001. The magnitude of this reduction reflects the fact that there was some unused carryover in 2000. The 2001 loan level would provide almost 6,000 people with the opportunity to either acquire their own farm or to save an existing one. About 1,250 borrowers would receive direct loans and 4,500 would receive guaranteed loans. Seventy percent of direct farm ownership loans and 25 percent of guaranteed farm ownership loans are reserved for beginning farmers. About 35 percent of direct farm ownership loans are made at a reduced interest rate to limited resource borrowers, who may be beginning farmers.

The budget also provides funding for emergency loans, Indian land acquisition loans, and the Boll Weevil Eradication Loan Program. Due to numerous natural disasters, demand for emergency disaster loans has been very high in recent years resulting in the need for supplemental appropriations. The request for emergency loans for 2001 is $150 million which reflects funds to accommodate proposed expanded eligibility to larger farms, through Treasury rate loans, to close the eligibility gap with Small Business Administration emergency loans. The 2001 requested level would avoid the need to rely on supplemental funding which causes delays in providing emergency loan assistance to family farmers affected by natural disasters.

Funding for State Mediation Grants is increased from $3 million in 2000 to $4 million in 2001. Mediation benefits family farmers, including many low-income and socially disadvantaged farmers, who, because of mediation, are often able to resolve credit and other issues and remain on the farm. The increased funding will be used to support mediation programs in the 22 States certified in 1999, as well as any additional States that are expected to gain certification by 2001. Increased funding will also support the expansion of the program to other agricultural issues. Several States have expressed interest in establishing new programs or expanding their existing programs. This program also supports the Vice President's National Performance Review Initiative to achieve savings through the use of alternative dispute resolution.

Farm Service Agency
Commodity Credit Corporation
(Dollars in Millions)

Program	Program Levels			Net Outlays		
	FY 1999	FY 2000	FY 2001	FY 1999	FY 2000	FY 2001
Commodity Programs:						
Price Support and Marketing Assistance Loans	$8,358	$9,399	$9,257	$1,455	$1,673	$1,079
Production Flexibility Contracts	5,476	5,049	4,057	5,476	5,049	4,057
Loan Deficiency Payments	3,360	7,222	6,374	3,360	7,222	6,374
Market Loss Assistance Payments	3,011	6,062	0	3,011	6,062	0
Supplementary Income Assistance Payments	0	600	2,464	0	600	2,464
Noninsured Assistance Payments	54	185	196	54	185	196
Disaster Assistance	2,264	1,813	2	2,264	1,813	2
Farm Storage Facility Loans	0	350	150	0	10	4
Other Direct Payments	277	501	355	277	501	355
Purchases and Sales	1,358	964	682	618	239	-51
Interest Expenditures	308	687	768	210	627	704
Other	306	498	420	198	634	74
Total, Commodity Programs	24,767	33,330	24,725	16,923	24,615	15,258
Conservation Programs:						
CRP Program Payments	1,462	1,610	1,742	1,462	1,610	1,742
Conservation Security Program	0	0	600	0	0	600
Environmental Quality Incentives	170	174	325	128	161	190
Wetlands Reserve Program	123	176	289	157	210	222
Farmland Protection Program	0	0	65	7	10	7
Total, Conservation Programs	1,755	1,960	3,021	1,754	1,991	2,761
Export Programs:						
Export Credit	3,045	3,787	3,792	148	46	317
Market Access Program	90	90	90	114	132	96
Foreign Market Development Cooperator Program	0	28	28	0	28	28
Quality Samples Program	0	2	2	0	2	2
Export Enhancement Program	1	579	478	1	579	478
Dairy Export Incentive Program	145	119	66	127	132	91
Section 416(b) Donations a/	428	75	--b/	290	261	131
Food for Progress Program	101	131	118	82	124	124
Other	20	18	19	18	20	20
Total, Export Programs	3,830	4,829	4,593	780	1,324	1,287
Subtotal, CCC	30,352	40,119	32,339	19,457	27,930	19,306
Pre-credit Reform Loan Repayments	0	0	0	-234	-315	-328
Total, CCC	$30,352	$40,119	$32,339	$19,223	$27,615	$18,978

Farm Service Agency
Commodity Credit Corporation
(Dollars in Millions)

Program	Program Levels			Net Outlays		
	FY 1999	FY 2000	FY 2001	FY 1999	FY 2000	FY 2001
Recap:						
On-Budget	$24,501	$31,516	$32,339	$13,935	$18,898	$18,978
Emergency	5,851	8,603	0	5,288	8,717	0
Total, CCC	$30,352	$40,119	$32,339	$19,223	$27,615	$18,978

a/ Value of commodities to be made available under 416(b) are included under purchases and sales.

b/ Level of 416(b) programming to be determined based on availability of uncommitted CCC commodity inventory.

CCC is the source of funding for commodity programs administered by FSA, conservation programs administered by FSA and the Natural Resources Conservation Service (NRCS), and export programs administered by FAS. CCC borrows funds needed to finance these programs from the U.S. Treasury and repays the borrowings, with interest, from receipts and from appropriations provided by Congress.

Changes over the last decade in commodity, disaster, and conservation programs have dramatically changed the level, mix, and variability of CCC outlays. CCC outlays, which reached a record high of $26 billion in 1986, increased from $10.1 billion in 1998 to $19.2 billion in 1999, and are projected to reach a new record high of about $27 billion in 2000. The increase in spending between 1998 and 2000 is accounted for by higher marketing assistance loan program outlays, expenditures related to the President's Food Aid and other initiatives, and by emergency spending authorized in the enacted appropriations for fiscal years 1999 and 2000. Outlays for emergency spending authorized in the appropriations acts totaled nearly $5.7 billion in 1999 and about $9 billion in 2000.

Conservation program outlays represent the second largest major category of CCC expenditures. The 1996 Farm Bill authorized CCC funding for the Conservation Reserve Program (CRP) administered by FSA and the Wetlands Reserve Program (WRP) and several new conservation programs administered by NRCS. The Environmental Quality Incentives Program (EQIP) gives producers incentives to address natural resource concerns. The Farmland Protection Program (FPP) provides for the purchase of easements limiting nonagricultural uses on prime and unique farmland, protecting it from development.

Finally, provisions of the Commodity Credit Corporation Charter Act limit CCC expenditures for computer equipment and cap at the 1995 level total allotments and transfers to Federal and State agencies under Section 11 of that Act for administrative support services.

Limits on CCC expenditures for computer equipment and related activities imposed by the 1996 Farm Bill preclude CCC funding of these services and equipment in 2001. The Department will propose legislation to raise the limit on CCC expenditures for computer equipment. The increase

in the cap will cover a portion of FSA's computer operations and maintenance costs for the farm programs. The Department will also propose legislation to expand the EQIP, the WRP, the Wildlife Habitat Incentives Program (WHIP), the FPP, and the CRP to 40 million acres. In addition, a new Conservation Security Program (CSP) will be proposed. The budget also includes a proposal for mandatory funding to provide the additional technical assistance to implement the conservation programs. Additional legislation to improve the farm safety net by extending the Dairy Price Support Program and providing a supplementary income assistance program will be proposed as well.

Farm Service Agency
Commodity Program Outlays
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Commodity:			
Feed Grains	$6,169	$9,774	$4,921
Wheat	3,435	4,095	1,737
Rice	911	1,170	625
Upland Cotton	1,882	2,697	1,300
Tobacco	113	297	-314
Dairy	480	356	108
Soybeans	1,289	2,809	3,355
Peanuts	21	35	-1
Sugar	-51	0	1
Honey	2	1	-4
Wool and Mohair	10	2	-13
Other Crops	115	372	310
Subtotal	14,376	21,608	12,025
Disaster Assistance	2,264	1,813	2
Other a/	283	484	392
Total, Commodity Programs, CCC Baseline	16,923	23,905	12,419
Proposed Legislation	0	710	2,839
Total, Commodity Programs	$16,923	$24,615	$15,258

a/ Includes working capital interest and operating expenses, reimbursable agreements, equipment, and an adjustment for Food for Progress commodity purchases.

Commodity loan and income support programs are administered by FSA and financed through CCC. These commodity programs were changed dramatically by provisions of the 1996 Farm Bill. In the past, deficiency payments for producers of feed grains, wheat, upland cotton and rice (contract commodities) were tied to market prices and decreased when market prices were high and increased when market prices were low. The 1996 Farm Bill replaced deficiency payments with fixed production flexibility contract payments. The production flexibility contract payments, based on historical program acreage and yields, are set by law for each of the 7 years, from 1996-2002, and

do not vary with market prices or current plantings. About 98 percent of the eligible crop acreage base has been enrolled in production flexibility contracts.

The CCC marketing assistance loan programs for contract commodities and oilseeds have provided producers with some protection against sharp declines in market prices in 1998 and 1999. Marketing assistance loan placements are projected to double between 1997 and 2000. Marketing loan gains and loan deficiency payments increased from negligible levels in 1997 to nearly $3.4 billion in 1999 and are projected to increase again in 2000 to over $7 billion in 2000 and expected to remain over $6 billion in 2001.

Appropriations acts provided about $5.7 billion of emergency assistance in 1999 and about $9 billion in 2000 to help farmers cope with some of the lowest commodity prices in many years. The emergency funding included market loss payments of $3.1 billion in 1999 and $5.5 billion in 2000 and other compensation for crop and livestock losses funded at nearly $2.6 billion in 1999 and about $1.7 billion in 2000. Oilseeds, tobacco and peanut producers were provided nearly $0.9 billion in emergency assistance in 2000. Emergency assistance for 1999 and 2000 included $400 million in incentive payments for farmers purchasing crop insurance on 1999 and 2000 crops. The incentive payments underscore the importance of crop insurance programs that will help farmers better manage production risk in the future. The Noninsured Assistance Program (NAP), administered by FSA and funded through CCC, will continue to provide assistance to producers with losses on crops for which insurance is unavailable.

The 1996 Farm Bill also modified CCC loan program provisions for dairy, sugar, and peanuts. The dairy price support program was to be replaced in 2000 with a recourse loan program. However, the emergency assistance legislation extended the dairy price support program until 2001. With respect to sugar, loan forfeiture fees were imposed, and marketing allotments were suspended; however, sugar marketing assessments have been suspended through 2001 by the emergency assistance legislation. The Peanut Program was made no-net-cost (program costs may not exceed program receipts), the minimum National peanut poundage quota was eliminated, and the quota loan rate was reduced. In addition, appropriations legislation for 1999 and 2000 has provided for recourse loan programs for mohair and for honey. The 2000 appropriations legislation extended the upland cotton marketing certificate program and provided for other assistance to cotton producers.

The President's budget for 2001 proposes legislation to improve the farm safety net by offering a supplementary income assistance program to provide crop specific assistance to active producers of eligible crops for the 2000 and 2001 crops. The proposed program would provide payments when prices and revenues fall significantly below historical norms. In addition, an extension of the dairy price support program through 2002 will be proposed to enhance the safety net for dairy producers.

Farm Service Agency
Conservation and Other Programs
Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Conservation Reserve Program	$1,462	$1,610	$1,742
Emergency Conservation Program	28	50	0
Tree Assistance Program	2	0	0
Total, Conservation Programs	$1,492	$1,660	$1,742

Conservation Reserve Program (CRP). The CRP is a CCC program administered by FSA. The CRP offers producers annual rental payments for a 10- to 15-year period to remove highly erodible cropland and other environmentally sensitive land from production. Participants also receive cost-share help to establish long-term resource-conserving cover. About 30.2 million acres were enrolled in the program as of the end of fiscal year 1999.

The 1996 Farm Bill authorized funding for CRP from CCC and provided for new signups through 2002 to increase enrollment to a total of 36.4 million acres. The 20th signup will be conducted in January and February 2000. As in past signups, acreage offered for enrollment in the 20th signup will be ranked using an environmental benefits index to ensure acreage with the greatest environmental value is enrolled.

In addition to these scheduled signups, a continuous, non-competitive signup has been underway since September 1996 to enroll land in filter strips, riparian buffers, and similar conservation practices. Acreage enrolled under the continuous signup includes enrollment under the Conservation Reserve Enhancement Program and the National Conservation Buffer Initiative, programs which are designed to target program benefits to achieve specific local and regional conservation goals.

As part of the Administration's Farm Safety Net Initiative, the 2001 budget proposes to increase the CRP enrollment cap by 3.6 million acres to 40 million acres. The budget also proposes to offer bonuses totaling up to $100 million in 2000 and up to $125 million each year in 2001 and 2002 to producers who enroll in CRP through the continuous signup, to encourage enrollment of high environmental-value acreage.

The 2001 budget assumes acreage enrolled under these signups will bring CRP enrollment to about 32.3 million acres in 2000, to 35.8 million acres in 2001, and to an eventual enrollment of 40.0 million acres by 2003.

Emergency Conservation Program (ECP). Under this program, the Department shares the cost of carrying out practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters. In particular, it addresses those problems which if left untreated would: (1) impair or

endanger the land; (2) materially affect the productive capacity of the land; (3) be so costly to rehabilitate that Federal assistance would be required to return the land to productive agricultural use; and (4) represent damage that is unusual in character and not the type which would recur frequently in the same area. This program is funded through emergency supplemental appropriations. A total of $28 million was appropriated in 1999 and $50 million was appropriated in 2000. The budget proposes no funding for the program in 2001.

Tree Assistance Program (TAP). TAP provides cost-share payments to orchard and vineyard growers who replant or rehabilitate orchard trees and vineyards lost to damaging weather, including freeze, excessive rainfalls, floods, droughts, tornadoes, and earthquakes. Trees used for pulp and/or timber are excluded from eligibility for cost-share payments. In 1999, $2 million of assistance was provided.

Salaries and Expenses. FSA's salaries and expenses account funds all management related activities for FSA programs. FSA also provides administrative support to FAS and to the RMA under a reimbursable agreement.

Supplemental appropriations in both 1999 and 2000 have allowed FSA to avoid reductions-in-force and to hire and maintain additional temporary staff to meet heavy workload needs in the field. The 2001 budget proposes a program level of $1,095 million estimated to support a ceiling of 5,901 Federal staff years and 10,766 non-Federal staff years. Non-Federal county staff years will decrease from 11,388 in 2000 to 10,766 in 2001 because the temporary staff years needed to carry out programs for crop and market loss assistance will decrease. Permanent non-Federal county staff years will remain the same in 2000 and 2001 at 9,496. The 2001 salaries and expenses budget also includes $4.3 million for a new accounting system for farm loan programs and for re-engineering of other farm loan program systems. Legislation will be proposed to convert all non-Federal FSA personnel to Federal employee status in 2000.

Farm Service Agency
Staff Years

	1999 Actual a/	2000 Current Estimate a/	2001 Budget
Federal	5,709	5,901	5,901
Non-Federal:			
Permanent Full-Time	9,490	9,496	9,496
Temporary	2,017	1,892	1,270
Total, Non-Federal	11,507	11,388	10,766
Total, FSA Staff Years	17,216	17,289	16,667

a/ Includes staff years supported by emergency appropriations.

CCC Automated Data Processing (ADP) Cap. The 2001 budget includes mandatory proposed legislation for CCC to cover a portion of FSA's computer operations and maintenance costs for the farm programs. The current level of funding requested to operate and maintain these legacy systems are necessary for FSA to provide necessary and adequate customer service until the common computing environment is operational. However, these maintenance costs are high and are growing, given the age of the systems, some of which date to the early 1980's. The current CCC ADP cap is expected to be exhausted in 2000. The budget includes $35 million per year for these pressing needs in 2001 and 2002.

RISK MANAGEMENT AGENCY (RMA)

Crop Insurance Program
Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Net Indemnities to Producers:			
Gross Indemnities	$1,988	$2,417	$2,461
Producer-Paid Premium a/	-775	-959	-968
Total, Net Indemnities	1,213	1,458	1,493
Administrative/Delivery and Other Expenses	764	710	744
Total, Government Costs	1,977	2,168	2,237
RECAP:			
Mandatory Program Level:			
Delivery Expenses	495	486	508
Other Federal Expenses	4	4	4
Indemnities	1,988	2,417	2,461
Total, Mandatory Program Level	2,487	2,907	2,973
Discretionary Program Level:			
Administrative and Operating Expenses	64	64	68
Subtotal, Program Level	2,551	2,971	3,041
Less: Producer Premium	-775	-959	-968
Underwriting Gains	201	156	164
Total, Government Costs, Current Law	$1,977	$2,168	$2,237
2001 Farm Safety Net -- Budget Authority	–	–	510
Loss Ratio	0.93 b/	1.075	1.075

a/ Producer Paid Premium in FY 1999 reflects the $430 million premium discount, as authorized by P.L. 105-277. In addition, FY 2000 reflects a $400 million premium discount, in accordance with P.L. 106-78. The FY 2001 Budget reflects a $400 million premium discount anticipated as part of the President's Farm Safety Net initiative.

b/ Estimated.

The primary responsibility of the RMA is to administer the Crop Insurance Program. The program provides almost $30 billion in risk protection on about 190 million acres, which is about 70 percent of the Nation's insurable acres. About one-quarter of the insured acres is covered at the catastrophic (CAT) level, which is 50 percent of approved yield at 55 percent of expected market price. This coverage is available to producers for a modest processing fee with the government providing a

100 percent subsidy of the premium cost. The bulk of insured acres is covered at a level of 65 percent of approved yield and 100 percent of expected market price, for which producers pay about half the premium in 2000. The crop insurance program also offers coverage up to 80 percent of approved yield and, in recent years, revenue insurance products that combine the risk of loss from price declines as well as production shortfalls.

The program is administered on behalf of the Federal Crop Insurance Corporation (FCIC), which is an entity subject to a Board of Directors composed of both Government and private sector members. The Board makes decisions relating to the scope and provisions of the program that have an impact on the budget. For example, it approves requests for program expansions, such as the recent development of revenue insurance products.

Crop insurance is delivered to producers through private insurance companies that share in the risk of loss. These companies are reimbursed for their delivery expenses and receive underwriting gains in years of favorable loss experience.

RMA provides overall support, including actuarial and research work, program compliance, and risk management education. For 2001, about $68 million is being requested for salaries and expenses of RMA, an increase of nearly $4 million over fiscal year 2000. Of this increase, $700,000 is to fund Civil Rights Initiatives, $400,000 is for Automated Data Processing improvements, and $1.6 million is to fund pay costs. Another $1 million supports the President's Biobased Products/Bioenergy Initiative. RMA will begin the process of research, analysis, and the development of biobased crop insurance policies for producers who are interested in producing food, feed and fiber for biobased products, such as switchgrass or other biomass to be used for electricity generation.

For crop years 1999 and 2000, the program received emergency funding to provide approximately a 25 to 30 percent discount of the producer's share of premium costs. The Administration proposes to provide similar assistance in 2001 as part of its Farm Safety Net Initiative. Producers have long complained about the high cost of insurance, particularly at the higher levels of coverage that provide meaningful protection. In 1999, they responded in a very positive way to the 30 percent discount by buying-up to these higher levels of coverage. A substantial number of producers moved up, for the first time, from the premium-free CAT coverage level or no coverage at all. The Administration is committed to building on this experience and expects that producers will be encouraged to use crop insurance as part of an overall risk management strategy and not have to rely on emergency funding to meet their needs.

The Administration's reform proposal will also include provisions to establish multi-year coverage, provide risk management education, conduct more research and development, conduct a pilot program for insuring livestock and remove the area-wide trigger requirement for non-insured payment assistance. Removal of this area-wide trigger will allow producers with individual loses on crops for which crop insurance is not offered to receive assistance.

International Programs and Activities
Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
CCC Export Credit Guarantees:			
Short-term Guarantees (GSM-102)	$2,955	$3,501	$3,501
Intermediate-term Guarantees (GSM-103)	44	101	101
Supplier Credit Guarantees	46	145	150
Facilities Financing Guarantees	0	40	40
Total, Export Credit Guarantees	3,045	3,787	3,792
Market Development Programs:			
Market Access Program	90	90	90
Foreign Market Development (Cooperator) Program	28	28	28
Quality Samples Program	0	2	2
Total, Market Development Programs	118	120	120
Export Subsidy Programs:			
Export Enhancement Program	1	579	478
Dairy Export Incentive Program	145	119	66
Total, Export Subsidy Programs	146	698	544
Foreign Food Assistance:			
Public Law 480	1,808 a/	1,229	1,017
Section 416(b) Donations (Ocean Freight and Overseas Distribution Costs)	428	75	-- b/
Food For Progress c/	101	131	118
Total, Foreign Food Assistance	2,337	1,435	1,135
FAS Salaries and Expenses	178	169	172
Total, International Programs	$5,824	$6,209	$5,763

a/ Includes approximately $648 million of programming for Russia, which was carried out through a transfer of funds from CCC to P.L. 480 Title I.

b/ Level of Section 416(b) programming to be determined based on the availability of uncommitted CCC commodity inventory.

c/ Includes only that portion of Food for Progress programming supported by CCC funds.

FOREIGN AGRICULTURAL SERVICE (FAS)

FAS administers a variety of export promotion, food assistance, and foreign market development programs. These activities are instrumental for achieving a primary objective of the Department's strategic plan -- the expansion of global market opportunities for U.S. agricultural producers. Changes in Federal farm policy have made U.S. farmers and ranchers more dependent upon exports to maintain and expand their income, and more vulnerable to shifting conditions in international markets. By helping to maximize export sales opportunities, the export programs help to stabilize prices and incomes and thereby contribute to a greater safety net for U.S. producers.

CCC Export Credit Guarantee Programs. Under these programs, CCC provides payment guarantees for the commercial financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees.

The budget includes an overall program level of $3.8 billion for CCC export credit guarantees in 2001, unchanged from the current estimate for 2000.

Of the total program level for export credit guarantees expected to be issued by CCC in 2001, $3.5 billion will be made available under the GSM-102 program, which provides guarantees on commercial export credit extended with short-term repayment terms (up to 3 years), and $101 million will be made available under the GSM-103 program, which provides intermediate-term credit guarantees (3 to 10 year repayment terms).

For supplier credit guarantees, the budget includes an estimated program level of $150 million for 2001. Under this credit activity, CCC guarantees payments due from importers under short-term financing (up to 180 days) that exporters extend directly to the importers for the purchase of U.S. agricultural products. This credit activity is particularly useful in facilitating sales of high value agricultural products.

The budget also includes an estimated program level of $40 million for facility financing guarantees in 2001. Under this activity, CCC provides guarantees to facilitate the financing of manufactured goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets. By supporting such facilities, these guarantees enhance sales of U.S. agricultural products to countries where demand is constricted due to inadequate storage, processing, or handling capabilities.

The budget continues the approach, adopted in the 1999 budget, for presenting the annual program levels, budget authority, and outlays for the export credit guarantee programs. These estimates now reflect the actual levels of sales expected to be registered under the programs rather than authorized program levels. The actual level of guarantees to be issued during the course of the year will not be limited by the budget estimates; instead, the annual level of programming will be determined by program demand, market conditions, and other relevant factors, similar to other CCC-funded programs.

Market Development Programs. FAS administers a number of programs which support the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. The largest of these is the Market Access Program (MAP). Under this program, CCC funds are used to reimburse participating organizations for a portion of the costs of carrying out overseas marketing and promotional activities, such as direct consumer promotions. Historically, more than 80 percent of MAP funding has been devoted to building export markets for U.S. high value agricultural products. MAP participants include nonprofit agricultural trade organizations, State-regional trade groups, cooperatives, and private companies which qualify as small business concerns under the Small Business Act. The budget provides funding for MAP in 2001 at the maximum authorized level of $90 million, unchanged from 2000.

Under the Foreign Market Development (Cooperator) Program, cost-share assistance is provided to nonprofit commodity and agricultural trade associations to support overseas market development activities which are designed to remove long-term impediments to increased U.S. trade. These activities include technical assistance, trade servicing, and market research. Unlike MAP, Cooperator Program activities are carried out on a generic commodity basis and do not include brand-name or consumer promotions.

As proposed in last year's budget, the Cooperator Program is now funded through CCC rather than FAS appropriated funds. This change was adopted in order to provide increased stability in the level of annual program funding and thereby enhance long-term planning by program participants. For 2001, the budget provides funding of $27.5 million for the Cooperator Program, unchanged from this year's level.

The budget also includes CCC funding for the new Quality Samples Program (QSP) which FAS will implement during 2000. Under the program, samples of U.S. agricultural products will be provided to foreign importers in order to promote a better understanding and appreciation of their high quality. Similar to the Cooperator Program, the QSP will be carried out through commodity organizations and agricultural trade associations. For 2001, the budget continues funding for the QSP at the 2000 level of $2.5 million.

Export Subsidy Programs. The Department currently has two export subsidy programs: the Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP). Under these programs, bonus payments are made available to exporters of U.S. agricultural commodities to enable them to be price competitive and thereby make sales in targeted overseas markets where competitor countries are making subsidized sales.

EEP programming has been limited in recent years due to world supply and demand conditions; nevertheless, the budget includes funding for the program and the awarding of bonuses can be resumed whenever market conditions warrant. For 2001, the budget provides a program level of $478 million for EEP, which is the maximum level authorized by the Agricultural Trade of 1978 and is consistent with the export subsidy reduction commitments undertaken by the U. S. in conjunction with the Uruguay Round Agreement on Agriculture.

For DEIP, the budget assumes a program level of $66 million for 2001, a reduction from the current estimate for 2000 of $119 million. The projected decline in DEIP programming reflects two factors: full implementation of the Uruguay Round export subsidy reduction commitments and the phaseout in June 2000 of the so-called "rollover authority" which allows countries under certain conditions to exceed their annual export subsidy commitments by drawing on unused subsidy authority from previous years. In the case of nonfat dry milk, the largest category of dairy products exported under DEIP, these two factors will result in a decrease in the level of available export tonnage under DEIP of approximately 33 percent from 101,000 metric tons during the July1999-June 2000 period to 68,000 metric tons during the July 2000-June 2001 period.

Foreign Agricultural Service
Public Law 480 Food Assistance Programs
Program and Tonnage Levels

Program	1999 Actual	2000 Current Estimate	2001 Budget
Title I Credit Sales:			
Dollars in Millions	$830 a/	$267	$180
Million Metric Tons Grain Equivalent	2.2 b/	1.3	0.8
Title II Donations:			
Dollars in Millions	957	962	837
Million Metric Tons Grain Equivalent	2.4	2.5	2.1
Title III Grants:			
Dollars in Millions	21	0	0
Million Metric Tons Grain Equivalent	0.1	0	0
Total, P.L. 480 Programs:			
Dollars in Millions	$1,808 a/	$1,229	$1,017
Million Metric Tons Grain Equivalent	4.7 b/	3.8	2.9

a/ Includes approximately $648 million of programming for Russia, which was carried out through a transfer of funds from CCC to P.L. 480 Title I.

b/ Includes 1.4 million metric tons programmed to Russia.

Public Law 480 (P.L. 480). Also referred to as Food for Peace, P.L. 480 is the primary means by which the United States provides foreign food assistance. This assistance is provided through three separate program authorities.

Title I provides for sales of U.S. agricultural commodities to developing countries and private entities through concessional financing. In allocating assistance to be provided under the Title I program, priority is given to agreements which provide for the export of U.S. agricultural commodities to those developing countries which have demonstrated the potential to become commercial markets, are undertaking measures to improve their food security and agricultural

development, and demonstrate the greatest need for food. The Title I program is administered by FAS.

Title II provides for donations of humanitarian food assistance to needy people in foreign countries in response to malnutrition, famine, and other extraordinary relief requirements. The assistance is provided primarily through private voluntary organizations, cooperatives, or international organizations, including the World Food Program of the United Nations. In the case of donations made in response to emergency needs, Title II assistance can also be provided through government-to-government agreements. The Title II program is administered by the Agency for International Development (AID).

Title III provides food assistance on a grant basis to least developed countries through government-to-government agreements. The donated commodities may be sold in the domestic market of the recipient countries, and the revenue generated from the sale is used to support programs of economic development. The Title III program is also administered by AID.

For 2001, the budget includes a total program level for P.L. 480 food assistance of just over $1 billion, which is expected to provide approximately 2.9 million metric tons of commodity assistance. As in last year's budget, no specific level of funding is requested for Title III grants; however, current authorities provide that up to 15 percent of the funds of any title of P.L. 480 may be transferred to carry out any other title. This authority provides flexibility for program managers to determine the appropriate level of resources for the individual P.L. 480 programs and thereby enhances the U.S. response to changing world food needs.

Section 416(b) Donations. Section 416(b) of the Agricultural Act of 1949 authorizes the donation of surplus CCC-owned commodities in order to carry out programs of assistance in developing and other, friendly countries. Commodities eligible for donation include those which have been acquired by CCC through price support operations or otherwise acquired in the normal course of its operations and which are excess to domestic program requirements. The commodities are made available for donation through agreements with foreign governments, private voluntary organizations and cooperatives, and the World Food Program.

Donations under section 416(b) reached a record 5.5 million metric tons in 1999. Over 5 million metric tons of this consisted of wheat and wheat products made available under the Food Aid Initiative announced by the President in July 1998. The total value of section 416(b) programming in 1999 exceeded $1.2 billion, including approximately $794 million for the value, including processing costs, of the commodities and $428 million for associated ocean freight and overseas distribution costs.

The budget assumes Section 416(b) donations will return to a more traditional level of programming during 2000. For 2001, the level of section 416(b) programming will be established once the availability of uncommitted commodities in CCC inventory has been determined at the beginning of the fiscal year.

Food for Progress. Under this program, U.S. agricultural commodities are provided to developing countries and emerging democracies which have made commitments to introduce and expand free enterprise in their agricultural economies. Food for Progress agreements can be entered into with foreign governments, private voluntary agencies, nonprofit agricultural organizations, cooperatives, or intergovernmental organizations. Agreements may provide for the commodities to be supplied on either long-term credit or grant terms.

P.L. 480 Title I funds may be used for the procurement and transportation costs of the commodities. Alternatively, CCC-owned commodities may be made available under the authority of section 416(b) of the Agricultural Act of 1949 or CCC may purchase commodities if not in its inventory, with transportation and other non-commodity expenses paid with CCC funds. The authorizing statute for Food for Progress limits annual programming to not more than 500,000 metric tons and limits CCC funding for the non-commodity costs (e.g., transportation) of programming to $30 million per year.

The budget assumes that approximately $118 million of CCC funds will be used to support Food for Progress programming in 2001, slightly below the current estimate for 2000. This includes $88 million for the purchase of commodities and $30 million for transportation and other non-commodity costs.

Foreign Agricultural Service
Salaries and Expenses
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Market Access	$26	$27	$28
Market Development, Promotion, and Outreach	33	32	34
Market Intelligence	23	24	24
Financial Marketing Assistance	9	9	9
Long-term Market and Infrastructure Development	22	22	23
Total, Appropriated Programs	113	114	118
Emerging Markets Program Funded by CCC	10	10	10
CCC Computer Facility and Other IRM Costs Funded by CCC	10	10	10
Development Assistance Programs Funded by AID and Other Organizations	40	32	32
Other Reimbursable Agreements	5	3	2
Total, Reimbursable Program Activity	65	55	54
Total, FAS Program Level	$178	$169	$172

FARM AND FOREIGN AGRICULTURAL SERVICES

FAS' mission is to serve U.S. agriculture's international interests by expanding export opportunities for U.S. agricultural, fish, and forest products and promoting world food security. FAS carries out its mission on a worldwide basis through the following program activities:

- **Market Access** -- international trade policy formulation, negotiation and monitoring activities designed to reduce foreign trade barriers and increase market access for U.S. agricultural products.

- **Market Development, Promotion, and Outreach** -- activities designed to increase domestic awareness of export opportunities, facilitate export readiness, and link export-ready and new-to-export firms to market entry opportunities; and activities designed to create demand for U.S. agricultural products in foreign markets, including the Cooperator Program, MAP, and food and agricultural trade shows.

- **Market Intelligence** -- market intelligence and reporting activities which provide U.S. producers, exporters, and government officials with information and analysis of world agricultural production and trade.

- **Financial Marketing Assistance** -- administration of the Department's major commercial export programs, including the CCC export credit guarantee and export subsidy programs.

- **Long-Term Market and Infrastructure Development** -- administration of foreign food assistance programs and international cooperation and development activities, including scientific and technical exchanges, cooperative research, liaison with international food and agricultural organizations, and agricultural technical assistance and training, including the Cochran Fellowship Program.

The budget includes appropriated funding of $118 million for FAS in 2001. This is an increase of $4 million above the 2000 level and supports several important trade promotion initiatives. First, $1.5 million is requested for the costs of opening new Agricultural Trade Offices (ATOs) in Canada, Mexico, and the Philippines. FAS currently has 17 ATOs located in major markets around the world, which assist U.S. private sector exporters, agricultural market development organizations, State trade officials, and others in carrying out export promotion and market development activities. The three locations slated for new ATOs have been identified by FAS as priority markets which offer significant market growth potential over the next 5 to 10 years.

An additional $750,000 is provided to bolster FAS market access compliance and negotiation activities. Implementation of the Uruguay Round Agreement on Agriculture has led to a sharp increase in FAS' trade compliance workload. This includes monitoring implementation of the Agreement's numerous trade liberalization provisions by other counties and ensuring their compliance, negotiating agreements with countries seeking to accede to the World Trade Organization, and developing harmonized rules of origin for customs purposes. The onset of new multilateral negotiations on agricultural trade is expected to increase the current FAS market access workload even further. The additional funding requested for 2001 will provide additional staffing to meet this heavier workload and enable FAS to fund the participation of technical experts from

other USDA agencies in international consultations, in particular those concerning food safety and biotechnology.

The FAS budget also includes increases of $618,000 to meet additional costs associated with maintaining an FAS presence at the American Institute in Taiwan and $1.5 million to meet a portion of the projected pay cost increases in 2001. The budget also maintains funding for the Cochran Fellowship Program at the current level of $3.5 million.

In addition, the budget includes an estimated $54 million in funding to be made available to FAS through reimbursable agreements. The largest component of this is funding for technical assistance, training, and research activities which FAS carries out overseas on behalf of AID, foreign governments, and international organizations. It also includes funding made available by CCC for the Emerging Markets Program. This program supports technical assistance and related activities in order to further U.S. market development objectives in promising overseas growth markets.

RURAL DEVELOPMENT

MISSION

The Rural Development (RD) mission area strives to improve the quality of life in rural America by providing financial assistance and working with rural communities through partnerships, empowerment and technical assistance. Outreach and targeting are used to ensure that rural communities that have been under-served in the past will have an opportunity to receive their fair share of Federal assistance.

Three agencies comprise the RD mission area: the Rural Housing Service (RHS), the Rural Utilities Service (RUS) and the Rural Business-Cooperative Service (RBS). Under the Department's streamlining and reorganization effort, the field office delivery system for the three agencies was consolidated and is now co-located within USDA Service Centers.

RURAL DEVELOPMENT

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1999 Actual		2000 Current Est.		2001 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Rural Utilities Service	$3,396	$734	$4,294	$645	$4,261	$711
Rural Housing Service	5,131	877	5,811	943	6,678	1,140
Rural Business-Cooperative Service	1,372	75	1,067	110	1,464	130
Salaries and Expenses	515	515	534	534	581	581
Total, Rural Development	$10,414	$2,201	$11,706	$2,232	$12,984	$2,562

The 2001 budget reflects the Administration's continuing commitment to reducing the gaps in credit availability and economic opportunity that exist in rural America. It includes nearly $2.6 billion in budget authority for RD. This level of funding is expected to support a program level of about $13 billion in loans, grants and other activity. These estimates reflect higher subsidy costs for direct loans, due primarily to a rise in the government's cost of borrowing.

The major provisions of the RD budget include:

- $1.3 billion in direct loans and $3.7 billion in guaranteed loans for single family housing, more than the 2000 program levels of $1.1 billion in direct loans and $3.2 billion in guaranteed loans. These levels support the President's National Home Ownership Initiative by making more home ownership opportunities available in rural America. Direct loans will continue to be available only to low-income families, those with less than 80 percent of area median income, who can receive an interest subsidy. Guaranteed loans are available to families up to 115 percent of area median. The 2001 program levels will allow the agency to provide loans and grants to purchase and improve over 81,000 housing units.

- A total of $50 million is proposed for Farm Labor Programs, with $30 million for direct loans, $15 million for grants, and $5 million for emergency assistance to migrant farmworkers. This is an increase of almost $3 million from the $30 million in loans and $17 million in grants provided in 2000, which included $3 million for grants and $5 million for loans in emergency funding. The $50 million level will improve the availability and quality of housing for one of the most poorly housed groups in the country.

- $120 million for direct loans and $200 million in guaranteed loans for multi-family housing. The Administration will propose elimination of the statutory requirement that 20 percent of the loans guaranteed must receive interest assistance. The proposed change would substantially reduce the subsidy cost of this program. The guaranteed loan program was first introduced in 1997 and operated as a pilot program. It has shown great potential, particularly where it can be used to leverage other Federal, State and local or private financing. Experience has shown that projects for low-to-moderate income families do not necessarily require interest assistance because subsidies are available from other sources.

- $680 million for rural rental assistance payments, up from $640 million available for 2000. The higher level of assistance is needed to provide for the renewal of existing contracts, to support new multi-family and farm labor housing projects, and to provide limited funding for servicing existing projects. This assistance makes up the difference between what the tenant pays and the rent required for the project owner to meet debt servicing requirements. Tenants receiving this assistance are mostly elderly, have very low-income and minimal financial assets.

- $507 million in grants, $1.03 billion in direct loans, and $75 million in guaranteed loans for water and waste disposal projects. To support these program levels, the budget includes a substantial increase in budget authority, from $606 million in 2000 to $648 million in 2001.

- $2.2 billion in direct loans and loan guarantees for rural electric and telephone systems, including $400 million in electrification loans to be made by private lenders.

- $325 million in loans and grants for Distance Learning & Telemedicine (DLT), an increase of $104 million over the 2000 level. This level of funding will provide assistance to almost 2,000 schools and over 3,000 health care facilities. In addition, a new $102 million pilot loan and grant program to finance broadband transmission and local dial-up Internet service is proposed.

- Legislation will be proposed to provide mandatory funding for $15 million in grants annually for round II Empowerment Zones and Enterprise Communities (EZ/EC). Five new rural empowerment zones were authorized by the Taxpayer Relief Act of 1997. Twenty new enterprise communities were authorized by the 1999 Appropriations Act, and $15 million in discretionary funds was appropriated in both 1999 and 2000. The multi-year mandatory funding would allow recipients greater assurance of funding for strategic planning. This funding would be in addition to funding targeted to EZ/EC's under RD's on-going programs, which is estimated to be about $200 million in 2000.

RURAL DEVELOPMENT

- The budget reflects the funding flexibility under the Rural Community Advancement Program (RCAP) that was enacted as part of the 1996 Farm Bill. RCAP allows funds to be transferred among programs to ensure better coordination in meeting local priorities and the 2001 budget assumes the full transfer flexibility authorized in the 1996 Farm Bill. The table below indicates the programs and funding levels included in RCAP.

- An increase of $47 million for salaries and expenses, from almost $534 million in 2000 to almost $581 million in 2001. The increase will allow RD to increase its staffing level from a current estimate of 6,900 in 2000 to 7,020 in 2001, and to fund information technology initiatives.

Rural Community Advancement Program
(Dollars in Millions)

Program	1999 Program Level	2000 Program Level	2001 Program Level
Water and Waste Disposal Loans:			
Direct	$721	$679	$1,032
Guarantees	6	75	75
Water and Waste Disposal Grants	571	530	502
Solid Waste Management Grants	3	3	5
Community Facility Loans:			
Direct	163	185	250
Guarantees	107	210	210
Grants	8	13	24
Business and Industry Loans:			
Direct	26	50	50
Guarantees	1,180	869	1,250
NAD Bank	63	2	0
Rural Business Opportunity Grants	0	4	8
Rural Business Enterprise Grants	36	40	41
Total, Loans and Grants	$2,885	$2,661	$3,447

RURAL DEVELOPMENT

RURAL UTILITIES SERVICE

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1999 Actual P.L.	1999 Actual B.A.	2000 Current Est. P.L.	2000 Current Est. B.A.	2001 Budget P.L.	2001 Budget B.A.
Loan Programs:						
Electric Loans:						
Direct 5%	$72	$9	$122	$1	$50	$5
Municipal	295	26	295	11	300	21
FFB Guaranteed	1,050	0	1,700	0	800	0
Guaranteed CFC/CoBank	150	0	0	0	400	a/
Total, Electric Loans	1,567	35	2,117	12	1,550	26
Telecommunications Loans:						
Direct 5%	75	7	75	1	75	8
Treasury Rate	217	1	300	2	300	0
FFB Guaranteed	55	0	120	0	120	0
Total, Telecommunications Loans	347	8	495	3	495	8
Rural Telephone Bank (RTB)	114	3	175	3	175	3
Total, Electric, Telecommunications, and RTB	2,027	46	2,787	18	2,220	36
Distance Learning Program:						
Treasury Rate Loans	55	a/	200	1	400	0
Distance Learning & Telemedicine Grants	13	13	21	20	27	27
Total, Distance Learning Program	68	13	221	21	427	27
Water and Waste Disposal Programs:						
Direct b/	721	117	679	73	1,032	140
Guaranteed b/	6	0	75	0	75	0
Water and Waste Disposal Grants b/	571	555	530	530	502	502
Solid Waste Management Grants b/	3	3	3	3	5	5
Total, Water & Waste Disposal Programs	1,301	675	1,287	606	1,614	648
Total, RUS Loans & Grants c/	$3,396	$734	$4,294	$645	$4,261	$711

a/ Less than $500 thousand.

b/ These are included in the Rural Community Advancement Program. (See page 49.)

c/ Salaries and Expenses are included in a proposed consolidated account.

The electric and telecommunications programs administered by RUS provide loans to establish, expand, and modernize facilities to improve service to rural residents. The 2001 budget for the electric loan programs reflects changes in the financial needs of borrowers. Five percent interest direct loans would be reduced, although more budget authority is provided to pay the higher subsidy cost of these loans. Direct municipal rate loans would be maintained at about the same level as 2000 and the budget authority needed to pay the subsidy costs on these loans almost doubles. Federal

Financing Bank (FFB) loans, which have no subsidy costs, would be reduced from $1.7 billion available for 2000 to $800 million for 2001, which reflects the anticipated demand for these loans. In addition, the 2001 budget includes $400 million in guarantees of electric loans. It is anticipated that these loans will be made by the Cooperative Finance Corporation (CFC) and the Bank for Cooperatives (Co Bank).

Loan levels for the telecommunications programs are the same as for 2000, although more budget authority is provided to pay for the higher subsidy cost of direct Treasury rate loans. The total program level will create over 15,000 jobs in rural areas.

The Water and Waste Disposal Program provides financing for rural communities to establish, expand or modernize water treatment and waste disposal facilities. Eligibility is limited to communities of 10,000 or less in population, and that cannot obtain credit elsewhere. Grants are limited to 75 percent of project costs, and are available only to those communities with high poverty rates. Interest rates on loans range from 4.5 percent for poverty communities to a ceiling of 7 percent, and grant and loan funds are usually combined based on the income levels of users.

The program supports the Administration's Water 2000 Initiative, which is designed to serve those rural communities with the Nation's most serious water quality problems, including even the lack of a dependable supply of drinking water. A portion of the 2001 program level will be targeted to this initiative, as in previous years. Overall, the program level for 2001 includes $502 million in grants, $1,032 million in direct loans and $75 million in guaranteed loans.

The program level for the Water and Waste Disposal Program reflects the amount of budget authority available and the mix of loans and grants. Loans require only enough budget authority to cover the subsidy costs whereas grants require a dollar of budget authority for each dollar of program level. In 2000, $606 million in budget authority is available, of which $533 million is expected to be used for grants and $73 million for loans. The 2001 budget includes nearly $648 million in budget authority, of which over $507 million would be used for grants and over $140 million for loans. The 2001 budget will provide financing for enough new or improved water systems alone to serve about 1.7 million rural residents. In addition, about 700,000 rural residents will be served through new or improved waste disposal systems. Overall, the program is expected to generate about 40,000 jobs.

RURAL DEVELOPMENT

RURAL HOUSING SERVICE

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1999 Actual P.L.	1999 Actual B.A.	2000 Current Est. P.L.	2000 Current Est. B.A.	2001 Budget P.L.	2001 Budget B.A.
Rural Housing Loans:						
Single Family:						
Direct	$967	$114	$1,161	$98	$1,300	$209
Guarantees	2,977	3	3,200	20	3,700	7
Multi Family Housing:						
Direct (Section 515)	114	55	114	45	120	59
Guarantees (Section 538)	75	2	100	a/	200	0
Very Low-Income Repair	25	9	48	14	40	14
Self-Help Housing	1	a/	5	a/	5	a/
Housing Site Development	3	a/	5	a/	5	0
Credit Sales	20	3	7	1	15	2
Total, Housing Loans	4,182	187	4,641	178	5,385	292
Farm Labor Program:						
Loans	20	10	30	14	30	16
Grants	13	13	17	17	15	15
Migrant Farmworker Grants	0	0	0	0	5	5
Total, Farm Labor Program	33	24	47	30	50	36
Community Facility Programs:						
Direct b/	163	22	185	10	250	29
Guarantees b/	107	0	210	0	210	0
Community Facility Grants b/	8	7	13	13	24	24
Total, Community Facility Programs	278	30	409	23	484	53
Grants and Payments:						
Very Low-Income Repair	21	21	37	37	30	30
Mutual and Self-Help	26	26	29	28	40	40
Supervisory and Technical Asst	a/	a/	2	1	1	1
Compensation for Construction Defects	a/	0	a/	0	a/	0
Rural Housing Preservation	7	7	6	6	8	8
Rental Assistance Payments	583	583	640	640	680	680
Total, Grants and Payments	638	637	714	711	759	759
Total, RHS, Loans and Grants c/	$5,131	$877	$5,811	$943	$6,678	$1,140

a/ Less than $500 thousand

b/ These are included in the Rural Community Advancement Program. (See page 49.)

c/ Salaries and Expenses are included in a proposed consolidated account.

RURAL DEVELOPMENT

The single family housing direct loan program provides subsidized loans for the purchase of modest housing in rural areas. Loans are made at a graduated interest rate level from 1 percent to 150 basis points over the Treasury rate, currently 6.06 percent, depending on family income, to families who have income under 80 percent of the area median. The average annual income of a direct loan borrower is generally about 55 percent of area median income or about $17,000 on a National basis. Loan guarantees primarily serve families with moderate incomes, with the interest rate negotiable between the lender and borrower.

The 2001 budget includes $1.3 billion in direct loans and $3.7 billion in guaranteed loans for single family housing, more than the 2000 program levels of $1.1 billion in direct loans and $3.2 billion in guaranteed loans. This increase reflects the Administration's strong commitment to improving homeownership opportunities in rural areas. Further, the budget authority necessary to support the higher program levels increases from about $118 million in 2000 to about $216 million in 2001, due to an increase in interest rates and net of a proposal to raise the fee on guaranteed loans from 1 percent to 2 percent.

The Section 515 Multifamily Housing Loan Program would be funded at $120 million in 2001, which compares to about $114 million available for 2000. This program provides direct loans to construct and maintain multifamily rental projects that serve low and very low-income families. Projects receive payment assistance to make rents affordable. The average annual income of a Section 515 tenant is $7,300. The 2001 budget provides for the construction of 1,400 new units and the rehabilitation of over 4,100 existing units.

The Section 538 Multifamily Housing Loan Guarantee Program guarantees loans that are made by private lenders. It differs from the Section 515 Direct Loan Program in that the projects it finances serve tenants with incomes up to 115 percent of the area median, rather than those below 80 percent of the area median. The 2001 request of $200 million would provide for the construction of over 6,400 units.

The 2001 budget provides $680 million for the Rental Assistance Program, an increase of $40 million over the 2000 level. Rental assistance is provided to project owners to make up the difference between the 30 percent of income the low-income tenant pays and the rent required for the project owner to meet debt servicing requirements. The 2001 budget provides funding for the renewal of over 42,000 units, support for new section 515 and farm labor housing projects, and limited funding for servicing existing projects.

Consistent with meeting the Secretary's civil rights goals, the 2001 budget recommends $30 million in loans and $15 million in grants for farm labor housing, which maintains the loan level, but decreases grants by $2.5 million from the 2000 level when factoring in emergency funding. Without emergency funding the 2001 level is $2.5 million above 2000 for grants and $5 million above for loans. In addition, the budget includes $5 million for emergency assistance to migrant farmworkers.

The community facilities program provides direct loans, guarantees and grants to finance essential community facilities, with priority given to health and safety facilities. There are three interest rates available on direct loans, with the lowest, 4.5 percent, offered to communities where the median income is below the poverty level and for projects to meet health and safety standards. For

community facility programs, the 2001 budget provides $250 million in direct loans, $210 million in guarantees, and $24 million in grants, including $5 million for early warning system grants that would allow rural areas to reduce the loss of life for inadequate warning of hazardous weather. This level of funding will support over 400 new or improved health care facilities, child care, fire and emergency services and other facilities lacking in rural America.

RURAL DEVELOPMENT

RURAL BUSINESS-COOPERATIVE SERVICE (RBS)

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1999 Actual P.L.	1999 Actual B.A.	2000 Current Est. P.L.	2000 Current Est. B.A.	2001 Budget P.L.	2001 Budget B.A.
Loans:						
Business and Industry:						
Guarantees a/	$1,180	$12	$869	$26	$1,250	$10
Direct a/	26	0	50	0	50	3
NAD Bank	63	0	2	0	0	0
Intermediary Relending Program	33	17	38	17	64	33
Rural Economic Development	15	4	15	3	15	4
Total, Loans	1,318	32	974	47	1,379	50
Grants:						
Rural Business Enterprise a/	36	36	40	40	41	41
Rural Business Opportunity a/	0	0	4	4	8	8
Alternative Agriculture Research and Commercialization Corporation	4	4	0	0	0	0
National Sheep Industry Improvement Center	0	0	10	0	5	5
Rural Cooperative Development	2	2	4	4	6	6
Appropriate Technology Transfer for Rural Areas	1	1	2	2	2	2
Rural Economic Development	11	0	4	0	4	0
Cooperative Research Agreements	0	0	0	0	2	2
Bio-energy/Bio-products Grants	0	0	0	0	2	2
Agribusiness and Cooperative Development Program	b/	b/	0	0	0	0
Empowerment Zones and Enterprise Communities c/	0	0	30	15	15	15
Total, Grants	54	43	98	64	84	80
Total, RBS Loans and Grants d/	$1,372	$75	$1,087	$110	$1,464	$130

a/ These are included in the Rural Community Advancement Program. (See page 49.)

b/ Less than $500 thousand.

c/ In FY 1999, $15 million was appropriated. This amount is carried in to FY 2000 and added to the $15 million appropriated in 2000. The budget requests mandatory funding in 2001.

d/ Salaries and Expenses are included in a proposed consolidated account.

RBS administers the Department's rural business assistance programs, including technical assistance, development, and research on agricultural cooperatives. The agency delivers a wide variety of services to its clients. Business and Industry (B&I) loan guarantees, for example, provide protection against loss so that private lenders are willing to extend credit to establish, expand, or modernize

rural businesses. Special efforts are being made to help rural communities diversify their economies, particularly into value-added processing, by focusing on cooperative ventures.

The budget provides $1.25 billion in guaranteed loans and $50 million in direct loans under the business and industry loan program. Direct loans will be targeted to those areas which have traditionally been under-served by commercial lenders. Loan guarantees help expand investment in rural areas by protecting commercial lenders against loss. In addition, loan guarantees may be used to provide financing to farmers for the purchase of start-up capital stock in a cooperative which will process the commodity being produced by the farmer. The proposed level of assistance is consistent with the Administration's strong commitment to expanding the rural economy and is expected to create or save 40,000 jobs in rural America.

The budget provides $64 million for the Intermediary Relending Program (IRP). The IRP provides loans at 1 percent interest to intermediaries who relend those funds to local businesses and other organizations to expand or improve the local economic base. This level of funding is expected to create or save about 49,000 jobs in rural America.

The budget provides $8 million for rural business opportunity grants. These grants will be used to help rural communities develop comprehensive strategies for revitalization and to better coordinate Federal assistance. The budget also includes $5 million for the National Sheep Industry Improvement Center. This will assist in the rebuilding of the infrastructure of the sheep and goat industries.

Rural cooperatives are growing not just in numbers but also in terms of non-traditional forms and uses. Cooperatives are forming strategic alliances with privately held corporations, engaging in value-added processing, and entering the retail and export markets. Through the cooperative form of business, rural residents are finding ways to add value to their product and bring more income home to the farm gate. The 2001 budget includes $11.5 million in the rural cooperative development grants account compared to almost $7 million in 2000. Included in the 2001 amount is $6 million for rural cooperative development grants, $2 million for Appropriate Technology Transfer for Rural Areas (ATTRA), $2 million for cooperative research agreements and $1.5 million for cooperatives that process and market bio-based products. By comparison, in 2000, $4 million is available for rural cooperative development grants and $2 million is available for ATTRA.

FOOD AND NUTRITION SERVICE (FNS)

The Food and Nutrition Service (FNS) administers America's domestic nutrition programs. The mission of FNS is to improve the nutritional levels of Americans by providing children and needy families better access to a healthful diet. FNS fulfills its mission via nutrition promotion and direct nutrition assistance through the programs in the table below. Food stamps remain the cornerstone of our National commitment to protect the nutrition, health, and well-being of low-income families with the other programs serving specific categories of the population. These programs support the Administration's goals of encouraging work, family and responsibility, as well as improving the nutritional levels of low-income households. Increasing the public understanding of proper nutrition, a major Departmental objective, is also promoted through the nutrition assistance programs.

Food and Nutrition Service
Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Food Stamp Program a/	$18,059	$18,564	$19,884 b/
Nutrition Assistance for Puerto Rico	1,236	1,268	1,301
Total, Food Stamp Program	19,295	19,832	21,185
Child Nutrition Programs	9,651	9,846	10,367
Special Supplemental Nutrition Program (WIC)	4,061	4,141	4,278
Commodity Assistance Program:			
Commodity Supplemental Food Program	90	100	93 c/
Soup Kitchens, Food Banks and The Emergency Food Assistance Program (TEFAP)	135	143	145
Farmers' Market Nutrition Program	15	17	20
Total, CAP	240	260	258
Food Donations Programs:			
Nutrition Program for the Elderly	141	141	150
Pacific Island Assistance and Disaster Assistance	1	1	1
Total, Food Donations	142	142	151
Food Program Administration	111	111	116
Colonias Initiative	–	–	5
Food Stamp and Child Nutrition Integrity Initiative	–	3	8
Total, FPA	111	114	129
Total, FNS	$33,500	$34,335	$36,368

a/ Includes funding for the Food Distribution Program on Indian Reservations (FDPIR).
b/ In addition, $1 billion is requested in 2001 for a contingency reserve.
c/ Includes $7 million in inventory drawdown, not normally included as part of Program Level.

FOOD, NUTRITION, AND CONSUMER SERVICES

The 2001 budget funds the anticipated needs of the Food Stamp, Child Nutrition, WIC and other programs. The budget continues the emphasis on modernizing benefit delivery systems and improving the overall integrity and efficiency of the nutrition assistance programs, to assure that resources go to those who need them most. Further, with Welfare Reform it is critically important to help work-able persons find and retain jobs. Central to the nutrition assistance programs is the provision of nutrition education to empower participants with the skills and knowledge to make their own food choices for a healthy diet. Additional funds are also requested for the development and implementation of an Electronic Benefit Transfer (EBT) system in the WIC program, food stamp nutrition education, and the Colonias Initiative. The Colonias Initiative is designed to reach underserved residents of rural communities along the Mexican border with Texas, New Mexico, Arizona and California. The details of the nutrition programs follow.

Food Stamps. The 2001 budget funds anticipated growth in participation of about 0.8 million over 2000 estimates (for a total of 18.9 million), projected modest food inflation, and provides $1 billion for a contingency reserve. The budget proposes $10 million for a nutrition education and program information initiative, targeted to providing program information to eligible non-participants. Legislation is being proposed at a funding level of $24 million to restore food stamp benefits to approximately 5,000 elderly immigrants who have reached the age of sixty-five ($10 million) and to 85,000 adults living with eligible legal immigrant children ($15 million) if they entered the U.S. before August 22, 1996. By 2005, these legislative proposals will provide benefits to approximately 10,000 and 155,000 legal immigrants, respectively. Legislation is also being proposed that will offer States the option of conforming the rules on the resource value of vehicles with the Temporary Assistance to Needy Families Program (TANF) and that would increase the costs by $1 million. TANF often employs more generous rules permitting reliable vehicles to be owned by recipients, increasing their prospects to gain/retain employment and leave welfare. This proposal would make it easier for 15,000 people in working families to own vehicles and receive food stamps in 2001 and would benefit 245,000 persons when fully implemented. Additional legislation is proposed that would allow States to conform definitions of income to those used in Medicaid ($5 million in 2001) and the Department of Health and Human Services (DHHS) will offer legislation to increase income to food stamp recipients through strengthened child support enforcement ($7 million savings in 2001).

Funding for the Puerto Rico Nutrition Assistance Program is requested at $1.3 billion, the same as the authorized level.

Child Nutrition Programs. Increasing children's understanding of nutrition and improving their diets through the School Meals Initiative for Healthy Children continue to be a priority. The National School Lunch, School Breakfast, Summer Food Service, Special Milk, and Child and Adult Care Food Programs (CACFP) play a significant role in achieving this goal by assisting State and local governments in serving healthful, nutritious meals to children in various settings, with greatest emphasis on helping low-income children. These programs assist pre-school and school-aged children by subsidizing nutritious meals for children in participating schools as well as in child care settings. They also help assure that children are in school ready to learn, and that the children can learn by proper nutritional example. Special subsidies are also provided under these programs so that low-income children receive meals free or at a greatly reduced price. Under the current Child

Nutrition Programs, especially CACFP, the meal subsidies provide important support for child care. This helps the Nation's working people, as well as work-able welfare recipients, to be able to train for, gain and maintain employment.

For 2001, the Child Nutrition Programs are funded at a level that will support anticipated participation, which includes increases in participation and food costs. The Department continues to work with the States to improve the appeal and nutritional quality of school meals, and to help schools bring their meals into compliance with *The Dietary Guidelines for Americans*. The Department will continue to place emphasis on food safety education. The budget includes $6 million for a universal free school breakfast demonstration project, which with the funds appropriated for 2000 will complete the funding for the evaluation. For nutrition education and training $2 million is requested to provide training for school food personnel in food service management, instruct teachers in nutrition education and teach children about the relationship of nutrition to health in order to assist them in making wise food choices. National nutrition standards, consistent National eligibility standards, and the guarantee of free meals to children from low-income households are the central strengths of the Child Nutrition Programs.

Legislation is being proposed that would save the agency $0.8 million in 2001 and $115.2 million over a five year period. This proposal includes an array of management changes designed to improve oversight in the CACFP. The changes include measures to strengthen oversight by sponsors, including prohibiting participation by sponsors that have a track record of mismanagement in other government programs, and limiting the funds that may be retained by sponsors of child care centers for administration. The proposal also includes measures to strengthen State oversight, such as allowing States to retain a portion of program funds recovered through audits and reviews. In addition, the proposal would enhance Federal oversight and fund an evaluation of the program's administrative reimbursement structure. Legislation is also being proposed to allow school lunch application information to be shared with State and local agencies to facilitate Medicaid and Child Health Care Insurance Program enrollment.

WIC. The budget of $4.2 billion for the WIC program would support a monthly average of 7.4 million participants with an objective of reaching 7.5 million participants by the end of the year. The WIC program helps improve the health and nutritional status of low-income pregnant, breast-feeding and postpartum women, infants and children up to their fifth birthday. WIC supplements households' food resources with vouchers which may be redeemed for specified foods such as milk, eggs, cheese, fruit juices, cereal and infant formula. In addition to these food supplements, WIC provides nutrition education and linkages to other important health and social services. Approximately 47 percent of all infants born in the United States are WIC beneficiaries. The program has contributed to better birth outcomes and reductions in childhood anemia, key indicators of the health of America's children.

The budget includes $6 million to enhance ongoing efforts to promote the use of EBT in the WIC program. The success of EBT in the Food Stamp Program, with 70 percent of food stamp benefits delivered through EBT, is indicative of the advantages EBT will offer in the WIC program. In addition to improved food benefit delivery, EBT cards help streamline the identification and the

transfer of basic program information. EBT is being tested Statewide in Wyoming, and it is anticipated that 8 States will have piloted EBT for the WIC program by 2002.

WIC will continue to work to improve program integrity and increase efficiency through enhanced vendor and recipient integrity activities. For example, USDA and the States are taking action to strengthen income documentation and employ consistent measures of nutritional risk, so that benefits are targeted only to those meeting income guidelines. Finally, USDA is working with the States to keep per person food costs minimal, building on WIC's performance in keeping unit food cost growth minimal for the past 10 years.

Commodity Assistance Program. The Commodity Assistance Program (CAP) provides commodities distributed through several programs. The Emergency Food Assistance Program (TEFAP) provides administrative funding and wholesome commodities to the network of food banks and other programs which assist households in need of immediate, short-term food assistance. TEFAP providers also typically distribute significant quantities of commodities donated by the private sector, thereby leveraging the Federal investment. Commodities are also made available to soup kitchens and food banks. Funding for TEFAP includes both discretionary funding of $45 million usable for program administration or food, at the election of State officials, and $100 million available under the Food Stamp Program appropriation to be used for purchasing commodities for distribution to the States.

The Commodity Supplemental Food Program (CSFP) provides commodities to low-income elderly and women, infants and children not on WIC. The 2001 budget proposes $93.3 million for CSFP. The apparent $7 million decrease from the 2000 program level, is covered by utilizing excess commodities in inventory thereby adjusting inventories to more appropriate operating levels. This request will support five new States entering the program in 2000 as well as allow for expansion in States currently participating.

The Farmers' Market Nutrition Program (FMNP) provides WIC participants access to fresh fruits and vegetables and expands the awareness and use of farmers' markets by consumers. The 2001 budget proposes $20 million within the CAP account for FMNP. This is a $3 million increase over the 2000 program level. The increase will permit expansion into new counties in States currently participating in the program, as well as possibly bring new States into the program. The most recent data available shows that the FMNP provided coupons to over 1.3 million WIC participants. The participants redeemed their coupons at 1,529 farmers' markets, providing revenue to 9,589 small, family farmers.

Food Donations Programs. In coordination with DHHS, FNS also provides funding for Nutrition Program for the Elderly (NPE) which provides subsidized meals to persons aged 60 or older at low-income elderly centers and through "meals on wheels" programs. The 2001 budget would increase this program by $9 million, to $150 million. This increase will permit participation growth and a modest increase in the meal reimbursement rate.

The program also provides nutrition assistance to certain Pacific Islands and contingency funds for non-Presidentially declared disasters.

Food Program Administration. Funding of $129 million is requested to maintain program operations, enhance program integrity initiatives, provide additional resources to continue upgrading Information Technology infrastructure and systems, and increase the emphasis on improved nutrition among participants in the domestic nutrition assistance programs, and for other Americans.

In further support of the Department's healthy meals initiative, and recognizing the proven link between good nutrition and good health (and lower health care costs), the budget recognizes the need to strengthen nutrition education for all Americans, especially nutrition assistance program participants, with $4.5 million for the Center for Nutrition Policy and Promotion (CNPP). The budget includes a $2 million increase for an integrated nutrition education program to promote the 5th Edition of the *Dietary Guidelines for Americans* and the *Food Guide Pyramid* including the newly released *Pyramid for Young Children.* In addition to promoting the *Dietary Guidelines* with a focus on individuals with particular needs such as low-income children and women, the increase in funds provides for the development of consumer materials that will help low-income individuals apply *Dietary Guidelines* and *Pyramid* concepts within a limited budget.

The budget includes $8 million to expand program integrity initiatives in the Food Stamp and Child Nutrition Programs.

A new Colonias Initiative would provide $5 million to fund a Federal-State pilot program to improve nutrition and health in Colonias along the Mexican border with Texas, New Mexico, Arizona and California. The effort will promote nutrition assistance, standard housing, health care, and job training and placement to eligible participants. A portion of USDA's Rural Development Program loans and grants are targeted to the Colonias. Colonias are rural, unincorporated subdivisions located along the Texas-Mexico border and are some of the poorest communities in the Nation. They are characterized by substandard housing, poor sanitation systems, and a lack of clean water. Two-thirds of the 400,000 residents are U.S. citizens. Many are thought to be eligible for food and other assistance programs, but are underserved and otherwise unaware of assistance programs available for them.

FOOD, NUTRITION, AND CONSUMER SERVICES

Food and Nutrition Service
Key Indicators

	1999 Actual	2000 Estimate	2001 Budget
Average Participation, millions:			
Food Stamps	18.2	18.1	18.9 a
Free School Lunch	13.2	13.6	13.8
School Lunch, Total	26.9	27.4/	27.8
Free Breakfast	5.9	6.1	6.3
Total Breakfast	7.5	7.8	8.0
WIC	7.3	7.4	7.4
Commodity Supplemental Food Program (CSFP):			
WIC-type	0.11	0.11	0.10
Elderly	0.30	0.31	0.32
Food Distribution Program on Indian Reservations (FDPIR)	0.13	0.13	0.13
Nutrition Program for the Elderly (NPE), annual meals	252.5	259.0	279.0
Unemployment Rate	4.3	4.2	4.4
Average/person/month food benefit in $:			
Food Stamps	$72.28	$73.74	$76.40
WIC	32.47	33.25	34.04
CSFP: WIC-type (FNS Funded) b/	18.15	18.65	19.19
CSFP: Elderly (FNS Funded) b/	13.83	14.45	14.87
FDPIR (FNS Funded) b/	33.37	35.02	34.79
Per meal subsidies including commodities c/:			
Free School Lunch	$2.10	$2.14	$2.19
Reduced Price School Lunch	1.70	1.74	1.79
Paid School Lunch	0.33	0.34	0.34
Free Breakfast	1.08	1.10	1.13
Paid Breakfast	0.20	0.21	0.21
NPE per meal subsidy (cents)	55.40	54.04	54.04

a/ Includes the impact of legislative proposals.

b/ Excludes bonus commodities. In 1999, an average $2.02, $2.49, and $2.57 was added for each participant monthly for WIC-type, elderly and FDPIR respectively.

c/ Excludes bonus commodities.

FOOD SAFETY

MISSION

Food Safety, the public health mission area of USDA, provides scientific focus, leadership and expertise in addressing the important domestic and international public health and safety issues related to meat, poultry, and egg products regulated by the Food Safety and Inspection Service (FSIS) and the general oversight of the Office of the U.S. Manager of the Codex Alimentarius Commission. Food Safety also leads efforts within the Department to respond to food safety emergencies and coordinates policies and program development with other departments, international organizations, other countries, and State and local governments on these food safety issues.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Federal Food Inspection	$523	$552	$585
Import/Export Inspection	10	10	12
Laboratory Services	29	32	34
Field Automation & Information Management	8	8	8
Grants to States	41	41	42
Special Assistance to State Programs	5	5	5
Codex Alimentarius	1	1	2
Existing User Fees and Trust Funds	96	102	83
Total, FSIS Program Level	713	751	771
Existing User Fees and Trust Funds	-96	-102	-83
NewUser Fees			-534
Total, FSIS Appropriations	$617	$649	$154

FSIS provides in-plant inspection to all domestic establishments preparing meat, poultry, and processed egg products for sale or distribution into interstate commerce, and also reviews foreign inspection systems and plants exporting these products to the United States. FSIS provides technical and cost-sharing assistance to, and review of, States that maintain inspection programs equal to the Federal inspection program. To accomplish these functions, FSIS employees are stationed in approximately 6,000 establishments, including approximately 130 import stations. Headquarters personnel are responsible for overseeing administration of the program and ensuring that the latest scientific and technological developments are incorporated into inspection procedures. FSIS coordinates the development of its policies with other USDA agencies, the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the Centers for Disease Control

and Prevention (CDC), as well as international organizations, to ensure an integrated farm-to-table approach to food safety.

HACCP Implementation. On July 25, 1996, FSIS published the final rule on Pathogen Reduction and Hazard Analysis and Critical Control Points (HACCP) Systems. The Pathogen Reduction and HACCP rule: (1) requires all meat and poultry plants to develop and implement a system of preventive controls, known as HACCP, to improve the safety of their products, (2) sets pathogen reduction performance standards for *Salmonella* that slaughter plants and plants producing raw ground products must meet, (3) requires all meat and poultry plants to develop and implement written standard operating procedures for sanitation, and (4) requires meat and poultry slaughter plants to conduct microbial testing for generic *E. coli* to verify the adequacy of their process controls for the prevention of fecal contamination.

Implementation of the rule began on January 27, 1997, with the adoption of sanitation standard operating procedures (SSOPs) requirements for all establishments. By the end of the first year of HACCP implementation in 1998, approximately 300 of the largest meat and poultry slaughter and processing establishments, producing 75 percent of all Federally inspected product, had put into place HACCP programs designed to target and reduce harmful bacteria on their products. More than 2,800 small establishments implemented the HACCP and *Salmonella* requirements by January 25, 1999. The remaining very small establishments were required to implement HACCP by the end of January 2000. In order to facilitate implementation, FSIS conducted extensive training of Federal and State inspection personnel in preparation for the new regulatory oversight procedures generated by the HACCP rule.

For 2001, the budget proposes a program level of $771 million, a net increase of $19 million over the 2000 current estimate. The 2001 budget includes an increase of $26.9 million for pay, benefits, and $0.5 million for civil rights training for FSIS employees. The budget includes the following programmatic changes:

- **HACCP-based Inspection.** The 2001 program level includes a net decrease of $19 million from improved work methodologies and deployment of the inspection workforce resulting from implementation of HACCP-based inspection procedures. Currently, FSIS is examining how to redefine the functions of inspection personnel under a HACCP-based food safety system. By July 1, 2001, FSIS will begin to implement new slaughter inspection models in 100 poultry broiler establishments that shift the responsibility from FSIS to establishments for segregating animals suitable for food from those not suitable for food under HACCP and other process controls. This will have a substantial impact on the deployment of FSIS in-plant personnel. The overall complexity of inspection work will increase as will the inspector's responsibility. To take full advantage of the new system, FSIS will need to increase compensation and training of personnel for assuming greater responsibility and relocate them to areas of greatest need. Offsetting these costs are savings resulting from an anticipated reduction of part-time and temporary personnel not needed to conduct inspection functions. In addition, FSIS will also implement daily, unscheduled inspection in processing establishments by April 1, 2001. The transition to daily, randomized processing inspection will mean better utilization of inspection personnel. Fewer inspection personnel will be

needed because processing inspection will be conducted daily, as required, rather than once on every 8-hour shift. The net effect on program level will be an estimated reduction in overtime receipts of $19 million and a corresponding reduction of 150 inspection staff years.

- **Enhanced Implementation of the Pathogen Reduction/HACCP Systems Rule.** The 2001 budget includes an increase of $3.3 million to enhance the implementation of HACCP through increased compliance, communication, and regulatory reform. In order to ensure that all establishments providing meat and poultry products to U.S. consumers are meeting HACCP requirements, FSIS will increase the number and intensity of comprehensive reviews of State and foreign inspection programs to determine if they are equivalent with Federal requirements. In addition, the implementation of HACCP and other regulatory reforms has placed increased demands on supervisors and inspectors for learning new processes that have increased the complexity of inspection activities. In order to ensure that these new functions are uniformly and effectively applied, FSIS needs to enable its inspection workforce to hold periodic meetings to address concerns and questions inspectors may have regarding verification of HACCP systems, process control systems, and pathogen testing. The budget will also provide FSIS the resources needed to accelerate regulatory reform through the elimination of regulations not compatible with HACCP.

- **President's Food Safety Initiative.** In 2001, the budget includes an increase of $7.3 million for FSIS to continue making advances in reducing the risk of foodborne illness made under the President's Food Safety Initiative. Further investment in improving food safety will be used to: (1) promote the adoption and enforcement by State agencies of uniform performance standards for commercial handling of inspected meat and poultry products from processing to consumers, (2) promote the adoption of national uniform laboratory standards by Federal, State, and local governments for testing meat and poultry products, (3) implement the Shell Egg Action Plan, (4) conduct risk assessment studies of *Listeria* and *Campylobacter*, and (5) provide training to State governments to facilitate implementation of legislation to permit the interstate shipment of State inspected products.

- **Codex Alimentarius.** The Codex Alimentarius Commission develops international food safety standards. The Commission's 165 member countries are encouraged to accept and implement Codex-approved standards, but are not obligated to do so. Its recommendations are among those strongly considered in implementing the Sanitary-Phytosanitary (SPS) agreement. FSIS and the Under Secretary oversee the work of the U.S. Manager for Codex Alimentarius. The 2001 Budget includes an increase of $1 million for FSIS to increase its responsibility for funding an appropriate level of Federal government Codex activities and initiate activities aimed at ensuring full participation of the United States in Codex functions. In addition, FSIS would enhance U.S. leadership in international food safety issues by conducting technical seminars for international delegates to Codex and training U.S. delegates in Codex procedures. The seminars would provide the U.S. a forum for educating delegates about the importance of science-based factors needed to design sanitary and phytosanitary measures. Issues to be addressed at the seminars would include biotechnology, risk analysis, determinations of equivalence, and plans for sampling imported product.

FOOD SAFETY

New User Fees. The 2001 budget request proposes legislation to recover the full cost of providing Federal meat, poultry, and egg products inspection. The user fees exclude Grants to States and Special Assistance for State Programs. Requiring the payment of user fees for Federal inspection services would not only result in savings to the taxpayer, but would also ensure that sufficient resources are available to provide the mandatory inspection services needed to meet increasing industry demand. The overall impact on prices as a result of these fees has been estimated to be less than one cent per pound of meat, poultry, and egg products production. The implementation of the user fee authority would be designed to be fair and equitable, promote accountability and efficiency, and minimize the impact on the competitive balance among affected industries. Appropriated funds are requested to cover the costs of Federal inspection until the fees are collected and for maintaining Federal support of State inspection programs.

FSIS' primary program responsibilities include:

Federal Food Inspection. FSIS inspects all carcasses in slaughter plants for disease and other abnormalities, and samples for the presence of chemical residues and microbiological contaminants. Other responsibilities ensure that establishments develop and implement sanitation standard operating procedures, and humane methods of slaughter. Meat and poultry processing operations are inspected by FSIS on a daily basis. Typical processing operations include cutting, boning, curing, freezing and canning. Inspector activities include review of plant operations for sanitation and cleanliness, labeling, and packing functions. FSIS provides mandatory continuous in-plant inspection to egg product processing plants. The inspector checks the acceptability of eggs, the sanitation of plant and equipment, and determines if the egg products have been properly processed.

Import/Export Inspection. FSIS reviews inspection systems in countries exporting meat, poultry and egg products to the U.S. and inspects imported products at ports-of-entry.

Laboratory Services. FSIS operates three laboratories and has agreements with two private laboratories to perform the scientific testing in support of inspection operations. Samples sent to the laboratories are analyzed for food chemistry and to identify the presence of pathogens, residues, additives, disease, and foreign matter.

Special Assistance for State Programs. FSIS provides training and technical assistance to a variety of State and local agencies that play important roles in reducing risks associated with meat and poultry products.

Field Automation and Information Management (FAIM). FAIM provides automated technology, scheduling information, regulatory information and improved telecommunications capability among the widely dispersed field inspection workforce.

Grants to States. FSIS has authority to approve State meat and poultry inspection programs for products traveling in intrastate commerce. FSIS reviews State inspection programs to assure that standards, at least equal to Federal standards, are applied to meat and poultry plants under State jurisdiction. For State inspection programs, USDA contributes, through the Grants to States Program, up to 50 percent of each State's costs. Currently, 25 States participate in the program.

Codex Alimentarius Commission. FSIS coordinates U.S. participation in and informs the public of the sanitary and phytosanitary standard setting activities of the Codex Alimentarius Commission.

Existing User Fees and Trust Funds. Currently, user fees are collected to recover the cost of inspection provided beyond regularly scheduled operations and on holidays. Establishments requesting voluntary inspection services, which are not mandated by law are also charged a user fee to recover the full cost of the inspection. Under FSIS' proposal to implement daily, unscheduled inspection in processing establishments the industry will save $19 million in overtime charges paid for such services.

NATURAL RESOURCES AND ENVIRONMENT

MISSION

The mission of the Natural Resources and Environment area is to promote the conservation, and sustainable use of natural resources on the Nation's private lands and to sustain production of all the goods and services that the public demands of the National Forests. Two agencies, the Natural Resources Conservation Service (NRCS) and the Forest Service (FS), are primarily responsible for achieving this mission.

NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Conservation Operations:			
Conservation Technical Assistance	$548	$568	$654
Soil Surveys	78	78	78
SnowSurveys	6	6	6
Plant Materials Centers	9	9	9
Total, Conservation Operations	641	661	747
Watershed and Flood Prevention	99	91	83
Loan Program			(60)
Emergency Supplementals	95	80	0
Watershed Surveys and Planning	10	10	10
Resource Conservation and Development	35	35	36
Forestry Incentives Program	16	5	0
Trust Funds	4	0	0
Programs Funded by CCC:			
Conservation Security Program	0	0	600
Wildlife Habitat Incentives Program	0	0	50
Environmental Quality Incentives Program	174	174	325
Farmland Protection Program	0	0	65
Wetlands Reserve Program	123	157	286
Total, NRCS	$1,197	$1,213	$2,202
Recap:			
NRCS Appropriations	$805	$802	$876
Emergency Watersheds	95	80	0
Funded from CCC	297	331	1,326

NRCS directs its financial and technical assistance programs to land users through the USDA service centers and through local conservation districts, which are units of State government organized for the purpose of developing and carrying out local conservation programs. USDA has entered into a Memorandum of Understanding with each conservation district and these formal agreements provide a basis for the Department's working relationship with each district.

Within the total proposed funding level of $2.2 billion for NRCS conservation programs in 2001 is $1.3 billion in mandatory Commodity Credit Corporation (CCC) funding that the Administration proposes to strengthen the farm safety net. This proposal will continue and expand many of the same conservation programs that were authorized in the 1996 Farm Bill including the Environmental Quality Incentives Program (EQIP), the Conservation Reserve Program (CRP), the Wetlands Reserve Program (WRP), the Farmland Protection Program (FPP), and the Wildlife Habitat Incentives Program (WHIP). In addition, the Administration will propose a new $600 million Conservation Security Program (CSP) that will provide additional income to family farmers who voluntarily adopt comprehensive plans to curb erosion and protect water supplies from pesticide and nutrient runoff. NRCS will provide the necessary technical assistance needed to fully implement this program.

The Department will continue to emphasize support for locally-led conservation assistance through which the conservation districts, farmers and ranchers and other private landowners and users work with NRCS to identify the most critical local natural resource needs and concerns. This information is then used to help target USDA and other Federal and State environmental and conservation programs in the most cost-effective manner possible.

NRCS's strategic plan focuses on: (1) working directly with farmers and landowners to promote the conservation ethic and to encourage more effective stewardship of the natural resources on their property; and (2) enhancing the health and productivity of the Nation's cropland in order to sustain food and fiber production and healthy watersheds and natural systems.

In order to meet these ambitious goals, NRCS will need to continue to place emphasis on working in partnership with the conservation districts and State conservation agencies to provide assistance to farmers, ranchers, and other landowners and users to conserve and protect the country's natural resources on private lands. The Department will also seek to better coordinate the functions and personnel of the different field agencies in order to provide a more seamless and efficient field delivery system.

Under this budget, the Department will continue to support implementation of the Administration's Clean Water Action Plan primarily through additional financial and technical assistance to owners and operators of animal feeding operations. In the watershed construction area, the Department will continue its efforts to direct funds to only those projects that meet established environmental criteria and where local sponsor support is strong.

Conservation Operations (CO). The 2001 budget proposes $747 million for CO which includes $654 million for conservation technical assistance (CTA). This will fund the agency's activities that support locally led, voluntary conservation through the unique partnership that has been developed

over the years with each conservation district. This partnership provides the foundation on which the Department implements many of the critical natural resource programs including conservation compliance, the CRP and the conservation initiatives called for in the 1996 Farm Bill.

Addressing the water pollution problem caused by animal feeding operations continues to be a high priority within the Department. In March 1999, as called for in the Administration's Clean Water Action Plan, the Department and the Environmental Protection Agency (EPA) jointly released the final Unified National Strategy for Animal Feeding Operations (AFO's) that establishes National performance expectations for all AFO owners and operators and presents a series of actions that USDA and EPA will take to minimize the water quality and public health impacts of the nearly 450,000 AFO's in the United States. To help those AFO operators that need technical assistance to develop and implement waste management plans, NRCS will direct a total of $87 million in CTA funding in 2001, an increase of $31 million over 2000. Implementation of the President's Clean Water Action Plan will also be supported in the budget through a $10 million increase for Competitive Partnership Grants and a $3 million investment in additional monitoring to help target resources and document baseline conditions and performance.

The proposal for CO also includes $15 million to help support the USDA share of the Administration's Global Climate Change Initiatives. This includes $12 million for soil studies and inventories to provide accurate baseline soil carbon data and to assess the impacts of Federal programs on soil carbon stocks at the National, regional, and field levels. The remaining $3 million increase will be used to fund demonstration and pilot projects to test various carbon sequestration and greenhouse gas mitigation strategies and monitoring mechanisms.

In support of the Administration's Livability Initiative, the budget proposes $5 million for the Community/Federal Information Partnership. These funds will be used to develop publicly available geospatial data that allow States and communities to make more informed land-use planning decisions.

Finally, the budget proposes an increase of $5 million to enable NRCS to help communities plan, develop and implement conservation based biomass production systems. This includes $1 million for training and additional field staff to provide direct technical assistance to producers and communities interested in biomass production as well as $4 million for competitive start-up grants for community projects.

Watershed and Flood Prevention Operations (WFPO). The 2001 budget proposes a funding level of $83.4 million for this activity which will be devoted to technical assistance and project implementation costs. The budget request includes the use of $4 million in subsidy budget authority for a new $60 million loan program that will provide loans to State and local governments for the rehabilitation of aging dams built over the past 50 years. The Department will again focus project implementation funds on the most cost effective and environmentally beneficial projects and emphasize nonstructural management systems. NRCS will also continue its effort to reduce the backlog of unfunded work by examining approved watershed plans in order to deactivate or revise those that have become infeasible or where local sponsor interest is no longer strong.

Watershed Surveys and Planning. NRCS works with local sponsoring organizations to develop plans on watersheds dealing with water quality, flooding, water and land management, and sedimentation problems. These plans then form the basis for installing needed works of improvement. The agency also works cooperatively with State and local governments to develop river basin surveys and floodplain management studies to help identify water and related land resource problems and evaluate alternative solutions. In 2001, this activity is proposed to be funded at $10.4 million, the same level as 2000.

Resource Conservation and Development (RC&D). The purpose of the RC&D program is to encourage and improve the capability of State and local units of government and local nonprofit organizations in rural areas to plan, develop, and carry out programs for RC&D. NRCS also helps coordinate available Federal, State, and local programs. The 2001 budget, proposing a level of $36 million, will support the 315 RC&D areas now authorized.

Conservation Security Program (CSP). As a cornerstone of the Administration's Farm Safety Net Initiative, the CSP will provide annual payments to farmers and ranchers who implement various practices that meet the standards developed and approved by NRCS. Payment levels would depend on the range and comprehensiveness of the practices implemented. Eligible practices would include residue or nutrient management, prescribed grazing, and partial field conservation practices such as buffers. The program would be funded by the CCC at $600 million annually which will cover both security payments and technical assistance costs.

Wildlife Habitat Incentives Program (WHIP). WHIP is a voluntary program that provides cost-sharing for landowners to apply an array of wildlife practices to develop habitat that will support upland wildlife, wetland wildlife, threatened and endangered species, fisheries, and other types of wildlife. A total of $50 million was authorized for the program in the 1996 Farm Bill and these funds were fully exhausted in 1999. In order to reinstate the program and support the Farm Safety Net Initiative, new legislation will be proposed authorizing an additional $50 million in spending for WHIP in 2001.

Environmental Quality Incentives Program (EQIP). The purpose of EQIP is to provide flexible technical, educational and financial assistance to landowners that face serious natural resource challenges that impact soil, water and related natural resources, including grazing lands, wetlands, and wildlife habitat management. In addition, it was designed to help producers make beneficial and cost-effective changes to cropping and grazing systems, and in manure, nutrient and pest management, that conserve and improve soil, water, and related natural resources. In 2001, EQIP funding will be increased by $151 million to $325 million primarily to: (1) address the President's Clean Water Action Plan by boosting the level of financial assistance available to operators of animal feeding operations; (2) to allow NRCS to increase financial assistance to Native Americans and Alaska Natives as part of the Department's outreach efforts; and (3) to provide additional financial support for the recovery of salmon habitat in the Northwest.

Farmland Protection Program (FPP). Through FPP, the Federal Government establishes partnerships with State, local or tribal government entities to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural

uses. FPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil that presents the most social, economic, and environmental benefits. FPP will provide matching funds of no more than 50 percent of the purchase price for the acquired easements. Since authorized funding was exhausted in 1998, new funding authority of $65 million per year beginning in 2001 to reauthorize this important program as part of the Administration's Farm Safety Net Initiative.

Wetlands Reserve Program (WRP). WRP is a voluntary program in which landowners are paid to retire cropland from agricultural production if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive fair market value for the land and are provided with cost-share assistance to cover the restoration expenses. The 1996 Farm Bill changed WRP to give producers the option of long-term or permanent easements, or restoration cost-share agreements under which landowners will agree to restore wetlands without payment for the land, receiving only cost-share assistance. Currently, the maximum number of acres that can be enrolled in the program is 975,000. By the end of 2000, there will be only 40,000 acres remaining that could be enrolled under this cap. For 2001, the budget proposes to legislatively remove the acreage cap and enroll 250,000 acres annually. For 2001, this includes 40,000 acres remaining under existing authorities as well as 210,000 acres under the new legislative proposal.

Conservation Reserve Program (CRP). CRP is administered by the Farm Service Agency (FSA) and is described on page 34.

FOREST SERVICE (FS)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Discretionary Accounts:			
Management of the National Forest System a/:			
Ecosystem Assessment and Planning	$179	$188	$271
Ecosystem Conservation	445	461	487
Public Services and Uses	486	499	529
Subtotal, NFS	1,110	1,148	1,287
Forest and Rangeland Research	213	218	231
State and Private Forestry:			
Forest Health/Fire Protection	78	89	96
Cooperative Forestry:			
Forest Stewardship	29	30	29
Stewardship Incentives	0	0	3
Smart Growth	0	0	6
International Forestry	0	0	10
Forest Legacy	7	30	60
Urban/Community Forestry	30	31	39
Other	27	28	18
Total, Cooperative Forestry	93	119	165
Subtotal, S&PF	171	208	261
Wildland Fire Management:			
Presuppression	375	409	404
Suppression and Hazardous Fuels b/	448	209	216
Repayment to K-V Trust Fund	-100	0	0
Contingency funding for FY 2001	0	0	150
Reconstruction and Maintenance	414	437	425
Land Acquisition:			
Land Acquisition	78	80	130
Funding for Purchase of the Baca Ranch c/	40	61	0
LWCF Special Land Acq	0	15	0
Subtotal, Land Acquisition	118	156	130
Alaska Subsistence Management	3	0	6
Southeast Alaska Economic Disaster Fund	0	22	0
Other Accounts	4	5	0
Total, Discretionary Accounts	2,756	2,812	3,110

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Mandatory Accounts:			
Permanent Working Funds	253	224	245
Payments to States, National Forests	123	114	138
Payment Funds, Grasslands/Minn	127	122	130
Trust Funds	232	214	230
Total, Mandatory Accounts	735	674	743
Total, Program Level	3,491	3,486	3,853
Fire Emergency Accounts:			
Fire Suppression:			
Available Fire Supp. Contingency d/	(0)	(240)	(0)
Total, FS	$3,491	$3,486	$3,853

a/ Table reflects the restructuring of the NFS account which includes reducing NFS to three budget line items and the redistribution of General Administration funds to the three line items as well as other Forest Service discretionary accounts. FY 1999 and FY 2000 have been adjusted for comparability.

b/ Includes the release of the $102 million of FY 1999 contingency funds and the release of $100 million of the remaining $250 million of FY 1997 emergency contingency funds.

c/ A total of $101 million (which includes $40 million previously appropriated in 1999) was made available in FY 2000 for purchase of the Baca Ranch subject to authorizing legislation.

d/ FY 2000 reflects the $150 million remaining of the FY 1997 emergency contingency funds and $90 million of FY 2000 contingency funds.

The FS, with an employment ceiling of 35,611 staff years in 2000 is the largest employer in USDA. The mission of the FS is to sustain the health, diversity and productivity of the Nation's Forests and Grasslands to meet the needs of present and future generations. Encompassing this mission, the GPRA strategic plan for the FS establishes three broad goals: Ensure Sustainable Ecosystems; Provide Multiple Benefits for People within the Capabilities of Ecosystems; and Ensure Organizational Effectiveness. The Natural Resource Agenda, announced in March of 1998, prioritizes four key priority areas within the GPRA plan that need the agency's and the public's immediate attention. Those are watershed health and restoration, sustainable forest management, the National Forest road system; and recreation. This year the budget provides additional funding for all four Natural Resource Agenda priorities. The FS operates in three major program areas:

- **National Forest System (NFS).** The FS manages approximately 192 million acres of public land about 110 percent of the area of the State of Texas -- located in 44 States, Puerto Rico, and the Virgin Islands. These lands, known collectively as the National Forest System, are managed for multiple use on a sustained-yield basis using sound ecological principles to meet the needs of people today while maintaining or improving the productivity, health, resilience and vigor of forest resources for future generations. The National Forests produce diverse benefits for

the American people ranging from outdoor recreation, wildlife and fish and watershed protection, to timber, forage, and minerals.

For 2001, total funding for NFS is proposed at $1.3 billion. This is $139 million, or a 12 percent increase above 2000. Recognizing that many rural, forested communities rely on recreation as a job and revenue generator, the 2001 budget includes a $46 million increase in recreation and wilderness management, with $30 million to be devoted specifically to a Tourism and Rural Development Initiative. An additional $21 million is being requested to improve wildlife and fish habitat on National Forest lands. The budget also proposes a $83 million increase for planning, inventory and monitoring of activities being conducted on all the National Forests. Inventorying and monitoring resources and activities on the National Forests are critical to ensuring that the agency can continue to provide goods and services to the public within capabilities of ecosystems. In addition, most of the forests' individual forest management plans are seriously obsolete in terms of incorporating the latest science, management practices, and public expectations. Accordingly, this increase includes funding which allows 34 forests to begin and continue their forest plan revision processes. Funds are also included to pursue meeting objectives under the Clean Water Action Plan, particularly the assessment called for under the Unified Federal Policy for Watershed Management on Federal lands which will lead to more efficient and effective management of Federally owned watersheds.

In response to a National Academy of Public Administration report, the FS is proposing to revise the budget structure for the NFS appropriation. The National Academy of Public Administration report noted that the current discretionary budget structure does not support adequate linkage of the FS strategic plan, forest plans and performance measures. As a result accountability and financial integrity suffered. The N FS appropriation will consist of three budget line items: Ecosystem Assessment and Planning; Ecosystem Conservation; and Public Services and Uses. The new budget structure will focus debate on outcomes and outputs rather than budget line items, reflect the nature of the work being done rather than artificially categorizing tasks to match budget lines, increase accountability in program delivery, simplify agency accounting, and simplify the budget by reducing budget line items and expanded budget line items.

- **Forest and Rangeland Research.** The FS maintains one of the world's largest forest research organizations. While it has a very broad mission to develop the knowledge and technology needed to enhance the economic and environmental values of all the Nation's Forests and related industries, it also must support the specific research needs that arise from the FS's prime responsibility of managing the NFS.

  For 2001, the Forest Research budget proposes funding of $231 million, a $13 million and a 6 percent increase over 2000. The budget includes increases of $3 million for carbon cycle research as part of the Global Change Research Program, $3 million for the Climate Change Technology Initiative for carbon sequestration, and $1 million for Partnership for Advanced Technology in Housing (PATH). The budget also includes the new Bioenergy/Biobased Products Initiative to accelerate the development and use of bio-based technologies, which

converts crops, trees and other biomass into a vast array of fuels and products. As part of this initiative, $9.5 million in research on faster-growing trees and the use of small-diameter trees for commercial biobased products will be conducted. In addition, the budget proposes $8.6 million for research related to invasive species. In 2001, the FS will transfer 5,807 research products, tools and technologies to public and private land managers (compared to 5,011 for 2000).

- **State and Private Forestry.** The FS makes grants and provides technical assistance to State forestry agencies and other cooperators for protecting forest resources and improving sustainable forest management on nonindustrial private forest lands. Funding is provided for forest pest suppression on all Federal lands and cost-share assistance is made available for pest suppression on private lands. A Cooperative Fire Protection Program provides technical and limited financial support for State wildfire fighting organizations. The Forest Stewardship and Stewardship Incentives Programs provide technical and financial assistance to nonindustrial private landowners for a variety of stewardship practices including tree planting. In addition, there are several important programs which provide technical and financial assistance to natural resources dependent rural communities.

  Total funding is proposed at $261 million for 2001. The programs in the Lands Legacy Initiative account for most of the increase. (See page 80.) Protection of forest resources of all ownerships, including Federal lands, from damage due to pests is funded at $63 million. Assistance to State wildfire fighting agencies and rural volunteer fire departments is funded at $33 million, a $6 million and 22 percent increase over 2000. The Cooperative Forestry Programs are funded at $165 million, a $46 million and a 39 percent increase over 2000. In 2001, under the Forest Legacy Program, the FS will acquire land or interests in land on 183,112 acres (compared to the 2000 level of 157,632 acres) and the Urban and Community Forestry Program will have 12,850 communities (compared to the 2000 level of 10,000) participating in its program. The International Forestry Program has been added to State and Private Forestry as a budget line item and is funded at $10 million.

- **Wildfire Management**

  The Wildland Fire Management Program funds both preparedness costs such as the pay and training of permanent fire crews and aircraft availability, as well as the cost of operations to suppress fires. The cost of fire suppression has varied dramatically during the last two decades, and is inherently unpredictable.

  The 1994, 1996 and 1999 fire seasons were three of the most severe and expensive firefighting seasons on record. In 1994, $678 million was spent on fire suppression, $513 million in 1996, and $591 million in 1999. The 10 year average (1990-1999) is $296.9 million. Firefighting has become more expensive because of the growth of urban areas into what were previously wildlands. This has meant that fire must be fought vigorously to protect human life and property rather than making decisions based solely on natural resource values. In addition, drought, insect infestations and continual suppression in some areas have caused a significant buildup of fuels.

The 2001 budget provides $366 million for fire suppression consisting of $216 million in direct appropriations and $150 million of emergency contingency funding to be used on an as needed basis. In addition, $240 million of emergency contingency funds from prior years remains available. For preparedness activities, the Wildland Fire Management request includes $404 million. The Hazardous Fuels Management Program (a component of fire suppression) is funded at $75 million, a $5 million increase over the amount for 2000. In 2001, preparedness funding will provide for 74 percent of the Most Efficient Level (equaling the 2000 level), and suppression funding will provide for 1,3445,000 acres of hazardous fuels to be treated compared to the 2000 level of 1,320,000 acres.

Programs Related to Watershed Health and Restoration
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Wildlife Habitat Managment	$36.0	$36.0	$42.0
Grazing Management	32.7	32.8	32.9
Forestland Vegetation Management	64.0	68.2	62.4
Watershed Improvements	29.8	35.4	40.1
Soil, Water, Air Operations	29.4	30.1	29.2
Hazardous Fuels Reduction	65.0	70.0	75.0
Inland Fisheries Habitat Management	19.7	23.3	27.3
Anadromous Fisheries	22.7	25.4	29.8
Rangeland Vegetation Management	31.3	32.3	39.6
Forest Health: Federal and Coop. Lands	56.2	62.1	62.8
TE&S Species Habitat Management	29.9	30.0	36.4
Forest Health Stewardship	0.0	0.0	10.0
Total, Watershed Health/Restoration Prog	$416.7	$445.6	$487.5

Watershed Health and Restoration. FS managed lands serve as the headwaters for many major river systems and aquifers that are essential for the Nation's water supply, and contain valuable riparian, wetland, and costal areas. Consistent with mandates from the Organic Act through the Clean Water and Safe Drinking Water Acts, watershed health and restoration is the overriding priority and/or concern in planning for and implementing resource management actions. Several FS programs play an important role in protecting and restoring degraded watersheds. The aggregate funding proposed for these programs is $42 million above the 2000 level, a 9 percent increase. Included in this increase is a new $5 million Watershed Restoration and Enhancement pilot targeted at ecosystem analysis at a watershed scale for existing bio-regional plans.

Sustainable Forest Management
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Forest and Rangeland Research	$213.2	$217.7	$231.0
Forest Stewardship	29.4	29.8	29.4
Stewardship Incentives Program	0.0	0.0	3.0
Smart Growth	0.0	0.0	6.0
Forest Legacy	7.0	30.0	60.0
Urban and Community Forestry	30.2	31.0	39.5
Economic Action Programs	17.5	20.2	11.3
Cooperative Fire Protection	22.9	27.2	32.5
Total, Sustainable Forest Management	$320.2	$355.9	$412.7

Sustainable Forest Management. Two thirds of the Nation's forest land is managed by owners other than the Federal Government. The FS seeks to engage all forest landowners to ensure sustainable forest management in the U.S. The aggregate funding proposed for these programs is $57 million above the 2000 level, a 16 percent increase.

National Forest Road System. The FS continues to be concerned about the condition of the forest road system. Road maintenance is funded at $130 million an increase of $13 million over 2000. In addition to increased funding, the FS has pursued several policies that will improve its transportation system. During 1999, the FS issued an interim rule temporarily suspending permanent and temporary road construction in certain unroaded areas. The temporary suspension is in effect until the development of a revised transportation policy and new analytical tools, or 18 months, whichever is sooner. A proposed transportation policy rule is expected in 2000.

Recreation Related Programs
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Recreation Management	$149.2	$156.9	$197.2
Wilderness Management	31.6	31.8	37.5
Heritage Resource Management	15.1	15.1	14.6
Recreation Facilities Construction	40.0	51.4	41.0
Recreation Facilities Maintenance	32.6	34.6	34.6
Trail Construction	32.5	32.2	34.0
Trail Maintenance	27.8	30.1	28.2
Roads and Trails 10 percent fund	10.0	10.0	10.0
Total	$338.8	$362.1	$397.1

Recreation. The National Forests are the leading provider of outdoor recreation use. The public uses the National Forests for a broad array of outdoor recreational experiences, including camping, hiking, hunting, fishing, and skiing, mountain biking, snowmobiling, bird watching and participating in archaeological excavations. Funding in support of recreation includes the operation and maintenance of outdoor recreation facilities, and wildlife and fish habitat work which supports game species as well as the wildlife resource generally. The aggregate funding for these programs is $35 million above the 2000 level, a 9 percent increase. During 1999, the FS released the Recreation Agenda and held a National recreation summit. The six Point Action Plan in the Agenda calls for investing in special places, improving market research, improving conservation education, outreaching to urban, minority and underserved communities, improving facilities, and addressing key access issues. The budget proposes $30 million for a Tourism and Rural Development Initiative which will assist in the implementation of the Recreation Agenda by funding the development of tourism plans, the analyzing of special use permits, the development of trails, the restoration or construction of recreational facilities and the establishment of tourism opportunities.

Programs Included in Lands Legacy Initiative
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Land Acquisition	$118.3	$155.8	$130.0
Forest Legacy	7.0	30.0	60.0
Urban and Community Forestry	30.2	31.0	39.5
Smart Growth	--	--	6.0
Total, Forest Service Lands Legacy	$155.5	$216.8	$235.5

Lands Legacy Initiative

As the Nation's population and prosperity grows, there are new challenges to preserve the natural heritage and green spaces that Americans have come to treasure. The President's Lands Legacy Initiative proposes a $1.4 billion National program to protect great places and to provide the tools for localities and states to plan for smart growth and open space preservation.

FS land acquisitions will continue to add lands valuable for recreation, wildlife habitat, and watershed protection to the National Forests. The Forest Legacy Program provides funds for the acquisition of easements on private lands to protect critical environmental habitat threatened with development. The Urban and Community Forestry Program provides grants to States and localities to establish, maintain, or expand urban and community forests and related open spaces that serve to support viable communities and neighborhoods. The new Smart Growth Partnership Program is a revolving loan program for State and local governments, non-profit corporations, Indian tribes and cooperatives to use subsidized loans for smart growth land acquisition, easements and land use management. This will help communities to protect open spaces, limit sprawl, enhance air and water quality, reduce greenhouse emissions and increase greenspace. The program will be based on the Department's existing Intermediary Relending Program, in which direct loans are provided to intermediate borrowers such as State and local governments, non-profit corporations, Indian tribes and cooperatives which in turn relend the funds to land trusts, private non-profit organizations, and others.

Key Legislative Initiatives

- **Payments to States.** Under existing law, 25 percent of most FS receipts are paid to the States for distribution to the counties in which the forests are located for financing roads and schools. About 800 counties across the Nation receive such payments. Historically, the largest source of receipts is from the sale of timber on the National Forests. These payments have decreased in recent years as timber harvests have declined on public lands due to changing public values, new science, and shifting international and National market conditions. Moreover, a significant portion of the timber program now consists of the sale of lower valued material such as smaller

diameter or dead and dying trees to achieve better forest and watershed conditions. This also tends to dampen receipts and payments.

In the 2000 budget, the Administration proposed legislation which would provide all county governments with a predictable and equitable level of payments for the National Forests. While it was not enacted, the problem of declining payments linked to timber receipts remains. In 2001, the Administration will again propose legislation to stabilize the payments. The program will continue to be funded by a permanent indefinite appropriation to ensure that payments will not decline in future years.

In order to offset the Payments to States proposal, several mandatory savings proposals are included in the 2001 budget. These include: permanently extending the Recreation Fee Program beyond 2002; revising the current ski fee structure to assure the government's collection of fair market value; requiring timber bids to be available only through sealed bid auction procedures, rather than open bid as is now the case in some places, unless the Secretary determines oral auction would result in a higher bid; allowing non-timber interests to bid on timber sales; requiring that the minimum bid level on commodity timber sales be equal to the costs of sale preparation and harvest management; and revising timber sales contracts to avoid future damages.

- **Healthy Investments in Rural Economies (HIRE).** The FS proposes to establish the HIRE initiative to hire thousands of skilled workers in rural communities through public works contracts and begin to reduce the backlog of priority maintenance, reconstruction and forest health projects on NFS lands. This proposal will reshape several permanent and trust fund accounts so that they are more accountable, flexible, and targeted to high-priority projects that promote both sound land management and private-sector job creation.

- **Land Acquisition Reinvestment Fund.** The FS proposes to increase authority for land sales and acquisitions to focus on acquiring high priority wetlands, riparian areas, threatened and endangered species habitat, areas of high biological diversity, wildlife corridors, and other high value conservation areas to ensure increased environmental benefits and government value.

- **Facilities Acquisition and Enhancement Fund.** The FS proposes the authority to elect to sell facilities, buildings, constructed features and any appurtenant land, excess to its needs, and to use the proceeds for acquiring or developing land and improvements.

MARKETING AND REGULATORY PROGRAMS

MISSION

The mission of Marketing and Regulatory Programs is to expand the domestic and international marketing of U.S. agricultural products and to protect the health and care of animals and plants. These programs improve market competitiveness and the farm economy for the overall benefit of both consumers and American agriculture.

The Marketing and Regulatory Programs are administered by three agencies: the Animal and Plant Health Inspection Service (APHIS); the Agricultural Marketing Service (AMS); and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Pest and Disease Exclusion:			
Agricultural Quarantine Inspection (AQI)	$183	$210	$240
Fruit Fly Exclusion and Detection	23	25	55
All Other	53	54	55
Plant and Animal Health Monitoring:			
Animal Health Monitoring and Surveillance	63	66	70
Animal and Plant Health Regulatory Enforcement	6	6	6
Emergency Management System	0	1	6
Pest Detection	6	7	7
Pest and Disease Management:			
Boll Weevil	16	15	3
Brucellosis Eradication	12	11	8
Emerging Plant Pests	1	4	29
Noxious Weeds	a/	a/	2
Pseudorabies	4	5	4
Wildlife Services Operations	30	31	29
All Other	26	24	30
Animal Care	9	11	16
Scientific and Technical Services	52	53	54
Contingency Fund	4	4	4
Invasive Species	0	0	9
Total, APHIS Salaries and Expenses	488	527	627
Emergency Programs Funded from CCC	143	88	0
Trust Funds	13	13	13
Buildings and Facilities	8	5	5
Total, APHIS Program Level	$652	$633	$645
Recap:			
APHIS Appropriations	$345	$356	$419
AQI User Fees	152	175	202
Emergency Programs	143	88	0
Trust Funds	13	13	13
NewUser Fees	0	0	11

a/ Less than $500,000.

APHIS is responsible for protecting U.S. animal and plant resources from diseases and pests, addressing conflicts with wildlife, and responding to issues of animal well-being. The major areas of activity are as follows:

- Providing inspection and quarantine services at U.S. ports of entry to prevent the introduction of foreign or exotic diseases or pests;
- Surveying and monitoring the spread of plant pests and animal diseases for Federal, State, local, and private action and to document U.S. agricultural health status for trading partners;
- Administering control and eradication programs to combat outbreaks of plant pests and animal diseases;
- Providing scientific and technical assistance to mitigate damage caused by wildlife to agricultural, industrial, natural resources, or human health;
- Inspecting for humane care and handling of animals used in research, exhibition or the wholesale pet trade; and
- Providing scientific and technical assistance for biotechnology, disease diagnostics, and pest control methods development.

APHIS conducts agricultural pest and disease inspection services at all major international airports, shipping ports and land borders. While the agency's field activities are managed through 13 regional offices and 407 field offices, APHIS is now in the process of consolidating its current regional offices into two regional hubs, located in Raleigh, NC and Ft. Collins, CO. Much of the agency's work is conducted in cooperation with State and local agencies, private groups, and foreign governments.

The 2001 budget proposes a program level of $627 million for salaries and expenses, a $100 million increase above the current 2000 estimate. This large increase for 2001 reflects a decision to fund through appropriations several emergency programs that had been started with funds transferred from the Commodity Credit Corporation (CCC). These include increases for Fruit Fly Exclusion and Detection to address Medfly infestations and Emerging Plant Pests to address infestations, such as Citrus Canker and Asian Long-horned Beetle. In addition, important initiatives to improve APHIS' emergency management system and a new Invasive Species Program will protect American agriculture from deliberate or accidental introductions of pests and diseases. Program increases for Animal Health Monitoring and Surveillance and Animal Welfare activities are offset by decreases as a result of program successes in brucellosis, pseudorabies, and use of the Farm Service Agency (FSA) loan program for eradicating boll weevil. Additionally, the 2001 budget proposes user fees to recover some of the costs for administering Animal Care and Biotechnology Programs.

Agricultural Quarantine Inspection (AQI). The AQI program is the Nation's front-line defense against the introduction of dangerous agricultural pests and diseases from other countries. User fees are charged for inspection of international passengers, aircraft, ships, railcars and trucks. The 2001 budget proposes $240 million for AQI activities, an increase of $30 million over the current 2000 estimate due to increased activity and increased fees to provide better service. Expansion of the global economy and free trade have caused an increase in the volume of passengers and cargo arriving in the U.S. at additional ports of entry, with additional facilities at existing ports of entry. APHIS will improve point-of-entry inspection programs by providing additional inspectors, expanding canine teams and state-of-the art high-definition x-ray machines at high risk ports-of-entry, on the Canadian and Mexican borders, and in Hawaii. APHIS has an 85 percent success rate

in clearing international passengers within 30 minutes or less. Likewise, passengers crossing at U.S. land border points, in non-peak traffic periods, are now cleared through the inspection system in 20 minutes or less on the northern border and 30 minutes or less on the southern border.

Fruit Fly Exclusion and Detection. The 2001 budget requests $55 million, an increase of $30 million in appropriated funding for Medfly eradication, an emergency program previously funded through the CCC. Through the trilateral MOSCAMED partnership with Mexico and Guatemala, APHIS conducts activities to establish and maintain a Medfly barrier in western Guatemala which prevents the spread through Mexico and into the U.S. APHIS will continue cooperative efforts with States on trapping quality assurance activities. The appropriated funding will reassure U.S. trading partners of our commitment to fruit fly control and ease entry of U.S. produce into foreign countries.

Animal Health Monitoring and Surveillance (AHMS). The 2001 budget requests $70 million, $4 million above the current 2000 estimate to provide defensible data on the health status of U.S. National herds and flocks. It would focus on continuing the monitoring and surveillance program begun with CCC funds for Classical Swine Fever. A quality assurance and certification program would reduce the incidence of Johne's Disease, an intestinal problem which causes a loss of production in dairy cattle. Funds would also be used to implement the National Veterinary Accreditation Program, database development, and continuing education. The funding will assure high quality animal products for our trading partners and enable cooperative Federal-State-University studies to determine the epidemiological and statistical principles of critical animal disease control and diagnostic testing methods.

Emergency Management System. The 2001 budget requests $6 million, an increase of $5 million, to enhance emergency preparedness and response capabilities to address animal disease issues that threaten the U.S. food supply. APHIS will continue efforts to establish a National Emergency Management Operations Center, conduct specialized biosecurity training, place these trained veterinarians in various area offices, establish a genetic fingerprinting library of animal pathogens, and conduct several exercises to test our level of preparedness for responding to an act of bio-terrorism.

Boll Weevil. The 2001 budget proposes funding at $3 million, a reduction of $12 million below the current 2000 estimate. Since eradicating the boll weevil provides significant financial benefits to growers, the Department proposes to eliminate the APHIS grants-in-aid to boll weevil foundations and rely on loans made available to these grower foundations from FSA. APHIS would maintain oversight and technical support responsibilities for eradication and infested areas.

Brucellosis. The Department cooperates with State governments, industry organizations, and individual herd owners to eradicate brucellosis. Consistent with continued program success, the 2001 budget proposes $8 million, a $3 million reduction, in brucellosis eradication expenditures. APHIS has only 6 States in the final stages of eradication and anticipates that all 50 States will be in Class "Free" Status by the end of FY 2000. APHIS expects to continue wildlife brucellosis efforts in Yellowstone bison, reindeer in Alaska and feral swine.

Emerging Plant Pests. The budget proposes $29 million, an increase of $25 million to continue emergency efforts begun with transfers from the CCC for Citrus Canker and Asian Long-horned Beetle. The Asian Long-horned Beetle programs in Illinois, New York, Pennsylvania, and Vermont

are in place to prevent a potential agricultural impact of $47 billion in annual trade for the northeastern States alone. Meanwhile APHIS conducts and evaluates survey data to assess the scope of infestation, while targeting other exotic wood-boring pests. Additionally APHIS will continue Citrus Canker programs in Florida, addressing on-going cooperation and eradication efforts to safeguard the $6 billion citrus industry in Florida.

Wildlife Services Operations (WS). The 2001 budget proposes $29 million, a decrease of $2 million for special efforts, such as controlling wolf/coyote damage, Brown Tree Snake mitigation, and wild canine rabies vaccination efforts. APHIS would require cooperators to assume a larger share of direct program costs. Full funding is provided for aviation safety as part of APHIS' on-going efforts with the Federal Aviation Administration.

Animal Care. The 2001 budget proposes $16 million for the Animal Welfare Act (AWA) activities, an increase of $5 million above the current 2000 estimate. The increase would maintain all current activities, increase the number of inspections, and improve follow-up to verify corrections of prospective violators. APHIS would expand outreach efforts to the general public and AWA regulated facilities by increasing the amount of educational resources available, encourage participation at industry meetings, and allow the development of industry specific training for animal care and welfare.

Invasive Species. In February 1999, President Clinton signed an Executive Order to coordinate Federal programs in a strategy to address the growing environmental impact posed by foreign invasive species. The 2001 request for $8.8 million reflects new funding to develop a National rapid assessment and response system for invasive plant pests. This program is critical to the establishment of an effective noxious weed prevention and control strategy for the U.S. so that future threats to U.S. agriculture are kept to a minimum.

Buildings and Facilities. General repairs and maintenance of APHIS buildings would be funded at $5 million including repair and modernization of the Plum Island Animal Disease Center. Additionally, APHIS will collaborate with ARS, which is requesting $9 million to begin modernization of the National Veterinary Services Laboratory and National Animal Disease Center in Ames, Iowa.

AGRICULTURAL MARKETING SERVICE (AMS)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Marketing Services:			
Market News	$22	$22	$29
Shell Egg Surveillance and Standards Development	6	6	6
Market Protection and Promotion:			
Pesticide Data Program	11	13	14
Microbiology Data Program	0	0	6
Organic Certification	1	1	2
Other	4	4	4
Wholesale Market Development	2	3	3
Transportation Service	3	3	3
Total, Marketing Services	49	52	67
Payments to States	1	1	2
Section 32 Funds:			
Marketing Agreements and Orders (MA&O)	11	12	13
Commodity Purchase Services	7	9	10
Total, Section 32 Funds	18	21	23
User Fees:			
Perishable Agricultural Commodities Act	7	7	7
Commodity Grading Services	173	171	171
Total, User Fee Funded Programs	180	178	178
Total, AMS Program Level	$248	$252	$270
RECAP:			
AMS Appropriations	$50	$53	$69
User Fees	180	178	178
Section 32	18	21	23

AMS facilitates the marketing of agricultural products in domestic and international markets, while ensuring fair trading practices. AMS programs promote a competitive and efficient marketplace, which benefits consumers and producers. A majority of AMS programs are voluntary and funded by the users of the program. AMS has cooperative agreements with the States to administer in whole or in part several AMS programs. Under these agreements, State employees carry out the program. AMS is organized along commodity lines that reflect major segments of the agricultural industry. Headquarters staff are responsible for overseeing the administration of programs. AMS field employees are located in processing plants, at shipping points, produce terminals, auction houses,

and warehouses. Field offices, established for supervision and administrative purposes, are located in key production areas.

For 2001, the AMS budget proposes a program level of $270 million of which $178 million (66 percent) will be funded by user fees and $92 million (34 percent) by appropriations and Section 32 funds.

Marketing Services. AMS administers a variety of programs that enhance the marketing and distribution of agricultural products. Activities include the dissemination of market information, surveillance of shell egg handling operations, development of grade standards, protection of producers from unfair marketing practices, random testing of commodities for pesticide residues, development of organic standards, research and technical assistance aimed at improving efficiency of food marketing and distribution, and pesticide recordkeeping.

The 2001 budget requests an increase of $15 million for a variety of program activities including:

- $7 million to continue mandatory price reporting for livestock and meat and to expand coverage of organic fruits and vegetables and foreign markets. In 2000, AMS will begin implementing mandatory price reporting for livestock and meat with funds provided through emergency appropriations. Increased market news reporting is needed to ensure that all participants have the same access to accurate market information. The availability of these reports will counteract market forces contributing to concentration and excessive margins.

- $1.1 million to complete planning and begin implementing pesticide residue testing in support of the Environmental Protection Agency (EPA's) water testing program. This data is necessary to ensure that the risks associated with pesticides important to American agriculture are accurately assessed by EPA. EPA will use the data to develop exposure criteria needed to fulfill the requirements of the Food Quality Protection Act (FQPA) of 1996. There is no other source of information for this data and AMS is uniquely positioned to collect this data in the most cost-effective manner possible.

- $6.2 million to broaden the scope of Pesticide Data Program (PDP) to include microbiological testing of fruits and vegetables as part of the President's Food Safety Initiative. Scientifically-sound estimates of pathogenic contamination will be used to assess the food safety risk posed by microbiological pathogens on fruits and vegetables and target resources to the highest risk areas. Program costs will be minimized by utilizing PDP's existing sampling infrastructure, State laboratories, and data reporting capabilities.

- $0.7 million to establish Market Reporting of organic products and to finalize implementation of the National Organic Program, including development of an international certification program, accreditation of State Departments of Agriculture and private persons, establishment of a system to prevent fraudulent labeling, and extensive customer outreach.

Payments to States. Under this program, AMS provides matching funds to State Departments of Agriculture for projects aimed at improving marketing efficiency, reducing marketing costs for producers, and lowering food costs for consumers. The 2001 budget includes an increase of $300,000 to develop small farm, export, and sustainable agriculture activities that will assist small farmers increase their marketing opportunities.

Section 32 Funds. Section 32 of the Act of August 24, 1935, authorizes the appropriation for each fiscal year of an amount equal to 30 percent of the gross receipts from duties collected under custom laws of the United States during the preceding calendar year. Unused amounts which do not exceed $300 million are available for use in the following fiscal year. These funds are used to: encourage exports of agricultural commodities; encourage domestic consumption of such commodities; and to re-establish farmers purchasing power. Section 32 funds are also used to finance the administrative costs associated with the purchase of commodities that support domestic food and nutrition assistance programs, such as the National School Lunch Program. In addition, AMS is responsible for developing the specifications used for food procurement throughout the Federal government. For 2001, AMS is requesting an additional $1 million to improve information systems used to support commodity purchasing programs and to develop a centralized management information system that will permit increased standardization of products.

Marketing agreements and orders help stabilize market prices and the supply of milk, fruit, vegetables, and certain specialty crops. The orders are administered locally by marketing order committees and market administrators. Local activities are funded through assessments on regulated producers and handlers. Section 32 funds are also used to finance the administration of marketing agreements and orders at the National level. For 2001, the budget includes a $1 million increase to analyze issues related to organic farming and marketing orders. As the production of organic fruits and vegetables increases, more data and analysis will be necessary to determine how fruit and vegetable marketing agreements and orders should be changed to maintain stable markets.

Perishable Agricultural Commodities Act. This Act provides protection to producers, shippers, distributors, and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities. Full and prompt payment for such products is a key objective of the program. The program is funded through an annual licensing fee paid by those subject to the Act.

Commodity Grading Services. AMS provides voluntary commodity grading and classing services for dairy products, fresh and processed fruits and vegetables, meat and meat products, poultry, eggs, tobacco, and cotton. AMS recovers the cost of these services through user fees.

MARKETING AND REGULATORY PROGRAMS

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Salaries and Expenses:			
Grain Inspection Activities	$11	$12	$14
Packers and Stockyards Activities	16	15	19
Total, Salaries and Expenses	27	27	33
Inspection and Weighing User Fees	35	43	43
Total, GIPSA Program Level	62	70	76
Existing User Fees	-35	-43	-43
New User Fees:			
Grain Standardization	--	--	-4
Capitalization and Startup Costs	--	--	4
Packers and Stockyards Activities	--	--	-19
Total, GIPSA Appropriations	$27	$27	$14

GIPSA establishes the official U.S. standards for grain, conducts official weighing and grain inspection activities, and grades rice, dry beans and peas, processed grain products, and hops. The agency also provides assurance for the financial integrity of the livestock, meat, and poultry markets. The agency monitors the activities of dealers, market agencies, live poultry dealers and packers in order to protect producers, consumers, and industry from deceptive and fraudulent practices in the meat and poultry industries.

GIPSA supervises 8 State and 51 designated private agencies for grain inspection and weighing services at domestic locations; provides supervision and other services from 21 field offices; and handles appeals of grain inspection services in Kansas City, Missouri. In 1999, Packers and Stockyards (P&S) Programs restructured its activities into a single policy/litigation support office with three branches and transferred 20 percent of headquarters positions to the field. The Des Moines, Iowa Regional office handles hogs, the regional office in Atlanta, Georgia handles poultry, and the regional office in Denver, Colorado handles cattle.

For 2001, the budget proposes a program level for salaries and expenses of $33 million with $14 million being devoted to grain inspection activities for standardization, compliance, and methods development. GIPSA needs to address the complex quality information needs emerging as a result of today's biotechnological advances, to meet market and consumer demands with respect to genetically engineered grains and grain products. New testing methods will permit transparency to grain inspection, adding value to grain products so producers can continue to compete in the global economy.

GIPSA expects to inspect 236 million metric tons of grain and 4 million metric tons of rice. The 2001 budget includes two program increases for grain inspection activities:

- Nearly $2 million for developing new biotechnology testing methods, analytical tests, and greater quality assurance procedures in grain; and
- $150,000 to address emerging sanitary and phyto-sanitary standards required by the World Trade Organization (WTO) and the North America Free Trade Agreement (NAFTA).

The 2001 budget proposes $19 million for Packers and Stockyards Programs, an increase of $4 million, which includes the following program increases:

- $1.2 million to develop sophisticated models which could be used to verify the existence of anti-competitive behavior;
- $1.3 million to expand the Rapid Response Teams used to investigate time-sensitive financial, trade, and anti-competitive behavior issues;
- $800,000 to examine the competitive structure of the poultry industry;
- $400,000 to establish a swine contract library to implement the Livestock Mandatory Reporting Act; and
- $450,000 to enhance civil rights activities and establish an information staff.

The Department continues to strongly support implementation of the recommendations made by the Secretary's Advisory Committee on Agricultural Concentration. Promoting competition and improving market performance are vital to increasing confidence in the livestock and poultry sectors. For example, continuous, systematic collection and analysis of data along with aggressive investigative activities would enable GIPSA to survey procurement practices, trade practices and competitive conditions and to analyze whether violations of the Packers and Stockyards Act (the Act) are occurring or likely. GIPSA has directed efforts towards investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry. The recruitment of investigators with economic and legal expertise would allow GIPSA to move towards developing additional skills for investigations involving complex, anti-competitive practices. The proposed additional resources are needed to expand the agency's capability to monitor and investigate the competitive implications of structural changes and behavioral practices in the meat packing and poultry industries.

The 2001 budget also reproposes legislation, which would authorize the collection of $4 million in additional user fees to cover costs of developing, reviewing, and maintaining official U.S. grain standards used by the entire grain industry, and $19 million in license fees to administer the Act. License fees would be applied to those subject to the Act (i.e., packers, livestock and poultry dealers, and meat buyers) to protect them from unfair and fraudulent marketing practices. The budget also proposes $4 million to capitalize a reserve fund and to finance start-up costs.

RESEARCH, EDUCATION, AND ECONOMICS

MISSION

The Research, Education, and Economics (REE) mission area is assigned Federal leadership responsibility for the discovery, application, and dissemination of information and technologies spanning the biological, physical, and social sciences through agricultural research, education, and extension activities and economic and statistical analysis. REE responsibilities are carried out by four agencies:

- The Agricultural Research Service (ARS) is the principal in-house research agency in USDA in the area of natural and biological sciences.
- The Cooperative State Research, Education, and Extension Service (CSREES) is the Federal partner with land-grant and non-land grant colleges and universities in carrying out extramural research, higher education, and extension activities.
- The Economic Research Service (ERS) is the principal intramural social science research agency in USDA.
- The National Agricultural Statistics Service (NASS) provides the official current statistics on agricultural production and indicators of the economic and environmental welfare of the farm sector. In FY 1997, NASS assumed responsibility for conducting the Census of Agriculture, previously conducted by the Bureau of the Census of the Department of Commerce.

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Agricultural Research Service	$870	$906	$956
Cooperative State Research, Education, and Extension Service	928	1,074	1,096
Economic Research Service	63	65	55
National Agricultural Statistics Service	104	99	101
Total, REE	$1,965	$2,144	$2,208

The budget assumes that $120 million will be available for the Initiative for Future Agriculture and Food Systems, the same as the FY 2000 level. In addition, $60 million, the same amount as in FY 2000, will be available for rural development and research, education, and extension projects supported by the Fund for Rural America.

AGRICULTURAL RESEARCH SERVICE (ARS)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Research and Information:			
Soil, Water and Air Sciences	$85	$89	$110
Plant Science	282	297	301
Animal Science	127	133	141
Commodity Conversion and Delivery	162	172	184
Human Nutrition	68	71	89
Integration of Agricultural Systems	30	31	30
Information and Library Sciences	19	19	21
Repair and Maintenance	18	18	18
Contingency Research Fund	1	0	0
Total, Ongoing Research and Information	792	830	894
Trust Funds	22	23	23
Buildings and Facilities	56	53	39
Total, ARS	$870	$906	$956

ARS provides access to scientific data, conducts research to develop new scientific knowledge, and transfers technology to the private sector to solve technical agricultural problems of broad scope and high National priority. ARS houses the National Agricultural Library (NAL), the Nation's major information resource in the food, agricultural and natural resource sciences. ARS has 105 locations throughout the U.S. and abroad. Beltsville, Maryland is the site of the world's largest multi-disciplinary agricultural research facility. The ARS budget is comprised of seven programmatic objectives as follows:

- **Soil, Water, and Air Sciences.** Development of a sound scientific basis to provide advanced technical assistance and education to producers to manage and conserve soil, water, and air resources is the main emphasis of this research area.

- **Plant Science.** Ongoing ARS research addresses a wide range of crop production issues, including pest and disease resistance, plant genome mapping, and the maintenance and improvement of plant germplasm.

- **Animal Science.** Research in this program is directed toward solving major issues faced by producers and consumers of meat and poultry products. Areas of emphasis include disease prevention, genetics and genome mapping, animal reproduction, food quality, and safety.

- **Commodity Conversion and Delivery.** This research focuses on post-harvest food safety and quality concerns, development of new food and industrial uses for agricultural commodities, and elimination of barriers to the export of commodities.

- **Human Nutrition.** ARS supports six research centers striving to enhance the understanding of nutritional needs of diverse populations, including children, the elderly, pregnant and lactating women, and healthy adults. Results of this work identify the impact of nutrients in reducing chronic disease risks and predicting health outcomes. ARS research activities in this area are closely coordinated with other nutrition-related programs in USDA and medical research programs in the Department of Health and Human Services (DHHS).

- **Integration of Agricultural Systems.** Research in this category includes projects to integrate the results of specific programs into production systems which are sustainable, environmentally-benign, and profitable for farmers and ranchers. Projects include the development of models and decision support systems to assist producers in making production decisions and managing natural resources.

- **Information and Library Services.** NAL provides access to scientific agricultural data through its online database and CD-Roms. NAL is striving to provide agricultural information electronically and has initiated efforts to catalog, manage, and disseminate agriculture- related data through the Internet.

The ARS budget includes $894 million to support ongoing research and to increase efforts in high priority areas proposed in the budget. This amount provides a $64 million net increase, or a 7.7 percent increase above the 2000 enacted level. Within that total, the agency will fund increases totaling $97.8 million in support of major Presidential Initiatives and other high priority research, including emerging and exotic diseases, invasive species, and pest control; plant and animal genetics research; food safety; technologies for production and conversion of crops into biobased products and bioenergy; and research initiatives on soil, water and air quality. Additional funding, totaling $2 million, is also provided to NAL to improve the delivery of scientific information in print and electronic form. Some of the proposed increases will be funded through savings resulting from the termination of lower priority research projects, totaling $42 million. The ARS budget also proposes $39.3 million to fund high priority modernization or construction projects at six locations.

Exotic Diseases and Pest Control Activities. Additional funds, totaling $23.2 million, are provided to address major threats to U.S. agriculture resulting from exotic diseases, pests, and invasive species afflicting agricultural crops and livestock as follows:

- **Emerging and Exotic Diseases and Pests ($14.4 million).** The increase will be used to control emerging and exotic weeds and plant pests; identify, prevent and control emerging infectious and zoonotic diseases in livestock and aquaculture; develop diagnostic tests and vaccines for brucellosis in wildlife; and expand the use of Integrated Pest Management (IPM) strategies to control pests of livestock. Of the total, $10 million will be used to expand iagnostic capabilities to prevent acts of chemical and biological terrorism against U.S. agricultural and food security systems.

- **Invasive Species ($4.3 million).** In the United States, about 100 million acres are infested with weeds and other invasive pests, costing over $122 billion annually. On February 3, 1999, the President signed an Executive Order aiming to prevent the introduction of invasive species, provide for their control, and to minimize the economic, ecological, and human health impacts that they cause. The increase will be used to develop integrated weed management systems to control purple loosestrife, deliver pathogens for biological control of leafy spurge, Brazilian pepper, and Florida blackberry, and develop new biological information needed for rapid identification of invasive species.

- **Pest Control ($4.5 million).** Additional funding is provided to develop alternative pest controls to replace the chemicals that may no longer be available to producers under the stricter registration requirements imposed by the Food Quality Protection Act (FQPA). Specific activities will consist of expanding areawide IPM research and demonstration programs; developing IPM component technology for fruits, vegetables, and minor-use crops treated with organophosphates and carbamates; and expanding the ARS methyl bromide research program to include alternatives for use on floriculture crops.

Genetics Research. Additional investments in genetic research can improve agricultural productivity by generating economically desirable crops and animals that are resistant to diseases. Of the total, about $6.6 million is provided for genetic resource acquisition, maintenance, characterization, evaluation, and enhancement of plant and animal genes. The remaining $5.4 million will be used to improve the economically desirable traits of livestock, poultry, and aquaculture species via the development of technologies to more effectively generate, store, and analyze gene sequencing, and novel methods targeting disease prevention and control.

Biobased Products. Consistent with an Executive Order signed by the President on August 12, 1999, the 2001 budget proposes research in support of a goal of tripling the U.S. use of biobased products and bioenergy by the year 2010. Research in this area will accelerate the development of technologies needed to convert crops, trees, and other biomass into fuels and other biobased materials. Additional investments in research can potentially increase farm income and improve the economic well-being of U.S. producers in rural areas. The research will also benefit the environment by providing a cleaner energy source as a substitute for nonrenewable fossil resources. An increase of $14 million is provided for research to convert feedstocks, agricultural byproducts, and other materials into energy sources and commercial products. The increase will be used to speed the development, commercialization, and adoption of biobased products and bioenergy sources.

Human Nutrition. An increase of $17.3 million is provided for human nutrition research. Emphasis will be placed on updating the National nutrient databank; developing food composition data used to determine the levels and types of nutrients in certain foods; examining the impacts of nutrients on cognitive brain function; investigating the relationship between genetics and obesity; determining the impact of phytonutrients in fruits and vegetables on human biological function; and understanding the impacts of dietary components and physical activity on the rate of weight loss in individuals from different ethnic backgrounds.

Food Safety. An increase of $5.7 million will be used to expand food safety research in support of the President's Food Safety Initiative. Additional funds will be used to design effective programs to control bacteria and pathogens carried by animals and transmitted to humans, to control plant toxins and metals, and to control the *Salmonella Enteritidis* infection found on and in shell eggs. Funds will also be used for research on antibiotic resistant bacteria in poultry, swine and cattle; to develop effective methods to control pathogens in fruits and vegetables; to develop intervention strategies used in HACCP plans to reduce the risk of pathogen infestation in meat and poultry; and to enhance methods to detect pathogens and chemical or drug residue during product processing and storage.

Initiatives Targeting Environmental Protection, Climate Change, and Air Quality. A total increase of $23.7 million is provided to promote environmentally sound production practices, enhance the understanding of the adverse impacts of global climate change on food production, and develop methods to improve air quality. The increase includes $6.8 million to reduce nonpoint source pollutants that contribute to environmental degradation, such as harmful algal blooms and hypoxia, improve livestock manure management systems, and restore riparian zones and coastal habitats. The increase also includes $14.9 million for global climate change research. Of the amount, $7.9 million is provided to develop new information on how soil carbon is lost in the atmosphere, determine ways to mitigate climate change impacts on food availability, predict the impacts of climate change on Alaskan Agro-Ecosystems, and conduct National assessments as part of the overall U.S. Global Change Research Program effort. The remaining $7 million is provided to develop new technology to reduce agriculture's vulnerability to the changing environment, and develop new tools to expand the use of biomass for energy sources. The increase also contains $2 million to reduce emissions and odors resulting from agricultural production, and protect crops from the effects of tropospheric ozone.

Buildings and Facilities. Innovative research depends upon the availability of modern facilities. Many of the major ARS facilities were constructed prior to 1960, are functionally obsolete and need major modernization to bring them up to current health and safety code requirements. A total of $39.3 million is proposed in 2001 at six locations as follows:

- **Ames, Iowa ($9 million).** Additional funding totaling $8 million is provided to complete the planning and design phase for a new Biosafety Level-3 animal isolation facility and a Biosafety Level-2 animal isolation facility at the National Animal Disease Center. An additional $1 million will provide design and construction funds for utility distribution system improvements to support these new facilities.

- **Plum Island, New York ($7 million).** A $7 million increase is provided for continued modernization projects at the Plum Island Animal Disease Center for the replacement of the boiler and sewage decontamination plants.

- **Beltsville, Maryland ($13.3 million).** Funding is provided for the construction of two new buildings and for the modernization of an existing building to support the research carried out at the Beltsville Human Nutrition Research Facilities.

- **Albany, California ($4.9 million).** Funding is provided for continued modernization efforts at the Western Regional Research Center, including the upgrade of deteriorating mechanical, plumbing, and electrical systems, and the renovation of the Research and Development Facility's interior space.

- **U.S. National Arboretum ($3.3 million).** The increase will be used to upgrade the electrical and fire protection systems at the Arboretum's Administrative Building, and to replace the main irrigation distribution system.

- **National Agricultural Library ($1.8 million).** Additional funding is provided to continue the correction of mechanical, electrical, and architectural deficiencies, and to begin the design and construction of the replacement of utility systems within the library.

RESEARCH, EDUCATION, AND ECONOMICS

COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE (CSREES)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Research and Education	$471	$481	$461
Extension Activities	418	424	428
Integrated Activities	30	40	76
Native American Endowment Fund and Interest	6	6	8
Subtotal, Programs	925	951	973
Community Food Projects	3	3	3
Fund for Rural America	0	a/	b/
Initiative for Future Agriculture and Food Systems	0	120	120
Total, CSREES	$928	$1,074	$1,096

a/ Of the total $60 million available in 2000, $20 million was allocated to CSREES to support research, education and extension activities under the Fund for Rural America. See page 113 for more information.

b/ A total of $60 million is available from the Fund for Rural America, to support research, extension, and education grants and Rural Development activities, of which at least $20 million will support research, education, and extension grants. The distribution among the authorized activities has not been developed.

Cooperative State Research, Education, and Extension Service
Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Formula Grants:			
Smith-Lever 3 (b&c) Formula	$277	$277	$277
Hatch Act	181	181	181
1890 Research and Extension	56	58	58
Cooperative Forestry	22	22	22
Animal Health	5	5	5
Total, Formula Grants	541	543	543
National Research Initiative (NRI)	119	119	150
Selected Integrated Activities:			
Small Farms Initiative	0	0	4
Water Quality	13	13	16
Food Safety	12	15	15
Invasive Species	0	0	1
Biobased Products	0	0	10
Pest Control/Management Activities:			
Pesticide Impact Assessment	5	5	5
Crops at Risk from FQPA Implementation	0	1	3
FQPA Risk Mitigation Program for Major Food Crop Systems	0	4	10
Methyl Bromide Transitions Program	0	2	5
Organic Transition Program	0	0	1
Pest Management and Control	25	25	30
Pesticide Applicator Training	0	0	1
Regional Crop and Information Policy Centers	0	0	1
Total, Pest Control/Management	30	37	56
Sustainable Agriculture Research and Extension	11	11	15
Higher Education Programs	27	27	37
Indian Reservation Extension Agents	2	2	5
1890 Facilities	8	12	12
Extension Services at 1994 Institutions	2	3	4
1994 Institutions Research Program	0	1	1

Cooperative State Research, Education, and Extension Service
Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
LowIncome Nutrition Education (EFNEP)	59	59	61
Community Food Projects	3	3	3
Anti-Hunger and Food Security Grants	0	0	5
Youth Farm Safety Education and Certification	0	0	5
Fund for Rural America	0	a/	b/
Initiative for Future Agriculture and Food Systems	0	120	120
Other Research Grants	60	64	9
Other Extension Programs	19	19	14
Federal Administration	22	26	10
Total, CSREES	$928	$1,074	$1,096
Recap:			
CSREES Appropriations	$925	$951	$973
Community Food Projects	3	3	3
Initiative for Future Agriculture and Food Systems	0	120	120
Fund for Rural America	0	a/	b/

a/ Of the total $60 million available in 2000, $20 million was allocated to CSREES to support research, education and extension activities under the Fund for Rural America. See page 113 for more information.

b/ A total of $60 million is available from the Fund for Rural America, to support research, extension, and education grants and Rural Development activities, of which at least $20 million will support research, education, and extension grants. The distribution among the authorized activities has not been developed.

CSREES has primary responsibility for providing linkages between the Federal and State components of a broad-based, National agricultural research, extension, and higher education system. CSREES provides funding for projects conducted in partnership with the State Agricultural Experiment Stations, State Cooperative Extension Systems, land-grant universities, colleges and other research and education institutions. Federal funds are distributed to universities and institutions by statutory formula funding and competitive awards. CSREES is responsible for administering USDA's primary competitive research grants program, the National Research Initiative (NRI), which supports highly meritorious research with strong potential to contribute to major breakthroughs in agricultural production.

The CSREES budget proposal which totals $1.1 billion, provides increased funding for a number of ongoing Presidential Initiatives, and key provisions of the Agricultural, Research, Extension, and

Education Reform Act of 1998 (the Reform Act). Beginning in 2000, CSREES was charged with administering competitive grants for research, education, and extension activities under the Initiative for Future Agriculture and Food Systems authorized by the Reform Act. The Initiative provides $120 million per year in mandatory funds for competitive grants to address critical issues related to agricultural productivity and food safety. CSREES is also responsible for administering competitive research grants under the Fund for Rural America. In 2000, $20 million is being used to support five Center grants and the remaining $40 million will support rural development activities.

Formula Funds. The level of support provided for research and extension formula programs is continued at the 2000 appropriated level. CSREES works closely with partner institutions through an annual planning process and other means to target funds to priority issues facing agricultural producers, natural resource managers, and rural residents.

National Research Initiative (NRI). The 2001 budget funds the NRI at $150 million, an increase of $31 million, or 26 percent above the 2000 appropriation. The NRI supports both fundamental and mission-linked research through a competitive, peer-reviewed process that is open to all of the Nation's top scientists. The proposed increase will address key issues in agriculture and related sciences through additional research investments in genetics, biobased products and value-added agricultural commodities, food safety, human nutrition research, and pest and disease management.

Selected Integrated Research, Education, and Extension Activities. The activities under the Integrated Activities account are conducted under a new integrated authority, Section 406 of the Reform Act, as well as under other existing authorities. Under Section 406, competitive grants are awarded to support multi-functional and integrated agricultural research, extension, and education activities targeting high priority programs, including water quality and food safety. An increase of $4 million is provided for the Small Farms Initiative to help small farm producers gain better access to key information needed to establish viable farming operations. The budget also includes $9.6 million for the Biobased Products Program to generate data and develop tools for producers to grow and harvest alternative crops, as well as for manufacturers to convert raw materials to useful products such as lubricants, hydraulic fluids, and paints, for use by industry and consumers. The budget also includes $1.5 million for the Invasive Species Program to facilitate collaborative research, education, and technology transfer activities with stakeholders to control invasive plant, animal, and insect diseases on an ecoregional basis. Other integrated activities related to pest management, higher education, and hunger are described in those sections which follow.

Pest Control/Pest Management Programs. The budget provides $56 million for FQPA-related pest control activities, a total increase of $19 million above the 2000 enacted level. Emphasis is placed on developing alternatives to replace chemical pest controls that are at-risk of being taken off the market due to the stricter pesticide registration requirements imposed by FQPA. Of the total increase, $6 million is provided under the Risk Avoidance and Mitigation Program to establish longer-term pest control alternatives, $2 million is provided under the Crops-at-Risk to develop intermediate-term alternatives in place of pesticides used on fruit and vegetable crops, and $2.6 million is provided under the Pest Management Alternatives Program to develop immediate and practical pest control alternatives. The increase also includes $3 million to develop alternatives for crops previously treated with methyl bromide, $1 million to increase the marketing of organically

grown crops, $1.7 million to support the additional registration of pesticides and biological controls for minor-use crops, $1.5 million for ongoing IPM activities to assist producers in developing and implementing pest control strategies at the regional and State levels, and $1.5 million to train producers on the safe use of pesticides. An additional $1.5 million is also provided for Regional Crop Information and Policy Centers to rapidly respond to producer and consumer information requests related to the safety and effectiveness of biotechnology products and the availability of alternative pest control options.

Sustainable Agriculture Research and Education (SARE). The budget provides $15 million for SARE, an increase of $3.7 million above the 2000 enacted level. Of the total, an increase of $2.5 million is provided for competitive grants awarded on a regional basis to facilitate the development of organic agriculture production and processing methods, evaluate the potential economic benefits of organic practices to producers and processors, and explore market opportunities for organic products. The remaining $1.2 million will support the development of knowledge and expertise in organic farming and marketing among Extension and other agricultural professionals through SARE's Professional Development Program.

Higher Education Programs. The budget funds higher education programs at $37 million, an increase of about $10 million above the 2000 enacted level. Of the total increase, $1.6 million is provided for Institution Challenge Grants to enhance the curricula and faculty development used in educating baccalaureate students; $2 million is provided for Graduate Fellowship Grants to train additional graduate students in food and agricultural sciences; $1 million is provided for the Multicultural Scholars Program to enhance the mentoring of scholars from under-represented groups; $0.6 million is provided for Hispanic Serving Institutions to expand educational opportunities for the Hispanic population; and the remaining funds are provided for the 1890 Capacity Building Grants. An additional $2.5 million is also added to the principal balance of the Native American Institutions Endowment Fund to improve the education capacity at Tribal colleges. The types of activities allowed to be supported with the interest derived from the endowment funds, have been expanded to include facility renovation and construction projects. The increase also includes $1 million in new funding for the International Science and Education Grants to develop partnerships and exchanges in research, teaching and outreach activities between land-grant universities and international institutions.

Nutrition Education and Anti-Hunger and Food Security Grants. The budget provides over $5 million in new funding to support a variety of community-based activities that bolster local food systems to fight hunger. Specific activities will include assisting small and medium-sized farmers to sell food directly to local school districts and other larger institutions, enabling low-income residents to produce their own food, and increasing food recovery and gleaning activities to recover excess and wholesome food available for distribution. Such efforts will enhance the ongoing nutrition education activities and outreach to localities provided under Community Food Projects.

Youth Farm Safety Education and Certification. The budget provides $5 million to establish a new program to improve the safety of youth under the age of 18 working on farms. Extension grants will be awarded on a competitive basis to support the development of course materials, training, class costs, and course evaluation activities. Grant funds will also be directed for the safety certification

needs of youth who have left school, migrant youth, and other young adults who may have limited access to school-based programs.

ECONOMIC RESEARCH SERVICE (ERS)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Economic Analysis and Research	$63	$65	$55

ERS provides economic analysis on efficiency, efficacy, and equity issues related to agriculture, food, natural resources, and rural development to improve public and private decision making. Activities to support this mission include research and development of economic and statistical indicators on a broad range of topics.

The ERS budget reflects a net decrease of $10 million, which reflects a decrease of $12.2 million with the transfer of the food program studies to the Food and Nutrition Service, the agency that has the administrative and program responsibility for these programs. The ERS budget also reflects an increase of $2.2 million for high priority areas.

- **Structural Change, Coordination, and Concentration in Food and Agriculture ($1 million).** This increase will provide for the examination of structural changes in the agricultural and food sectors. ERS would initiate three activities: (1) determine where concentration is occurring in the agricultural marketing chain, who is affected, and how, (2) develop and explore opportunities for farmers within this kind of market environment, and (3) examine ways in which the USDA and other parts of the government can aid farmers in adjusting to structural changes.

- **Global Climate Change ($0.7 million).** This increase will support ERS's portion of an interagency initiative aimed at reducing greenhouse gases and mitigating other environmental problems while improving the economic performance of agricultural resources. ERS will assess three components: (1) economic potential for domestic carbon sequestration in agricultural soils and trace gas control, (2) economic incentives for carbon sequestration and the potential for targeting existing conservation programs, and (3) an assessment of the global potential for agricultural trace gas mitigation and sequestration.

- **Global Research, Statistics, and Outreach ($0.5 million).** This increase will be used to support ERS's portion of an interagency initiative to achieve food security in the United States and globally. Funding is provided for research and collaboration with appropriate institutions in developing countries on key issues critical to both the U.S. and foreign governments. Emphasis will be placed on developing better science, more efficient technology transfer

mechanisms, better information for market and policy decisions, and creating a safer and more secure world food supply.

NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Agricultural Estimates	$77	$79	$82
Statistical Research and Service	4	4	4
Census of Agriculture	23	16	15
Total, NASS	$104	$99	$101

NASS statistics provide the basic information necessary to keep agricultural markets stable and efficient and help maintain a "level playing field" for all users of agricultural statistics. The mission of NASS is to meet the basic agricultural and rural data needs of the people of the United States, those working in agriculture, and those living in rural communities by providing important, objective, usable, and accurate statistical information and services for informed decision making.

Overall, the budget reflects a net increase of $1.3 million which is comprised of a $1.9 million reduction due to the completion of the decennial Agricultural Economics and Land Ownership Survey, and by $3.2 million in increases for the following activities:

- **Development of NASS Computer Security Architecture ($1.4 million).** The increase will be used to address NASS specific Information Technology (IT) security issues consistent with the overall USDA-wide cybersecurity effort. With the market sensitivity of many NASS reports and the confidential nature of data collected from farmers, ranchers, and agribusiness, there is a dire need for protection against loss, misuse, unauthorized access to, or modification of information. The increase will provide for necessary hardware and software protection of agency systems and information with improved technical monitoring and more efficient administration.

- **Hog and Pigs Inventory Report ($0.6 million).** Additional funding will be used to address concerns of the pork industry and meet the requirements of recent legislation. NASS will furnish State-level information on the largest hog producing States, and totals for all other States, with a focus on total breeding herd inventory, sows farrowed, pigs born, and sows bred the previous month. Doing so will facilitate the orderly marketing of hogs by providing more timely information on market supplies of pigs than present quarterly surveys.

- **Pesticide Use Surveys for Expansion of the Environmental Statistics Program ($0.8 million).** This increase will allow NASS to meet its performance goal of enhancing the monitoring of pesticide use in agriculture. The collection of such data will assist decision-makers in setting safer pesticide use standards by expanding surveys in 2001 to cover a wider array of field crops including barley, dry beans, canola, flaxseed, hay, hops, lentils, mint, oats, rye, dry peas, sorghum, and sweet potatoes.

- **Census of Agriculture ($0.4 million).** This funding increase reflects the changes in statistical activities associated with preparations for the 2002 Census of Agriculture. Preparations include, among other things, conducting initial survey tests and focus groups to evaluate the reliability of survey methods and to determine the final content to include in the 2002 census.

DEPARTMENTAL ACTIVITIES

DEPARTMENTAL OFFICES AND CENTRALIZED ACTIVITIES

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Departmental Offices:			
Office of the Secretary	$11	$11	$12
Departmental Administration Staff Offices	32	35	41
Outreach for Socially Disadvantaged Farmers a/	3	3	10
Office of the Chief Financial Officer	4	5	6
Office of the Chief Information Officer	6	6	15
Office of the General Counsel	29	29	33
Office of Communications	8	8	9
Executive Operations:			
Office of the Chief Economist	6	6	9
National Appeals Division	12	12	13
Office of Budget and Program Analysis	6	7	7
Total, Departmental Offices	117	122	155
Centrally Financed Activities:			
Common Computing Environment	0	13	75
Agriculture Buildings and Facilities and Rental Payments	137	140	183
Supplemental for Migrant Farm Workers	20	0	0
Hazardous Materials Management	16	16	30
Supplemental for Y2K Conversion	53	4	0
Trust Funds	1	1	1
Total, Centralized Activities	227	174	289
Total, Departmental Offices and Centralized Activities	$344	$296	$444

a/ An additional $5.2 million was provided to this program in fiscal year 2000 from the Fund for Rural America.

The Departmental offices provide leadership, coordination and support for all administrative and policy functions of the Department. A key objective of this Administration is to re-engineer the Department in such a way that it is leaner and more efficient while improving the level of services provided to the public. This streamlining effort began with the reorganization in 1993. In terms of structure, there are 31 agencies and staff offices compared to 45 in 1993. State offices have been consolidated in 25 States. Over 1,000 local offices in the county-based agencies have been closed or co-located to create one-stop Service Centers, and over 250 offices and facilities have been closed in other agencies.

DEPARTMENTAL ACTIVITIES

To meet the challenge of providing service with fewer people, the Department is upgrading some of its administrative systems and is seeking budget increases to replace others. In the area of information technology, the Department's mission critical systems were Y2K ready. A new telecommunications system is nearly in place and workstations are being deployed in the Service Centers. In the financial area, the new Foundation Financial Information System at the National Finance Center in New Orleans is being implemented to provide standardized accounting services to all agencies and provide for improved management.

In the area of civil rights, the Department continues to make progress in resolving complaints and strengthening efforts to prevent complaints. The Department is reaching out to small farmers and other traditionally underserved populations. Employees are required to receive civil rights training and are being held accountable for their actions. Alternative dispute resolution and conflict management are being utilized to resolve problems early.

The budget reflects a number of increases to strengthen this Departmentwide management oversight and leadership to support USDA programs. Following are some highlights of the budget proposals for the departmental offices and activities.

The Office of the Secretary, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. The 2001 budget request proposes an additional $0.8 million to support the Department's Biobased Products and Bioenergy Coordination Council. Funds will be used to develop standards for and a list of biobased products as part of departmental and governmentwide initiatives to further the use of environmentally preferable products. A $0.1 million increase is requested to strengthen activities related to the President's Food Safety Initiative and the President's Council on Food Safety.

The **Departmental Administration (DA) Staff Offices** provide staff support to policy officials and overall direction and coordination for the management of human resources, civil rights, conflict resolution and prevention, ethics, outreach, property, procurement, emergency preparedness, and the regulatory hearing and administrative proceedings conducted by the Administrative Law Judges, Judicial Officer, and Board of Contract Appeals.

The request includes additional resources for DA staff offices of $6.2 million. The funds will support the following activities:

- Increasing the Department's capability to more efficiently and effectively resolve workplace conflicts, including equal employment opportunity complaints, through an expanded Alternative Dispute Resolution (ADR) program that will be jointly administered by the Office of Civil Rights and the Conflict Prevention and Resolution Center.

- A Small Business Education and Development Pilot Program that will help the Office of Small and Disadvantaged Business Utilization: (1) demonstrate strategies for the growth and stability of small businesses in rural America; (2) identify new markets for agricultural

products of small, limited-resource farmers; and (3) deliver educational and technical resources to sustain economic growth and development.

- Improving the Office of Procurement, Property, and Emergency Preparedness' capability to: (1) address the increasing threats of terrorism and intrusion to USDA's employees and systems and (2) promote department and governmentwide use of biobased commercial products in order to reduce exposure to environmentally hazardous materials, improve commodity crop price stability, and stimulate new investment in rural communities.

- Enhancing human resource management systems to resolve longstanding inefficiencies and improve the Office of Human Resources Management's service to USDA customers.

The Outreach for Socially Disadvantaged Farmers Program authorized by Section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990, provides grants to organizations in order to increase socially disadvantaged farmers' and ranchers' participation in USDA programs and to enhance the success of their operations by providing outreach and technical assistance. This program is administered by the Office of Outreach within DA. A funding increase of $7 million above the amount appropriated for 2000 is requested in 2001 to provide intensive training and management assistance to small farmers and ranchers in order to help these producers operate independently and maintain financial solvency. In 2000, this program was provided with an additional $5.2 million from the Fund for Rural America for a total of $8.2 million.

The **Office of the Chief Financial Officer (OCFO)** provides overall direction and leadership in the development of modern financial systems in the Department. The proposed increase of $1.5 million will help restore the Department's financial credibility and accountability by promoting sound business practices, making valid and reliable data and financial expertise available to support decision-making processes, and implementing legislative mandates such as the Government Performance and Results Act, debt collection and cost accounting.

The **Office of the Chief Information Officer (OCIO)** provides policy guidance, leadership, and coordination to USDA's information management and technology investment activities. To meet the business demands of the Department's information technology (IT) systems, this request includes an increase of $6.6 million to implement a comprehensive USDA Cyber Security Program that will ensure IT systems are protected from unlawful and malicious intrusions. This level of funding will allow the OCIO to: (1) expand the Cyber Security Program Office, (2) establish a department-level risk management program, (3) develop a USDA information and telecommunications security architecture, (4) conduct an information security awareness program and develop a Departmentwide cyber security training initiative, and (5) develop a software import and licensing program for USDA that will build on current interim policy related to combating computer software piracy. Another $2 million will support electronic commerce and information management and collection initiatives. Such initiatives are designed to meet the requirements of the Government Paperwork Elimination Act, reduce information collection burdens on the public, and modernize the information management functions of the Department.

Additionally, the 2001 budget for the Service Center Initiative (SCI) includes $75 million for the **Common Computing Environment (CCE)** that will be managed by the OCIO. The SCI is set up to provide "one-stop" service for customers of USDA Service Center agencies across the country. This funding will expedite efforts toward putting in place a CCE intended to provide a consistent, common, and open IT approach. Through it, Service Center staff could connect to each other, a National network, and to the Internet in order to access and provide USDA information online. (See page 111.)

Legal oversight, counsel, and support for the Department's programs is provided by the **Office of the General Counsel (OGC)**. The request provides an additional $3.7 million to strengthen OGC's ability to provide timely response to requests for legal assistance from the program agencies, especially in the areas of civil rights, natural resources, and general law. Funds are also included to provide IT improvements to further enhance the efficiency of the office.

The Department's **Office of Communications (OC)** plays a critical role in disseminating information about USDA's programs to the general public. The request includes increases of $0.9 million to enable OC to utilize new technology to reach audiences in a more timely and effective manner, while leading a Departmentwide communications effort to reach underserved populations.

The **Office of the Chief Economist (OCE)** advises the Secretary on policies and programs related to U.S. agriculture and rural areas, provides objective analysis on the impacts of policy options on the agricultural and rural economy, and participates in planning and developing programs to improve the Department's forecasts, projections, and policy analysis capabilities. An increase of $1 million is requested to provide the analysis and evaluation needed to support the Department's and governmentwide efforts to use more biomass energy and biobased industrial feedstocks and products. OCE's budget request also includes an additional $0.7 million to address increasing concern about the effects of agricultural operations on the environment and food safety by enhancing USDA's ability to assess these risks and reduce them. This funding increase will also enable development of a methodology to assess the risks of new agricultural biotechnology products that are rapidly being developed and used. The 2001 budget request also includes an increase of $0.4 million to continue the modernization of USDA's weather and economic data systems, including the installation of an additional automated weather station and making all economic and weather data readily available on the Internet.

The **National Appeals Division** is responsible for all administrative appeals of adverse decisions issued by certain USDA agencies and conducts fair and impartial administrative hearings. The 2001 request includes an increase of $0.9 million to continue to meet its performance goals of issuing timely, well-reasoned determinations of appeals to agency decisions. Much of this increase is devoted to training that will enhance the required knowledge and skills among NAD employees regarding adjudication procedures and USDA regulations and policies.

The **Office of Budget and Program Analysis** request includes an increase of $0.2 million to maintain current staffing levels and support its strategic goal of providing analyses and information

to the Secretary and other senior level policy officials to support informed decision-making regarding the Department's programs and policies, budget, legislative, and regulatory actions.

In 2001, the Department is requesting $183 million for its facilities programs covered under the **Agriculture Buildings and Facilities** Appropriation. The request includes $125.5 million for rental payments to the General Services Administration; $31.2 million for the operation and maintenance of the headquarters complex including the new Beltsville facility, and $26 million for the continued renovation of the South Building. The South Building is nearly 70 years old and is in dire need of repair to address electrical malfunctions, poor air quality, lead paint, and numerous code violations. Renovation is essential to avoid further deterioration of the building and its major systems, eliminate serious fire and health hazards, and provide modern, efficient mechanical and electrical systems. The South Building renovation project is a critical part of the ongoing USDA Washington Area Strategic Space Plan. The Beltsville facility is occupied and recently was dedicated as the George Washington Carver Center. The first phase of the South Building renovation is nearing completion and re-occupancy will begin in May 2000.

The **Hazardous Materials Management Program** provides for Departmental compliance with the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (also known as Superfund), the Resource Conservation and Recovery Act, and the Pollution Prevention Act. An increase of $14.4 million is requested to accelerate investigative and cleanup activities to protect human health and the environment. The increase will help fund unfunded work from prior years, thereby furthering progress toward meeting the Departmental goal of cleaning up all contaminated sites within its jurisdiction, custody, and control by 2045, while reducing the likelihood of costly enforcement actions and lawsuits against the Department. It also supports the performance goals of reaching agreements with 10 or more outside parties responsible for contamination of sites under USDA jurisdiction. The value of these cleanup efforts is estimated to reach or exceed $35 million in 2001.

DEPARTMENTAL ACTIVITIES

COMMON COMPUTING ENVIRONMENT (CCE)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Common Computing Environment	0	$13	$75

In recent years, the Department has co-located field offices of the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS) and Rural Development (RD) and embarked on a Service Center Initiative to provide enhanced customer service to farmers and rural residents. A key element in the success of this effort is the replacement of aging business and technology systems of these partner agencies with a Common Computing Environment (CCE) that will allow sharing of data and implementation of streamlined business processes. Common information shared among these three agencies will reduce the redundant requests made of customers participating in multiple programs, as well as customer office visits and paperwork burden and allow these agencies to operate efficiently at the lower staffing levels that have resulted from budget constraints. The new technology will also allow these agencies to use modern business approaches such as the Internet to provide better access to programs for customers. However, until the CCE is fully operational, the service center agencies will have to continue to fund these outmoded existing systems to provide programs to customers.

Progress to date includes ongoing development of re-engineered business processes to streamline the administrative operations, program delivery functions and ease migration from legacy systems, installation of a modern telecommunications system and purchase and deployment of nearly 30,000 workstations that can be used interchangeably among the agencies. Pilot sites are operational for continued testing of re-engineered business processes, management initiatives and information technology hardware options in 2001.

Funds proposed for 2001 under this account would fund essential capital investments needed to achieve the goal of a fully operational common computing environment in 2002 as set forth in the Department's Service Center Modernization Plan. These investments are needed to integrate the workstations and to more fully achieve the benefits of shared systems and re-engineered business processes. Additional 2001 funds from the partner agencies will complement this funding by supporting continued business process re-engineering, data acquisition and training needed to reap the benefits of the new technology, as well as maintenance and support of existing legacy systems.

OFFICE OF THE INSPECTOR GENERAL

OFFICE OF THE INSPECTOR GENERAL (OIG)

Program Level
(Dollars in Millions)

Program	1999 Actual	2000 Current Estimate	2001 Budget
Office of the Inspector General	$65	$65	$70

The **Office of the Inspector General (OIG)** conducts and supervises audits and investigations relating to programs and operations of the Department and, as such, is the principal provider of law enforcement operations within the Department; reviews and makes recommendations on existing and proposed legislation and regulations; and recommends policies and activities to promote economy and efficiency and to prevent and detect fraud and mismanagement in USDA operations. The request provides an increase of $5.1 million to conduct additional audits aimed at ensuring the safety of agricultural products and protecting the integrity of USDA's information systems. This proposal will also support the acquisition of specialized law enforcement equipment to enhance the safety and security of OIG law enforcement activities, and increase criminal investigations in USDA public integrity vulnerabilities.

FUND FOR RURAL AMERICA

FUND FOR RURAL AMERICA

The 1996 Farm Bill established the Fund for Rural America to provide support to rural communities across the United States. The 1996 Farm Bill specifies that at least one-third of the funds be allocated to rural development activities and one-third to research activities.

The Agricultural Research, Extension, and Education Reform Act of 1998 (P.L. 105-185) extended authorization for the Fund for Rural America through October 1, 2002. The FY 1999 appropriations language blocked the use of the funds in FY 1999. The FY 2000 appropriations language blocks the use of the authorized $60 million for FY 2000, but allows the expenditure of the second year's availability of the FY 1999 funds.

FUND FOR RURAL AMERICA

The following table shows how the funding available in 2000 was allocated:

Fund for Rural America
(Dollars in Millions)

	Budget Authority	Program Level
Rural Development Activities:		
Rural Utilities Service:		
Water and Waste Disposal Grants a/	$28.0	$28.0
Rural Housing Service:		
Farm Labor Housing Grants	2.5	2.5
Community Facility Grants	2.0	2.0
Total, Rural Housing Service	4.5	4.5
Rural Business-Cooperative Service:		
Guaranteed Business and Industry Loans	1.3	41.8
Rural Business Enterprise Grants	1.0	1.0
Total, Rural Business-Cooperative Service	2.3	42.8
Office of Outreach:		
Outreach for Socially Disadvantaged Farmers	5.2	5.2
Total, Rural Development Activities	40.0	80.5
Research, Extension and Education Grants:		
Center Grants	20.0	20.0
TOTAL, Fund for Rural America	$60.0	$100.5

a/ Rural Development has the flexibility to allocate funding among loans and grants.

Rural Development Activities. Of the funding available in 2000, $40 million was allocated to support on-going rural development activities as follows:

- $28 million for water and waste water disposal systems projects, which will provide financing for about 200 projects in low-income rural communities to establish, expand and modernize water treatment and water disposal facilities;
- $2.5 million for farm labor housing projects at three or four high priority locations;
- $2 million for community facilities grants that may include health, child care, and emergency equipment facilities;
- $1.3 million for business and industry loan guarantees, which will support about $42 million in loans, creating or saving approximately 1,600 jobs in rural America;

- $1 million in rural business enterprise grants, which can help small, emerging businesses in rural area with technical aid and planning; and

- $5.2 million for Outreach for Socially Disadvantaged Farmers (Section 2501) projects.

Research, Extension and Education Activities. The $20 million in funds available for research, extension and education activities were allocated on a competitive basis to support centers of excellence as follows:

- The Center for Minority Land and Community Security, led by Tuskegee University, will help increase land retention, acquisition, and land-based economic development among African Americans, Hispanic Americans and Native Americans;

- The Northeast Center for Food Entrepreneurship, led by Cornell University, will assist entrepreneurs starting food manufacturing businesses and farmers trying to diversify;

- The National Center for Manure and Animal Waste Management, led by North Carolina State University, will provide technical assistance and information about animal waste, while helping to lessen its environmental impact;

- A Consortium for Site-Specific Resource Management, led by the University of Minnesota, will identify and expand the use of information systems that will help farmers more effectively manage natural resources; and

- The National Resource Center for Rural People in Forest Communities, led by the Forest Trust of Santa Fe, New Mexico, will help forest-dependent communities participate in natural resources decision-making.

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Budget Authority
(Dollars in Millions)

AGENCY	1999 Actual	2000 Current Estimate	2001 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	$239	$969	$179
Commodity Credit Corporation Programs	20,775	29,214	19,103
Risk Management Agency	1,614	775	2,706
Foreign Agricultural Service	149	113	118
P.L. 480	1,205	524	537
RURAL DEVELOPMENT			
Rural Utilities Service	-96	-2,748	-1,796
Rural Housing Service	253	-88	122
Rural Business - Cooperative Service	28	25	53
Rural Community Advancement Program	844	699	763
Salaries & Expenses	120	120	130
Rural Empowerment Zones / Enterprise Communities	15	15	15
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	34,727	35,051	36,292
Section 32 Funds	725	730	538
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	900	882	876
Forest Service	3,491	3,486	3,853
FOOD SAFETY			
Food Safety and Inspection Service	621	653	158
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	872	906	956
Cooperative State Research, Education, & Extension Service	923	1,071	1,093
Economic Research Service	63	64	55
National Agricultural Statistics Service	104	99	101
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	518	544	634
Agricultural Marketing Service	174	170	186
Grain Inspection, Packers & Stockyards Administration	27	26	15
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	31	24	12
Fund for Rural America	0	60	60
Common Computing Environment	0	0	75
Departmental Administration	32	35	41
Outreach for Socially Disadvantaged Farmers	3	3	10
Agriculture Buildings and Facilities	137	140	183
Hazardous Waste Management	16	16	30
Office of the Chief Financial Officer	4	5	6
Office of the Chief Information Officer	59	10	15
Office of the General Counsel	29	29	33
Office of the Inspector General	65	65	70
Office of Communications	8	8	9
Office of the Chief Economist	6	6	9
National Appeals Division	12	12	13
Office of Budget and Program Analysis	6	7	7
Gifts and Bequests	1	1	1
Subtotal	68,700	73,711	67,280
Offsetting Receipts	-971	-1,400	-898
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	$67,729	$72,311	$66,362

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE
Discretionary Budget Authority
(Dollars in Millions)

AGENCY	1999 Actual	2000 Current Estimate	2001 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	$1,281	$1,334	$1,287
Commodity Credit Corporation Programs	4	-24	-46
Risk Management Agency	64	64	68
Foreign Agricultural Service	147	109	114
P.L. 480	1,205	943	973
RURAL DEVELOPMENT			
Rural Utilities Service	98	73	92
Rural Housing Service	1,211	1,297	1,496
Rural Business - Cooperative Service	31	29	57
Rural Community Advancement Program	763	699	763
Salaries & Expenses	120	120	130
Rural Empowerment Zones / Enterprise Communities	15	15	0
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	4,316	4,439	4,632
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	896	882	876
Forest Service	2,856	2,812	3,110
FOOD SAFETY			
Food Safety and Inspection Service	617	649	154
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	850	883	933
Cooperative State Research, Education, & Extension Service	923	951	853
Economic Research Service	63	64	55
National Agricultural Statistics Service	104	99	101
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	433	443	506
Agricultural Marketing Service	42	53	69
Grain Inspection, Packers & Stockyards Administration	27	26	15
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	31	24	12
Fund for Rural America	0	0	-60
Common Computing Environment	0	0	75
Departmental Administration	32	35	41
Outreach for Socially Disadvantaged Farmers	3	3	10
Agriculture Buildings and Facilities	137	140	183
Hazardous Waste Management	16	16	30
Office of the Chief Financial Officer	4	5	6
Office of the Chief Information Officer	59	10	15
Office of the General Counsel	29	29	33
Office of the Inspector General	65	65	70
Office of Communications	8	8	9
Office of the Chief Economist	6	6	9
National Appeals Division	12	12	13
Office of Budget and Program Analysis	6	7	7
Subtotal	16,459	16,320	16,690
Offsetting Receipts	-9	-10	-15
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	$16,450	$16,310	$16,675

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE
Outlays
(Dollars in Millions)

AGENCY	1999 Actual	2000 Current Estimate	2001 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	$283	$983	$250
Commodity Credit Corporation Programs	19,223	27,614	18,978
Risk Management Agency	1,731	2,000	2,596
Foreign Agricultural Service	131	84	111
P.L. 480	818	1,409	586
RURAL DEVELOPMENT			
Rural Utilities Service	-647	-2,890	-1,976
Rural Housing Service	334	-4	62
Rural Business - Cooperative Service	45	50	39
Salaries & Expenses	110	122	130
Rural Community Advancement Program	680	714	658
Rural Empowerment Zones / Enterprise Communities	0	6	12
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	32,215	33,529	35,539
Section 32 Funds	832	535	537
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	954	1,021	1,031
Forest Service	3,425	3,357	3,617
FOOD SAFETY			
Food Safety and Inspection Service	604	653	158
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	847	912	969
Cooperative State Research, Education, & Extension Service	877	954	999
Economic Research Service	58	56	56
National Agricultural Statistics Service	105	100	101
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	612	658	634
Agricultural Marketing Service	182	164	185
Grain Inspection, Packers & Stockyards Administration	24	26	14
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	9	39	17
Fund for Rural America	10	20	60
Common Computing Environment	0	0	63
Departmental Administration	26	33	39
Outreach for Socially Disadvantaged Farmers	4	5	10
Agriculture Buildings and Facilities	153	159	183
Hazardous Waste Management	18	15	30
Office of the Chief Financial Officer	5	5	6
Office of the Chief Information Officer	19	44	15
Office of the General Counsel	28	27	33
Office of the Inspector General	62	65	70
Office of Communications	8	8	10
Office of the Chief Economist	5	6	9
National Appeals Division	12	10	13
Office of Budget and Program Analysis	6	6	7
Working Capital Fund	-4	0	0
Gifts and Bequests	1	1	1
Subtotal	63,805	72,496	65,851
Offsetting Receipts	-971	-1,400	-898
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	$62,834	$71,096	$64,953

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE
Discretionary Outlays
(Dollars in Millions)

AGENCY	1999 Actual	2000 Current Estimate	2001 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	$1,261	$1,281	$1,358
Commodity Credit Corporation Programs	4	4	0
Risk Management Agency	54	64	67
Foreign Agricultural Service	130	105	114
P.L. 480	1,296	1,804	1,099
RURAL DEVELOPMENT			
Rural Utilities Service	95	108	97
Rural Housing Service	1,200	1,281	1,402
Rural Business - Cooperative Service	39	39	41
Rural Community Advancement Program	599	714	658
Salaries & Expenses	110	122	130
Rural Empowerment Zones / Enterprise Communities	0	6	12
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	4,347	4,467	4,630
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	927	999	999
Forest Service	2,815	2,691	2,910
FOOD SAFETY			
Food Safety and Inspection Service	600	649	154
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	829	899	946
Cooperative State Research, Education, & Extension Service	877	948	945
Economic Research Service	58	56	56
National Agricultural Statistics Service	105	100	101
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	527	557	506
Agricultural Marketing Service	42	46	67
Grain Inspection, Packers & Stockyards Administration	26	26	14
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	9	39	17
Fund for Rural America	0	0	-31
Common Computing Environment	0	0	63
Departmental Administration	26	33	39
Outreach for Socially Disadvantaged Farmers	4	5	10
Agriculture Buildings and Facilities	153	159	183
Hazardous Waste Management	18	15	30
Office of the Chief Financial Officer	5	5	6
Office of the Chief Information Officer	19	44	15
Office of the General Counsel	28	27	33
Office of the Inspector General	62	65	70
Office of Communications	8	8	10
Office of the Chief Economist	5	6	9
National Appeals Division	12	10	13
Office of Budget and Program Analysis	6	6	7
Working Capital Fund	-4	0	0
Subtotal	16,282	17,378	16,719
Offsetting Receipts	-9	-10	-15
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	$16,273	$17,368	$16,704

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Staff Years

Agency	1993 Base	1999 Actual	2000 Estimate	2001 Estimate
FARM AND FOREIGN AGRICULTURAL SERVICES				
Farm Service Agency	7,628	5,709	5,901	5,901
Risk Management Agency	684	528	568	568
Foreign Agricultural Service	923	923	963	973
RURAL DEVELOPMENT				
Rural Development	9,547	6,960	6,906	7,020
FOOD, NUTRITION, AND CONSUMER SERVICES				
Food and Nutrition Service	2,009	1,606	1,717	1,861
NATURAL RESOURCES AND ENVIRONMENT				
Natural Resources Conservation Service	13,784	11,720	11,601	13,444
Forest Service	43,025	34,366	35,611	35,619
FOOD SAFETY				
Food Safety and Inspection Service	9,950	9,590	9,914	9,752
RESEARCH, EDUCATION, AND ECONOMICS				
Agricultural Research Service	8,426	7,545	7,762	7,762
Cooperative State Research, Education & Extension Service	408	390	440	451
Economic Research Service	788	511	511	522
National Agricultural Statistics Service	1,487	1,137	1,137	1,135
MARKETING AND REGULATORY PROGRAMS				
Animal and Plant Health Inspection Service	6,552	6,321	6,641	6,888
Agricultural Marketing Service	4,027	3,389	3,392	3,392
Grain Inspection, Packers & Stockyards Administration	936	740	765	814
DEPARTMENTAL ACTIVITIES				
Office of the Secretary	83	63	82	82
Office of the Chief Economist	45	49	60	66
National Appeals Division	152	127	133	133
Office of Budget and Program Analysis	76	63	67	67
Office of the General Counsel	420	339	350	370
Office of the Inspector General	850	701	753	760
Office of the Chief Information Officer	297	255	275	287
Office of the Chief Financial Officer	1,221	1,118	1,175	1,173
Departmental Administration	727	640	733	753
Office of Communications	150	116	123	123
Subtotal, USDA	114,175	94,906	97,570	99,916
Thrift Savings Plan	367	585	585	585
Total, USDA Federal Staffing	114,542	95,491	98,155	100,501
FSA, Non-Federal County:				
Permanent Full-Time	12,998	9,490	9,496	9,496
Temporaries	1,955	2,017	1,892	1,270
Total, Non-Federal County	14,953	11,507	11,388	10,766
Total, USDA Staffing	129,495	106,998	109,543	111,267

APPENDIX

FY 2000
0.38 Percent Reduction
(Dollars in Millions)

The FY 2000 Consolidated Appropriations Act required a 0.38 percent cut from discretionary and emergency budget authority. For USDA, this translates into a $95.9 million cut. The law permits flexibility in allocating the cut, but no single project, program or activity can be cut by more than 15 percent. Rather than cutting all programs across the board, the cut was targeted as follows:

Item	Reduction
Cut Low Priorities and Administrative Funding and Defer Projects:	
Cut FY 2000 ARS research add-ons by 15% (44 projects)	$3.3
Cut CSREES add-ons by up to 15% but in no case below the FY 1999 level for any single item (55 projects)	4.5
Reduce APHIS bollweevil and pink bollworm line items and FY2000 Wildlife Services increases by 15%	3.1
Cut ongoing Watershed financial assistance by 15%	7.8
Reduce Forestry Incentives Program in NRCS by 15%	0.9
Reduce Forest Service Construction earmarks (31 projects) and National Forest System	8.8
Reduce travel and other administrative expenses	5.8
Subtotal	34.2
Programs With Other Funding Sources:	
P.L. 480 Title I - cut BA by 4 % (limits total credit level to about $292 million)	8.0
Reduce RD Water and Waste grants to $497 million	25.2
Subtotal	33.2
Emergency Funding:	
Reduction in Emergency Funding	28.5
Total	$95.9

APPENDIX

User Fee Proposals
(Dollars in Millions)

Agency and Program	Budget Authority
Food Safety	
Food Safety and Inspection Service:	
Salaries and Expenses	-$534
• This proposal would charge fees for the full cost of providing Federal inspection of meat, poultry, and eggs. The user fees exclude Grants to States and Special Assistance to State Programs.	
Natural Resources and Environment	
Forest Service:	
Ski Fees Fair Market Value	-3
• This proposal would revise the current ski fee structure to assure the government's collection of fair market value.	
Recreation Fee Demonstration Program	0
• This proposal would permanently extend the Recreation Fee Program beyond 2002 and would authorize the direct expenditure of all recreations fees collected by the Forest Service.	
Forest Uses	0
• The budget proposes that, contingent upon the enactment of authorizing legislation, fair market value user fees are to be charged for certain land uses, such as oil and gas pipelines, powerlines, telephone lines, fiber optic communications lines, ditches and canals, and road and trail rights of way and commercial services on National Forest System lands.	

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APPENDIX

Agency and Program	Budget Authority
Marketing and Regulatory Programs	
Animal and Plant Health Inspection Service:	
Salaries and Expenses	-11
• This proposal would establish user fees for costs for animal welfare inspections and issuance of biotechnology certificates.	
Grain Inspection, Packers and Stockyards Administration:	
Salaries and Expenses	-19
• This proposal would establish a fee for grain standardization and a licensing fee to cover the costs of administering the provisions of the Packers and Stockyards Act relating to meat packing and stockyards activities. This proposal would collect fees of $23 million, partially offset by $4 million in start-up costs in 2001.	
Total, User Fee Related Proposed Legislation	-$567

APPENDIX

Farm Safety Net – Proposed Legislation
(Dollars in Millions)

Agency and Program	Budget Authority
Farm and Foreign Agricultural Services	
Commodity Credit Corporation:	
• Legislation is proposed to increase the CCC limit on computer expenditures by $70 million during 2001 and 2002	$35
• The budget includes proposed legislation for supplementary income assistance payments for the 2000 and 2001 crop years	2,464
• The budget proposes to extend the Dairy Price Support Program through 2002	150
• Legislation will be proposed to expand the CRP enrollment cap from 36.4 million acres to 40 million acres and fund CRP and WRP technical assistance	75
• Legislation will be proposed to establish a new cooperative development program to provide equity capital for new livestock processing cooperatives	80
• Legislation will be proposed to remove area-wide trigger on non-insured Crop Disaster Assistance	110
Risk Management Agency	
• A crop insurance reform package will be proposed to provide for multi-year coverage, establish a livestock pilot program and expand risk management education	910

APPENDIX

Agency and Program	Budget Authority
Natural Resources Conservation Service:	
Conservation Security Program	600
• This proposal would fund a new program to provide annual payments to farmers and ranchers who implement conservation practices such as nutrient management, grazing improvements and windbreaks.	
Environmental Quality Incentives Program	125
• The Administration will propose legislation to increase CCC funding for EQIP by $125 million in 2001 and by a total of $625 million for the period 2001 to 2005.	
Wetlands Reserve Program	213
• This proposal would eliminate the current cap of 975,000 acres and provide for enrollment of 250,000 acres per year through 2005.	
Wildlife Habitat Incentives Program	50
• This proposal would authorize additional funds to continue the program at $50 million per year over the period 2001 through 2005. The 1996 Farm Bill authorized $50 million the program and these funds were fully exhausted in 1999.	
Farmland Protection Program	65
• This proposal would authorize new funding for 2001 through 2005 at $65 million per year. The current funding authorization was reached in 1998.	

APPENDIX

Agency and Program	Budget Authority
Rural Development:	
Rural Empowerment Zone/Enterprise Community Grants	15
• This proposal provides mandatory funding for Empowerment Zones and Enterprise Communities (EZ/EC). Authority for a second round of EZ/EC was included in the Tax Payer Relief Act of 1997. In 1999 and 2000, $15 million in discretionary funding was provided.	

APPENDIX

Other Proposed Budget-Related Legislation
(Dollars in Millions)

Agency and Program	Budget Authority
Rural Development	
Rural Housing Service:	
Section 538 Guaranteed Multi-Family Housing Loans	-$3
• This proposal would eliminate the statutory requirement that 20 percent of the loans guaranteed must receive interest assistance.	
Section 502 Guaranteed Single Family Housing Loans	-37
• This proposal would raise the guaranteed fee from one percent to two percent, and therefore lower the subsidy rate.	
Food, Nutrition and Consumer Services	
Food and Nutrition Service:	
Food Stamp Program	24
• The Administration is proposing to restore eligibility to legal immigrants who resided in the U.S. on August 22, 1996 and who subsequently turn age 65.	
• The Administration is proposing to restore eligibility to legal immigrant adults who resided in the U.S. on August 22, 1996 and live with eligible children.	
• The Administration is proposing to offer all States the option of conforming Food Stamp Program vehicle rules with more generous Temporary Assistance for Needy Families (TANF) program rules.	

- The Administration is proposing to allow States to conform the federal mandated income exclusions of the Medicaid program to the income exclusions in the Food Stamp Program.

- The Administration is proposing to simplify the Child Support Enforcement Program at the Department of Health and Human Services which will increase the income of families participating in this program. To the extent that these families also participate in the Food Stamp Program, there are benefit savings.

Child Nutrition Programs ..... -1

- This proposal would strengthen Child and Adult Care Food Program management and oversight at Federal, State, and local levels. The proposal would also fund an evaluation of the program's administrative reimbursement structure. Outlay savings of $3 million are anticipated in 2001.

- The Administration is proposing to allow school lunch application information to be shared with State or local agencies to facilitate Medicaid and Child Health Insurance Program enrollment. There would be no additional costs to the Child Nutrition Programs.

Natural Resources and Environment

Forest Service:

Payments to States 27

- The budget proposes legislation to stabilize Forest Service Payments to States which have declined since the late 1980's. The proposal would stabilize the payments by providing a guaranteed amount to the States rather than a percentage of receipts.

APPENDIX

Agency and Program	Budget Authority
Use of Sealed Bids	-5
• The budget proposes that timber bids are to be available only through sealed bid auction procedures, rather than open bid as is now the case in some places, unless the Secretary determines oral auction would result in a higher bid. It is the intention of the proposal to increase timber receipts and better assure the government's collection of fair market value for the timber asset sold.	
Concession Reform	0
• Concession reform legislation will alter current authorities and policies that make it difficult to dispose of excess government facilities and for the private sector to enter into a business relationship to reconstruct or construct recreational facilities, resulting in improved facilities, reduced facilities maintenance backlog, reduced excess government facilities, increased revenues from fee collections, and improved customer service.	
Permit Non-Timber Interests to Bid on Timber Sales	0
• The budget proposes that non-timber interests would bid on timber sales. This would increase competition thereby increasing timber receipts and better assure the government's collection of fair market value for the timber asset sold. Receipts collected from non-timber interests may be used to maintain community employment and stability.	
Minimum Bid Level for Timber Sales for Commodity Purposes	0
• The budget proposes that the minimum bid level on commodity timber sales be equal to the costs of sale preparation and harvest management. It is the intention of the proposal to increase timber receipts and better assure the government's collection of fair market value for the timber asset sold.	

APPENDIX

Agency and Program	Budget Authority
Mandate New Timber Sales Contract to Avoid Future Damages	0
• The budget proposes to require a timber contract that would establish new contract cancellation procedures that would reimburse timber sale purchasers for out-of-pocket expenses, but not for the cost of replacement timber as current contracts now do. It would also require that the timber sale purchaser obtain general liability insurance to protect the government from liability, and the contract would transfer title for the timber to the purchaser at the time of payment, when the timber is cut, rather than after the timber is removed from the sale site. The new contract also would establish that timber sale purchasers could not cut undesignated trees.	
Land Acquisition Reinvestment Fund	0
• Through increased authority for land sales and acquisitions, this proposal would focus on acquiring high priority wetlands, riparian areas, threatened and endangered species habitat, areas of high biological diversity, wildlife corridors, and other high value conservation areas to ensure increased environmental benefits and government value.	
Facilities Acquisition and Enhancement Fund	0
• This proposal would enable the Forest Service to sell facilities, buildings, constructed features and any appurtenant land, excess to its needs, and to use the proceeds for acquiring or developing land and improvements. In carrying out this proposal, the Forest Service would work in cooperation with the General Services Administration.	

APPENDIX

Agency and Program	Budget Authority
Trust Fund and Permanent Appropriations Reform	20
• This proposal would reform permanent and trust fund accounts that collect timber receipts by merging them into one account with fixed funding. Included in this proposal is the Healthy Investments in Rural Economies (HIRE) Initiative in which a portion of the funds deposited in the new account would use Jobs in the Woods, Job Corps and similar programs to carry out environmental restoration and facilities and infrastructure maintenance programs.	

[The justifications of the budget request for the Office of the Secretary follow:]

2001 Congressional Explanatory Notes

OFFICE OF THE SECRETARY

Purpose Statement

The general authority of the Secretary to supervise and control the work of the Department is contained in the Organic Act (7 U.S.C. 2201-2202). The delegation of regulatory functions to the Department employees and authorization of appropriations to carry out these functions are contained in 7 U.S.C. 450c-450g. The authority of the Secretary to streamline and reorganize the Department is contained in the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law No. 103-354.

The Secretary of Agriculture, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This involves providing policy direction for all areas of the Department's responsibilities including research, educational and regulatory activities, nutrition, conservation and farm programs, and forestry and international agriculture. It also involves maintaining relationships with organizations and others in the development of programs and maintaining liaison with the Executive Office of the President and members of Congress on all matters pertaining to Departmental policy.

The Secretary has direct authority over the USDA Service Center implementation effort which has incorporated the former InfoShare activity. This activity is a partnership among the agricultural, rural development, and natural resource agencies of the Department to improve communication, information resources management, and data sharing, thereby providing improved and more efficient services to customers at the USDA Service Centers.

The Office of the Secretary also oversees special projects that are conducted at the behest of the Congress. These projects include short-term studies, investigations, and research on matters affecting agriculture or the agricultural community. Usually, specific appropriations are provided to carry out these projects. Project results are reported to the appropriate Congressional committees.

The Secretary's staffs financed from this appropriation are all located in Washington, D. C. As of September 30, 1999, there were 63 employees.

The Office of the Secretary did not have any Office of the Inspector General or General Accounting Office evaluation reports during the past year.

OFFICE OF THE SECRETARY

Available Funds and Staff Years
1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Office of the Secretary.	$31,378,000	63	$11,027,000	80	$12,347,000	80
Obligations under other USDA appropriations:						
Reimbursements: Advisory Committee Liaison Services.....	--	--	160,000	2	160,000	2
Transfer to other USDA agencies.....	-2,241,000	--	-2,241,000	--	-2,312,000	--
Total, Office of the Secretary.....	29,137,000	63	8,946,000	82	10,195,000	82

NOTE: The $12,600,000 in FY 2000 for the development and implementation of a common computing environment will be shown under Common Computing Environment/Service Center Modernization.

OFFICE OF THE SECRETARY

Permanent Positions by Grade and Staff Year Summary
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Grade	Washington, DC	Washington, DC	Washington, DC
Executive Level I	1	1	1
Executive Level II	1	1	1
Executive Level III	7	6	5
Executive Level IV	2	3	3
ES-6	5	4	5
ES-5	2	2	3
ES-4	4	6	5
ES-3	3	5	5
ES-2	3	2	2
ES-1	2	1	2
GS-15	9	7	6
GS-14	6	6	6
GS-13	4	1	1
GS-12	4	5	7
GS-11	5	8	6
GS-10	4	2	2
GS-9	9	8	8
GS-8	2	2	2
GS-7	2	1	1
GS-6	1	--	--
GS-5	4	4	4
GS-4	--	1	1
GS-2	--	2	2
GS-1	--	2	2
Ungraded Positions	2	2	2
Total, Permanent Positions	82	82	82
Unfilled Positions end-of-year	-19	--	--
Total, Permanent Full-Time Employment, end-of-year	63	82	82
Staff Year Ceiling	63	82	82

OFFICE OF THE SECRETARY

Classification by Objects
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$5,840,981	$5,991,000	$6,411,000
11 Total personnel compensation	5,840,981	5,991,000	6,411,000
12 Personnel benefits	1,190,479	1,482,000	1,583,000
Total pers. comp. & benefits	7,031,460	7,473,000	7,994,000
Other Objects:			
21 Travel	247,900	110,000	110,000
22 Transportation of things	26,437	--	--
23.3 Communications, utilities, and misc. charges	274,778	241,000	241,000
24 Printing and reproduction	10,190	22,000	22,000
25.2 Other services	185,586	107,000	835,000
25.3 Purchases of goods and services from Government Accounts	730,704	735,000	735,000
26 Supplies and materials	124,067	96,000	96,000
31 Equipment	102,467	2,000	2,000
41 Grants, subsidies, and contributions	20,000,000	--	--
Total other objects	21,702,129	1,313,000	2,041,000
Total direct obligations	28,733,589	8,786,000	10,035,000
Position Data:			
Average Salary, ES positions	$121,823	$122,220	$124,893
Average Salary, GS positions	$51,819	$47,774	$50,881
Average Grade, GS positions	11.29	11.6	11.8

OFFICE OF THE SECRETARY
(Including Transfers of Funds)

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses of the Office of the Secretary of Agriculture, and not to exceed $75,000 for employment under 5 U.S.C. 3109, [15,436,000] $2,914,000 [of which, $12,600,000, to remain available until expended, shall be available only for the development and implementation of a common computing environment]: Provided, That not to exceed $11,000 of this amount, along with any unobligated balances of representation funds in the Foreign Agricultural Service, shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary: [Provided further, That the funds made available for the development and implementation of a common computing environment shall only be available upon approval of the Committees on Appropriations and Agriculture of the House of Representatives and the Senate of a plan for the development and implementation of a common computing environment:] Provided further, That none of the funds appropriated or otherwise made available by this Act may be used to pay the salaries and expenses of personnel of the Department of Agriculture to carry out section 793(c)(1)(C) of Public Law 104-127: Provided further, That none of the funds made available by this Act may be used to enforce section 793(d) of Public Law 104-127.

Office of the Assistant Secretary for Administration

For necessary salaries and expenses of the Office of the Assistant Secretary for Administration to carry out the programs funded by this Act, [$613,000] $629,000.

Office of the Assistant Secretary for Congressional Relations
(Including Transfers of Funds)

For necessary salaries and expenses of the Office of the Assistant Secretary for Congressional Relations to carry out the programs funded by this Act, including programs involving intergovernmental affairs and liaison within the executive branch, [$3,568,000] $3,778,000: Provided, That no other funds appropriated to the Department by this Act shall be available to the Department for support of activities of congressional relations: Provided further, That not less than [$2,241,000] $2,312,000 shall be transferred to agencies funded by this Act to maintain personnel at the agency level.

Office of the Under Secretary for Research, Education and Economics

For necessary salaries and expenses of the Office of the Under Secretary for Research, Education and Economics to administer the laws enacted by the Congress for the Economic Research Service, the National Agricultural Statistics Service, the Agricultural Research Service, and the Cooperative State Research, Education, and Extension Service, [$540,000] $1,356,000.

Office of the Under Secretary for Marketing and Regulatory Programs

For necessary salaries and expenses of the Office of the Under Secretary for Marketing and Regulatory Programs to administer programs under the laws enacted by the Congress for the Animal and Plant Health Inspection Service, the Agricultural Marketing Service, and the Grain Inspection, Packers and Stockyards Administration, [$618,000] $635,000.

Office of the Under Secretary for Food Safety

For necessary salaries and expenses of the Office of the Under Secretary for Food Safety to administer the laws enacted by the Congress for the Food Safety and Inspection Service, [$446,000] $560,000.

Office of the Under Secretary for Farm and Foreign Agricultural Services

For necessary salaries and expenses of the Office of the Under Secretary for Farm and Foreign Agricultural Services to administer the laws enacted by Congress for the Farm Service Agency, the Foreign Agricultural Service, the Risk Management Agency, and the Commodity Credit Corporation, [$572,000] $589,000.

Office of the Under Secretary for Natural Resources and Environment

For necessary salaries and expenses of the Office of the Under Secretary for Natural Resources and Environment to administer the laws enacted by the Congress for the Forest Service and the Natural Resources Conservation Service, [$693,000] $711,000.

Office of the Under Secretary for Rural Development

For necessary salaries and expenses of the Office of the Under Secretary for Rural Development to administer programs under the laws enacted by the Congress for the Rural Housing Service, the Rural Business-Cooperative Service, and the Rural Utilities Service of the Department of Agriculture, [$588,000] $605,000.

Office of the Under Secretary for Food, Nutrition and Consumer Services

For necessary salaries and expenses of the Office of the Under Secretary for Food, Nutrition and Consumer Services to administer the laws enacted by the Congress for the Food and Nutrition Service, [$554,000] $570,000.

This change deletes language for the development and implementation of a common computing environment. Funding for the common computing environment is being requested under Common Computing Environment/Service Center Modernization for FY 2001.

OFFICE OF THE SECRETARY

Appropriations Act, 2000		$11,028,000
Budget Estimate, 2001		12,347,000
Increase in Appropriation		+1,319,000
Adjustments in 2000:		
Appropriations Act, 2000	$11,028,000	
Recission under P.L. 106-113 a/	-1,000	
Adjusted base for 2000		11,027,000
Budget Estimate, 2000		12,347,000
Increase over adjusted 2000		+1,320,000

a/ The amount is rescinded pursuant to Section 301 of the Emergency Supplemental part of the Omnibus Appropriations Act, FY 2000 (P.L. 106-113) enacted November 29, 1999.

OFFICE OF THE SECRETARY

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2000 Estimated	Pay Costs	Program Changes	2001 Estimated
Immediate Office of the Secretary	$2,835,000	+$79,000	–	$2,914,000
Assistant Secretary for Administration	613,000	+16,000	–	629,000
Assistant Secretary for Congressional Relations	1,327,000	+39,000	+$100,000	1,466,000
Transfer to Agencies	2,241,000	+71,000	–	2,312,000
Under Secretary for Research, Education, and Economics	540,000	+ 16,000	–	556,000
Development of Biobased Products List	–	–	+800,000	800,000
Under Secretary for Marketing and Regulatory Programs	618,000	+17,000	–	635,000
Under Secretary for Food Safety	446,000	+14,000	+100,000	560,000
Under Secretary for Farm and Foreign Agricultural Services	572,000	+17,000	–	589,000
Under Secretary for Natural Resources and Environment	693,000	+18,000	–	711,000
Under Secretary for Rural Development	588,000	+17,000	–	605,000
Under Secretary for Food, Nutrition and Consumer Services	554,000	+16,000	–	570,000
Total Appropriation	11,027,000	+320,000	+1,000,000	12,347,000
Transfer to USDA Agencies from Congressional Relations	-2,241,000	-71,000	–	-2,312,000
Total Available	8,786,000	+249,000	+1,000,000	10,035,000

OFFICE OF THE SECRETARY

Project Statement
(On basis of appropriation)

	1999 Actual		2000 Estimated			2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Secretary.....	$2,797,546	21	$2,835,000 a/	22	+$79,000	$2,914,000	22
Emergency Grants to Assist Low-Income Migrant and Seasonal Workers.....	20,000,000	--	--	--	--	--	--
2. Under/Asst. Secretaries:							
ADM.....	606,740	2	613,000	5	+16,000	629,000	5
CR.....	1,393,153	12	1,327,000	17	+139,000	1,466,000	17
REE.....	529,149	4	540,000	5	+16,000	556,000	5
Development of Biobased Products List	--	--	--	--	+800,000	800,000	--
MRP.....	606,878	5	618,000	5	+17,000	635,000	5
FSFT b/.....	434,892	3	446,000	5	+114,000	560,000	5
FFAS.....	562,136	4	572,000	5	+17,000	589,000	5
NRE.....	682,369	4	693,000	6	+18,000	711,000	6
RD.....	575,892	4	588,000	5	+17,000	605,000	5
FNCS.....	544,834	4	554,000	5	+16,000	570,000	5
Unobligated Balance.....	403,411	--	--	--	--	--	--
Subtotal available or estimate	29,137,000	63	8,786,000	80	+1,249,000	10,035,000	80
Transferred to other USDA agencies from CR.....	+2,241,000	--	+2,241,000	--	+71,000	+2,312,000	--
Total, available or estimate.....	31,378,000	63	11,027,000	80	+1,320,000(1)	12,347,000	80
2000 Rescission.	--	--	+1,000	--			
Total, Appropriation...	31,378,000	63	11,028,000	80			

a/ Rescission of $1,000 due to P.L. 106-113 was taken in the Secretary's office.

b/ FSIS obligated funds in FY 1999 under their appropriation for the Mandatory Domestic Reporting Pilot Investigation. OSEC will reimburse FSIS from funds appropriated for the Mandatory Domestic Reporting Pilot Investigation for the full amount of $250,000.

NOTE: In the fiscal year 1996 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, P.L. 104-37, the Secretary was directed to provide out of the Secretary's account of $10,227,000 total funding of $7,500,000 for the Service Center Implementation Team (SCIT). The Act also directed that these funds shall remain available until expended. In 1999, $2,647,688 were obligated with $2,027,656 remaining in the account.

In the fiscal year 2000 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, P.L. 106-78, the Secretary was directed to provide out of the Secretary's account of $15,436,000 total funding of $12,600,000 for a common computing environment. The Act also directed that these funds shall remain available until expended. It is estimated that in fiscal year 2000 all funds will be obligated. See Common Computing Environment/Service Center Modernization for details.

Justification of Increases and Decreases

(1) An increase of $1,320,000 for the Office of the Secretary ($11,027,000 available in fiscal year 2000) consisting of:

(a) An increase of $320,000 for pay costs.

This increase is needed to maintain staffing sufficient to ensure adequate leadership, guidance and direction of the Department.

(b) An increase of $800,000 to develop a list of biobased products for Federal procurement.

Scientific and technological advances in bioenergy and biobased products research have created enormous potential to enhance farm income and economic opportunities for rural America, strengthen U.S. energy security, and protect the environment. On August 12, 1999 the President signed Executive Order 13134, "Developing and Promoting Biobased Products and Bioenergy" to accelerate the development and commercialization of biofuels and biobased products made from agricultural and forestry resources. The funds will be used to continue implementation of Executive Order 13134. Specifically they will be allocated to those activities supported in the Biobased Products and Bioenergy Coordination Council's strategic plan. Among the major activities that would be carried out in FY 2001 are: the continued development, and subsequent publication and maintenance of a biobased products list as directed in Executive Order 13134; educational activities, such as training and conferences, to inform the public and government agencies about biobased products; development of Internet-based information systems to promote biobased products; demonstration projects to create awareness of and demand for biobased construction materials; support for the Office of the Environmental Executive; support for technology transfer activities through our research agencies; and outreach to land-grant universities involved in biobased research, education and extension.

These activities as well as other USDA programs supporting biobased products and bioenergy will: (1) create new market demand for farm and forest commodities; (2) strengthen rural income by bringing new jobs to rural America; (3) achieve important reductions in release of greenhouse gases and (4) reduce our nation's dependence of foreign oil supply. The biobased products list being developed with these funds, will greatly facilitate the purchase of products that promote

National environmental goals; increase the demand for agricultural and forest products; and expand markets for biobased products and bioenergy.

(c) An increase of $100,000 for the Office of Congressional Relations.

The Office directs and coordinates all of the Department's communications and liaison functions with the Congress, as well as with governors, tribal governments, mayors, State legislatures, State departments of agriculture and other State and local government officials and entities. Extensive staff time is required to adequately fulfill the duties of the Office, which include preparing Congressional briefings, responding to requests for information, clearing Congressional testimony for all USDA agencies, and monitoring and managing the Congressional and Intergovernmental affairs of over 35 agencies and offices. These funds would restore funds that the Congress cut from the Office's fiscal year 2000 budget, and would help ensure that the Office can maintain its essential functions of serving the Congress and other governmental offices.

(d) An increase of $100,000 for the Under Secretary for Food Safety.

These funds will support activities required by the President's Food Safety Initiative and the President's Council on Food Safety. This additional resource will enable the office to provide strong policy guidance on behalf of USDA regarding these Presidential initiatives, which require coordination with the Food and Drug Administration, the Surgeon General, the Environmental Protection Agency, the Centers for Disease Control and Prevention, the Department of Commerce, and other Federal agencies. The additional resources also will contribute to building greater public confidence in the safety of the food supply and maintaining the integrity of the Federal inspection system for meat, poultry and egg products.

Geographic Breakdown of Obligations and Staff Years
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	$28,733,589	63	$8,786,000	80	$10,035,000	80
Unobligated balance.....	403,411	--	--	--	--	--
Total, Available or Estimate.	29,137,000	63	8,786,000	80	10,035,000	80

FUND FOR RURAL AMERICA

The 1996 Farm Bill established the Fund for Rural America to provide support to rural communities across the United States. The 1996 Farm Bill specifies that at least one-third of the funds be allocated to rural development activities and one-third to research activities. No more than two-thirds of the available funds could be made available for rural development activities.

The Agricultural Research, Extension, and Education Reform Act of 1998 (P.L. 105-185) extended authorization for the Fund for Rural America through October 1, 2002. The FY 1999 appropriations language blocked the use of the funds in FY 1999. The FY 2001 budget proposes to block the authorized $60 million for FY 2001, but allows the expenditure of the second year's availability of the FY 2000 funds.

The following table shows how the FY 1999 funds available in FY 2000 were allocated.

FUND FOR RURAL AMERICA
FY 2000 Funding
(Dollars in Millions)

Program	Budget Authority	Program Level
Rural Development Activities:		
Rural Utilities Service		
Water and Waste Disposal Grants a/	$28.0	$28.0
Total, Rural Utilities Service	28.0	28.0
Rural Housing Service		
Farm Labor Housing Grants	2.5	2.5
Community Facility Grants	2.0	2.0
Total, Rural Housing Service	4.5	4.5
Rural Business-Cooperative Service:		
Guaranteed Business and Industry Loans	1.3	41.8
Rural Business Enterprise Grants	1.0	1.0
Total, Rural Business-Cooperative Service	2.3	42.8
Office of Outreach:		
Outreach for Socially Disadvantaged Farmers	5.2	5.2
Total, Rural Development Activities	$40	$80.5
Research, Extension and Education Grants:		
Center Grants	20.0	20.0
Total, Research, Extension and Education Grants	20.0	20.0
TOTAL	$60.0	$100.5

a/ Rural Development has the flexibility to allocate funding among loans and grants.

Of the funding provided in 2000, $40 million was allocated to support on-going rural development activities. These funds are to support outreach for socially disadvantaged producers, water and waste grants, farm labor housing grants, and other ongoing rural development activities. The $40 million Rural Development funds are allocated as follows:

- $28 million for water and waste water disposal systems projects, which will provide financing for about 200 projects in low-income rural communities to establish, expand and modernize water treatment and water disposal facilities;
- $5.2 million for Outreach for Socially Disadvantaged Farmers (Section 2501) projects;
- $2.5 million for farm labor housing projects at three or four high priority locations;
- $2 million for community facilities grants that may include health, child care, and emergency equipment facilities;
- $1.3 million for business and industry loan guarantees, which will support about $42 million in loans, creating or saving approximately 1,600 jobs in rural America; and
- $1 million in Rural Business Enterprise Grants, which can help small, emerging businesses in rural areas by providing technical and planning assistance.

Water and Waste Water Disposal Systems Projects

A portion of this funding will be used to reduce the existing backlogs for Water and Waste Disposal Grants. The grants can be used to finance development, storage, treatment, purification or distribution of water or the collection, treatment, or disposal of waste in rural areas and cities or towns with populations of less than 10,000. The amount of any development grant may not exceed 75 percent of the eligible development cost of the project.

Outreach for Socially Disadvantaged Farmers (Section 2501) Projects

The funding supports the Section 2501 program for Outreach for Socially Disadvantaged Producers. The funds are used to make grants and enter into contracts and other agreements with community-based organizations and educational institutions, such as the 1890/1862/1994 Land-Grant Colleges, Hispanic serving post secondary educational institutions, to provide outreach, training and technical assistance. The assistance provides such things as developing farm plans, improving production and marketing skills, implementing accounting and record keeping systems, and helping farmers better understand USDA programs. The goal of the program is to stem the reduction in the number of minority farmers and ranchers by helping them run solvent enterprises.

Farm Labor Housing Grants

This funding will be used for construction of new structures, site acquisition and development, rehabilitation of existing structures, and purchase of furnishings and equipment for dwellings, dining halls, community rooms and infirmaries.

Community Facility Grants

The funding may be used for over 80 different purposes, including child care centers, assisted living facilities, hospitals, health clinics, fire stations, libraries, school facilities, community buildings and industrial parks.

Business and Industry Loan Guarantees

This funding will support about $42 million in loans, creating or saving approximately 1,600 jobs in rural America. These loans are made to public, private or cooperative organizations, Indian tribes or tribal groups, corporate entities, or individuals for the purpose of improving the economic climate in rural areas.

Rural Business Enterprise Grants

The funding will enable rural communities to acquire and develop land, create technical assistance programs, encourage small business growth, and create new jobs.

Center Grants

Planning Grants for the Fund for Rural America Centers were awarded in FY 1998 to assist eligible applicants in developing proposals for Centers, by bringing together individuals, institutions, states or regions, who are currently working independently, into coordinated efforts around common themes that span institutional or geographical boundaries. Planning grant recipients were eligible to compete for full multi-year funding of Centers. In 1998, six centers were selected for funding, one beginning in FY 1999 and five starting in FY 2000, to address issues such as animal waste management, new crops, and food entrepreneurship. By supporting Centers, USDA's Cooperative State Research, Education, and Extension Service will bring together a critical mass of individuals and expertise to address problems and issues of importance to rural communities, producers, and the agricultural enterprise. Centers will reduce duplication of effort; enhance multi-disciplinary, multi-functional and collaborative efforts; and provide an accessible source of expert information, technology, and education upon which the public can draw. Each Center will broadly span functional areas and address problems that bridge research, education and extension. Funds will support research and demonstration projects, outreach and education activities, and Center management, coordination, and technical operations.

The $20 million in Fund for Rural America grants will be shared over four years among the following five projects:

- The Center for Minority Land and Community Security, led by Tuskegee University, will help increase land retention, acquisition, and land-based economic development among African Americans, Hispanic Americans and Native Americans.
- The Northeast Center for Food Entrepreneurship, led by Cornell University, will assist entrepreneurs starting food manufacturing businesses and farmers trying to diversify.
- The National Center for Manure and Animal Waste Management, led by North Carolina State University, will provide technical assistance and information about animal waste, while helping to lessen its environmental impact.
- A Consortium for Site-Specific Resource Management, led by the University of Minnesota, will identify and expand the use of information systems that will help farmers more effectively manage natural resources.
- The National Resource Center for Rural People in Forest Communities, led by the Forest Trust of Santa Fe, New Mexico, will help forest-dependent communities participate in natural resources decision-making.

THURSDAY, MARCH 16, 2000.

OFFICE OF THE CHIEF INFORMATION OFFICER

WITNESSES

JOSEPH LEO, CHIEF INFORMATION OFFICER

PEARLIE REED, CHAIRMAN, NATIONAL FOOD AND AGRICULTURE COUNCIL

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. SKEEN. Good morning. The committee will come to order.

INTRODUCTION OF WITNESSES

Good morning. We want to welcome today the new Chief Information Officer for the Department, Mr. Joe Leo.

Mr. Leo, let me start off by saying we appreciate the enthusiasm that you bring to the job, and I understand from your testimony that you had been involved with various initiatives to improve how information technology is used to deliver programs at USDA. That is quite an accomplishment. This new job will be particularly challenging in that regard.

OCIO BUDGET REQUEST

Your budget request for fiscal year 2001 includes three major initiatives totaling $83.6 million. As we move forward in the appropriations process, we will have to pay close attention to these items so that any resources that may be provided are targeted to help the Department deliver programs in an effective and efficient way.

NATIONAL FOOD AND AGRICULTURE COUNCIL

This morning we also have invited USDA's National Food and Agriculture Council to be with us to give us a better understanding of the role the group plays in delivering the services that are so important to so many farmers and ranchers and homeowners at the county-based service centers. Mr. Pearlie Reed of NRCS, who serves as the Chairman of the council, is at the witness table. Behind him are Keith Kelley of FSA. Good to see you again, Mr. Kelley. Inga Smulkstys of Rural Development, who, along with Mr. Kelly, are on the board of directors. These three people serve the council collaterally. We appreciate your being here.

With that, I will turn to my Ranking Member Miss Kaptur for any remarks she may have, before we proceed.

MS. KAPTUR'S REMARKS

Ms. KAPTUR. Thank you, Mr. Chairman. I just wanted to welcome Mr. Leo here this morning. I was not aware that Pearlie Reed

was chair of this group. I suppose I should have been. I apologize for not knowing that. We are happy to have you back before the committee, and also Mr. Dewhurst for his repeat performance here.

Mr. SKEEN. Year after year.

Ms. KAPTUR. Year after year, yes.

So we look forward to your testimony, and we will await the question period. Thank you.

Mr. SKEEN. With that, I turn it over to you, Mr. Leo, and then Mr. Reed for any oral comments you may have. Your written testimony Mr. Leo will be inserted in the record. It is all yours. Glad to have you here. Welcome.

OPENING REMARKS OF CIO JOSEPH LEO

Mr. LEO. Thank you, Mr. Chairman.

Mr. Chairman, Ranking Member Kaptur, Members, I appreciate the opportunity to discuss with you the information technology program at USDA. I would like to submit my written comments for the record and make just a few brief remarks prior to responding to any questions you may have.

I am joined by Mr. Pearlie Reed, the Chief of the Natural Resources Conservation Service, who is Chair of the NFAC, and Mr. Steve Dewhurst, Director of the Office of Budget and Program Analysis. With us today are Deputy Under Secretary for Rural Development Inga Smulkstys, and FSA Administrator Keith Kelly, also members of the NFAC.

The presence of my colleagues reflects our strong commitment, as well as that of the Secretary and the Deputy Secretary, to continue to work together to modernize our field service centers and create a more efficient administrative management structure for the county-based agencies.

LIFTING SSB RESTRICTION

Today we want to express our strong support for the Secretary's request that Congress remove the restrictive language included in last year's appropriations bill that prevents USDA from moving forward and implementing the Support Services Bureau—SSB.

The SSB will allow us to consolidate the now redundant administrative structures of the three service center agencies into one cost-effective, comprehensive administrative services operation. The SSB will not divert program funds to administrative activities. It is the right thing to do. It is good government, and it will strengthen our ability to support program delivery to farmers, ranchers and others by improving the administrative services program managers depend on to get the job done.

Implementing the SSB, especially by consolidating the information technology staffs of the three agencies, is also the logical and necessary extension of our efforts to provide a Common Computing Environment and shared telecommunications network in our field service centers.

COMMON COMPUTING ENVIRONMENT

Our fiscal year 2001 budget requests $75 million for that part of the service center initiative dealing with the Common Computing

Environment—CCE. The CCE is the critical component of the service center modernization initiative that will provide a single, integrated and modern technology system for county-based agencies. The CCE is needed to replace our current systems that were developed within the stovepipe of each agency and are expensive to maintain and do not enable our employees to provide modern and efficient services to farmers, ranchers and rural residents. In short, the CCE is the electronic highway for delivering agricultural services to rural America.

OCIO TO MANAGE THE CCE

To strengthen the Department's management of this initiative, last week the Secretary modified my role from that of oversight to direct management responsibility for the Common Computer Environment investments. The requested $75 million would be under the direct stewardship of my office, and I will work closely with Mr. Reed, Ms. Smulkstys and Mr. Kelly to make sure that we make significant progress in our modernization efforts.

COMPUTER SYSTEMS SECURITY REQUEST

Our fiscal year 2001 budget also requests $6.6 million for computer systems security. Recent attacks in the private sector, as well as attempted intrusions into our own computer networks, make it clear security and privacy must be among our highest priorities. The funds we have requested will allow us to strengthen computer security at the corporate level, or our perimeter, as well as at the individual agency level. We have already hired an expert in security as our new associate CIO for cybersecurity. His mission is to work with our agencies and build a computer security program modeled after the best practices in public and private sector organizations.

E-GOVERNMENT REQUEST

Also, computer security is of paramount importance because we are moving more and more towards electronic government. Today, USDA agencies make a wealth of information available to the public on their Web sites. Some agencies are also exploring more advanced e-government initiatives so that eventually, for example, grant and loan applications, procurements and other functions can actually be transacted online in a secure environment. We have requested $2 million for contract support to develop a Department-wide electronic service strategy to ensure that what we are doing meets our customers' needs, and to ensure that we leverage e-government initiatives across USDA.

CONCLUDING REMARKS OF CIO

In conclusion, to summarize, we urge you to remove the restrictive language that prevents us from streamlining our administrative structures in the county-based agencies, and we urge you to support funds we have requested for our service center modernization effort, for computer security, and for providing electronic services to our customers.

We are confident that with your support, the Department will continue to make progress in meeting the challenges that we face, and that we will be able to provide our Nation's farmers, ranchers and others the modern and efficient services they deserve.

Thank you very much. I will be pleased to respond to your questions at this time.

Mr. SKEEN. Thank you.

[The prepared statement and biography of Joseph Leo follow:]

OFFICE OF THE CHIEF INFORMATION OFFICER

Statement of Joseph Leo
Chief Information Officer

Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Mr. Chairman and members of the Subcommittee, thank you for inviting me to discuss information technology management at USDA. We view this as an opportunity to share with you the progress we are making, the problems that we continue to face, our approach to meeting those challenges, and our vision for the future.

Since I am newly appointed to this position, I want to share with you a little about myself and why I am pleased to serve the Department of Agriculture in this capacity. I am not a computer technology expert. However, I have been intimately involved with USDA and governmentwide initiatives to improve how information technology is used to deliver programs and services at the Federal and State level for most of my career. As the Deputy Administrator for Management for the Food and Nutrition Service --FNS--, I was Chairman of the Oversight Committee for reviewing State-initiated computer system development requests. I was also instrumental in promoting and shaping the direction of Electronic Benefits Transfer --EBT-- systems in the Federal government, especially for the Food Stamp and Women, Infants and Children --WIC-- programs. Most recently, I served as the leader of the Secretary's Administrative Convergence Implementation Planning Team and was Acting Executive Director of the Support Services Bureau -- SSB.

The Secretary, the Deputy Secretary and I are committed to improving the corporate management of USDA's administrative processes, and especially its information technology resources. Though change is never easy, we are confident that with your support the Department will continue to make progress. The Secretary asked me to serve in this job, and I eagerly accepted the opportunity, because I believe I can enhance USDA's corporate stewardship of the information technology resources that the Congress provides. To that end, last month the Secretary urged the Congress to remove restrictive language from our Appropriations Bill that prevents the Department from implementing the Support Services Bureau. The SSB was designed to combine the administrative functions, including the information technology staffs, of the county-based agencies and enable us to efficiently manage the Common Computing Environment, which I will discuss later.

Ours is a difficult challenge. The Department's history of stove piped agencies creates barriers to the efficient administrative management of its resources that have been well documented. USDA's first CIO, my predecessor, laid the foundation for change. The Office of the Chief Information Officer --OCIO-- is now established and is working in partnership with USDA agencies to improve how we manage information technology. My goal is to continue forging that partnership, and to help OCIO become an enabler of information technology management decisions that maximize the use of the Department's resources and provide more effective and efficient service to farmers, ranchers, and all of our mission area customers. During the past year, we successfully met the Year 2000 challenge. Now we are focused on the challenges

that all institutions face in a dynamic, exciting, and rapidly changing information technology environment and the specific problems that must be overcome at USDA. They include:

- Providing effective leadership and oversight to the Department's Service Center Modernization Initiative;

- Enhancing the security of our financial and information assets and protecting the privacy of our customers;

- Promoting the development of E-government at USDA;

- Improving the management of the Department's telecommunications resources; and

- Strengthening our capital planning and investment control process for all of the Department's information technology --IT-- resources.

USDA's FY 2001 Information Technology Budget Summary

The Department's overall budget request for information technology in FY 2001 totals nearly $1.3 billion in budget authority. This compares to $1.2 billion in budget authority for FY 2000. This amount funds staff, hardware/software purchases and support, contractor services, and telecommunications and other infrastructure expenditures. Twenty six percent of total IT

spending, approximately $350 million, funds matching entitlements which is distributed to states in support of the Food Stamp and the Women, Infants, and Children --WIC-- programs.

For FY 2001, we estimate that approximately one-half of the Department's budget outlays for IT will be devoted to infrastructure and office automation in support of all program mission areas and half will be in direct support of USDA's primary program delivery systems.

Within this $1.3 billion, OCIO's specific budget requests increased funding for three key initiatives: $75 million for the Service Center Initiative to continue installing the Common Computing Environment, an integrated shared information technology infrastructure in the county based agencies; $6.6 million for an IT security initiative to strengthen the Department's capacity to secure its data and financial assets and protect the privacy of its customers; and $2 million to develop and implement a common, corporate wide and more efficient approach to issues that all agencies must address before electronic-government can be fully implemented.

The OCIO also manages the USDA National Information Technology Center --NITC-- headquartered in Kansas City, Missouri. The NITC, with a $50 million budget funded by USDA's Working Capital Fund, provides innovative, cost effective and secure information technology solutions to support the specific missions of USDA's agencies. NITC also provides computer services to the Federal Aviation Administration, the National Weather Service, and other government clients on a reimbursable basis.

Service Center Initiative

The Service Center Modernization Initiative is among the Secretary's highest priorities. This initiative, which includes the Common Computing Environment --CCE--, is a major cornerstone of our modernization and technology improvement efforts in the Department. I am now directly responsible for managing the information technology investments in this initiative, and I will work closely with the NFAC members and the Service Center Modernization team as we go forward.

The scope of this initiative includes the program services of the Farm Service Agency -- FSA--, the Natural Resources Conservation Service --NRCS-- and the Rural Development --RD-- Mission Area. These county-based agencies will deliver an estimated $55 billion in farm, conservation and rural development programs and services during fiscal year 2000. These services will be provided through a network of over 5600 county level offices at 2500 co-located sites, and a workforce of 36,000 Federal and FSA county employees working with an additional 14,000 conservation district employees and volunteers.

Over the past few years of hardship for farmers, these county-based agencies have seen dramatic increases in workload and customer demand even as their workforce levels have fallen dramatically --10,100 staff years or 22 percent -- since 1993. The ability of these agencies to provide timely and reliable services is severely taxed. This was made clear during FY 1999 when the Department had to respond to major economic and natural disaster situations affecting the farm community. An aging, obsolete information technology infrastructure has further exacerbated this

situation and prevented the county-based agencies from gaining the efficiencies needed to readily respond to cyclical disaster workloads and meet the needs of 21st century agriculture.

The USDA Service Center Modernization Initiative has made significant progress over the past 3 years in terms of streamlining, consolidating, and co-locating offices, reengineering selected business processes, and beginning the process of modernizing the county-based agencies' technology infrastructure. The county-based agencies have closed about 1,000 field offices, reengineered and piloted new processes, nearly completed a shared telecommunications network, and begun the needed technology improvements by deploying nearly 30,000 modern and fully interchangeable individual computer workstations. However, in terms of technology, much remains to be done to realize the full potential of what a modern shared technology infrastructure can do to improve staff efficiencies and provide better and timelier services to customers.

Much of the county-based agencies' current technology infrastructure is based on mid 1980's to early 1990's technology that was developed within the "stove pipe" of each agency. Agencies' field staffs cannot yet readily share data electronically or effectively utilize modern business delivery tools such as the Internet. These old systems are also expensive to maintain and depend on technical skills that are becoming obsolete in the general market place. For example, both FSA and RD continue to rely on 14-year-old 3B2 server systems for some of their lending programs. Parts are no longer manufactured for these servers, meaning other servers must be cannibalized for parts. Further, FSA will soon face a crisis, as the manufacturer will cease to support the principal hardware operating software for its field delivery systems on March 31. Maintaining these systems is expensive in terms of "downtime" and the effort required by our

scarce technology workforce to keep this equipment running. In FY 2000, the county-based agencies will spend nearly $160 million in personnel and other costs to keep these aging "legacy systems" operational.

The Common Computing Environment is the critical component of the Service Center Modernization Initiative that will provide a single, integrated and modern technology system for the county-based agencies. The CCE architecture is based on open, interoperable systems that are flexible in terms of being able to respond to changing technologies, programs, staffing, office and organizational structures. Additionally, there is a need for Geographic Information Systems -- GIS -- since many of the business activities of the county-based agencies are associated with land and water characteristics, capabilities, and ownership. There is also a strong emphasis on providing full, secure electronic access to information and services for our customers. This is consistent with the intent of the Congress in "Freedom to E file" legislation that passed in the Senate last year.

The CCE architecture includes modern technology components needed to support the county-based agency programs. Besides the modern interchangeable workstations we have purchased, the architecture will include network/communications servers to fully connect the workstations and manage the network; application servers to host the more complex agency program applications; GIS servers to manage and deliver GIS data; public access servers to provide secure access for the public to information and services; and a variety of other devices such as printers, digital cameras, and portable data accessories. In FY 2000 and 2001, we will make the initial investments needed to connect our legacy system data to our new workstations and

begin to acquire the more expensive server components of the CCE, with the goal of a fully operational system in 2002.

The CCE technology components are being field tested, along with reengineered business processes, in nine field pilot sites. The results observed at these test sites are often more dramatic than we expected and the ways that the field staff are finding to use the new tools go well beyond our expectations. For example, with the use of a new GIS application and the associated hardware, a soil conservationist was able to generate alternative conservation filter strip options for customers in about 15 minutes compared with a time requirement of about four hours without the new tools. This kind of labor savings not only makes more efficient use of staff but also allows us to offer a broader range of alternatives and more timely and professional products to our customers. While not all of the Service Center activities may see this degree of efficiency improvement, it is clear that the new tools and processes will dramatically improve our program delivery capacity and the value of our services to agriculture and rural America.

The CCE, together with reengineered business processes, will maximize data sharing between agencies, increase staff efficiencies and provide many direct customer benefits. For example:

- Customers who have multi-county or State operations will be able to have all of their needs met at one Service Center rather than traveling to several offices.

- Customers will no longer have to provide redundant and duplicative information because the agencies will be able to share a common database. Paper work burdens will be significantly reduced by the elimination, consolidation, and automation of forms and applications, and the reliance on fully integrated information systems across the agencies.

- Customers will be able to remotely access program information, their client specific data, and provide required reports and apply for programs from their homes, offices, public libraries, or any other location with an Internet connection.

- More time can be spent serving customers because of the elimination of duplicative administrative work currently performed by field staff.

- More information sharing partnerships with other agencies, state and local government, academia, and the private sector can be supported and integrated, thus improving quality and reducing the complexity of services to the customer. For example, benefits payments will be processed electronically and deposited directly into customers' accounts.

Achieving these staff and customer benefits requires the CCE infrastructure. Our challenge of maintaining current systems to support program delivery, converting hundreds of agency applications to a new environment, and acquiring the needed CCE hardware and software can not be met unless there is an infusion of capital investment funds to supplement our on-going technology budgets. The $12.6 million provided by the Congress in FY 2000 is a start. The President's budget request increases this capital investment funding to $75 million in FY 2001.

This funding level is essential in order to move ahead with the investments to ensure that we have a fully operational CCE infrastructure in place during FY 2002 that will support the kind of service delivery that our agricultural and other rural population needs and deserves. Without the additional funds requested, the CCE and resulting customer benefits will not become a reality and the costs and risk associated with maintaining nearly obsolete information technology will continue.

Other funds included within the budgets of the Service Center agencies will continue to support reengineering of business processes, conversion of existing applications, data acquisition to support GIS, and training needed to maximize the benefits of the CCE. These are necessary components of the whole and likewise need continued funding and support. We ask for your support and for the necessary funds to meet our mutually shared objective of providing efficient, reliable, and quality services to this community of customers.

Support Services Bureau

Mr. Chairman, the CCE is critical to modernizing the information technology in the county-based agencies. As the Secretary pointed out in his recent testimony, it is also vitally important that the county-based agencies' administrative structures be reengineered to complement our streamlined, and coordinated, information technology. Each of the three county-based agencies continues to retain separate administrative structures that develop different policies in areas such as information technology, travel, personnel management, procurement, and accounting. This arrangement defies logic and defeats our goal of providing seamless, quality

service to our farmers and rural residents as efficiently and effectively as possible. It also frustrates our customers as the three agencies sort through different policies, guidelines, and procedures to figure out who can do what. The SSB organization would converge three redundant, overlapping agency bureaucracies into one cost-effective, comprehensive administrative services operation. This cannot occur unless the Congress removes the restrictive appropriations language that prevented the Department from implementing the SSB last year.

Consolidating the administrative staffs of the service center agencies will provide significant efficiencies and improvements in services. For example, the SSB organization will eliminate two-thirds of these agencies' existing administrative structures and will immediately consolidate 44 separate administrative divisions in these agencies down to 10. The SSB will not divert program resources to administrative activities; in fact, it is needed because USDA agencies are being asked to provide improved program delivery services with less administrative funding and staff. The SSB is designed to allow agencies to operate efficiently at lower levels of administrative staff and funding. In addition, the consolidation of the information technology staffs of these county-based agencies is a logical and necessary extension of providing a common computing environment and a shared telecommunications network to support their programs. The management and maintenance of these shared systems can only be accomplished effectively with a shared information technology staff.

The Service Center Partnership Council, which is made up of the unions and employee associations representing the Service Center Agency employees, has been fully engaged with us in the modernization initiative and are very supportive of our business process reengineering, change

management, and Common Computing Environment plans. Most of the employee groups on our Labor – Management Administrative Convergence Implementation Team also support establishment of the SSB. Representatives of employees at the field level recognize the importance of a streamlined administrative structure to employees' ability to continue to provide high quality services to our customers, especially with fewer resources. We ask for your support in eliminating the restrictive language and allowing us to move forward with this critical component of our efforts to improve services in the county-based agencies.

Computer (Cyber) Systems Security

Our other major priority is to strengthen cyber-security. Recently publicized attacks on major e-commerce firms in the private sector make it clear that in today's environment no organization is secure from cyber-attacks. USDA must do everything possible to protect the security of the valuable information assets, including financial assets, with which we have been entrusted, while at the same time protecting the privacy of our customers. We appreciate the $500,000 in funding which the Congress made available in the OCIO FY 2000 appropriations to strengthen our program. However, USDA remains much too vulnerable. Though we have begun strengthening our cyber, or information systems, security program and have been able to repel some efforts at intrusion without apparent damage, the Department must act quickly to strengthen our corporate and agency level approach to security and privacy.

Every day, the information that USDA agencies manage affects the financial markets and lives of individuals. The National Finance Center -- NFC -- in New Orleans processes payroll and

administers the Thrift Savings Plan for federal employees. Rural Development's loan portfolio exceeds $100 billion. The data collected by the National Agricultural Statistical Service -- NASS -- is vital to the health of our nation's financial markets. Our systems have personal and financial information on millions of customers and on each of our employees. At the same time, USDA is increasingly using the Internet to provide customers information about programs and services, and, will eventually use it to empower them to transact business with the Department online. With annual payments totaling billions of dollars, we must take prompt and comprehensive action to mitigate what is now an unacceptable high risk of data and potential financial losses.

Our reviews, and those of the GAO and the Office of the Inspector General, indicate that the Department is vulnerable in several key areas:

- The Department needs to strengthen control mechanisms to ensure encryption of sensitive and Privacy Act data transmitted over the Internet.

- Weaknesses have been identified in security at some individual sites, attributed to the need for a more structured security program.

- The Department lacks an effective corporate telecommunications network management and monitoring system.

- Several major Internet access nodes for USDA currently have not installed sufficient firewalls and intrusion detection hardware and software. The Department is acquiring the

necessary equipment to upgrade the highest priority nodes and elevate our intrusion detection capabilities.

We are taking steps to address weaknesses identified by OIG and GAO. In response to concerns about the transmission of unencrypted data over the Internet, the National Information Technology Center -- NITC -- and FNS are testing and implementing encryption software. Departmental regulations are being updated to require that all sensitive data transmitted over open networks be encrypted. We recently chartered the USDA Counter Cyber-Terrorism Policy Council at the senior management level to provide coordination and direction for our responsibilities to prevent terrorist incidents and secure our critical infrastructure. Also, on a daily basis, my staff is engaged in discussions both within USDA and in forums that include the larger federal community to find strategies and solutions that will ensure the reliability and integrity of our information assets.

To lead the Department's cyber-security efforts, we recently established the new position of Associate Chief Information Officer for Cyber-Security and hired a security expert with over 13 years experience focusing on information security at both the Internal Revenue Service and the General Accounting Office. We are pleased to fill this position with someone with the expertise this task requires. Even so, the security disciplines of risk management, infrastructure assessment, incident prevention, and others are highly specialized skills: the reality is that adequate security expertise is still very much in short supply within the Department's technical staff.

Recognizing this, the FY 2001 budget requests $6.6 million to fund a multi-year USDA-wide cyber-security program, headed by the Associate CIO for Cyber-Security, which is designed to 1) provide an overall corporate cyber-security strategy, and 2) augment existing Departmental and cyber-security activities and coordinate, complement, and strengthen existing agency efforts in the computer systems security arena. The 6-point cyber-security program will encompass the following:

1. **Promote Awareness and Training:** Promote awareness among USDA personnel of the importance of security and their responsibility to protect critical information from cyber-threats. Also, educate selected USDA personnel about existing and new procedures available to actively mitigate risks to information technology assets.

2. **Strengthen Cyber-Security Policies:** Review and enhance the Department's basic cyber-security policies, procedures, and standards in the areas of physical access to hardware, logical access to software, and network security in order to lay the groundwork for developing a solid and consistent baseline for cyber-security practices across each USDA agency.

3. **Establish Corporate and Strengthen Agency Risk Management Programs:** Devise an operational strategy to oversee the self-assessment each USDA agency is currently or will undertake of its own cyber-security program, including onsite monitoring and reviews, to identify vulnerabilities and gaps in existing operations and ensure appropriate mitigation

measures are taken. As technology changes, corporate as well as agency compliance monitoring will be critical to the success of this program.

4. **Collaborate in Designing a USDA Information and Telecommunications Security Architecture:** OCIO shares the responsibility for developing a structured information and telecommunications security architecture with all USDA agencies.

5. **Provide "Best Practice" Assistance:** Provide selected "best practice" advice and assistance to USDA agencies to resolve the most pressing cyber-security lapses and tailor Departmental policies and procedures to reflect new guidance from industry and oversight agencies.

6. **Strengthen Incident Recognition, Reporting, and Response:** Strengthen USDA's cyber-security incident recognition, reporting, and response program using contractor expertise to incorporate knowledge of newly discovered vulnerabilities into agency cyber-security programs; develop a description of key security practices; support agencies in evaluating security incidents; and begin to develop a rapid event response capability.

These initiatives are focused on strengthening information security management at the corporate level. While each agency implements security based on its specific mission needs, funding levels and enabling legislation, the Department will only be as secure as its weakest link. It will do no good for the Department to lock its main doors, shut all of its windows, while leaving the back door open. USDA requires a corporate wide or perimeter approach to security.

While we must strengthen the Department's perimeter, agencies are also deploying a wide range of security mechanisms. The National Finance Center faces challenges with information security, especially as it has introduced client server and web-based applications that move beyond mainframe technology. NFC has organized a team to address network security management issues. To date, the NFC has procured and implemented tools to identify its vulnerabilities --which are addressed as they are identified --; restricted access to sensitive information; implemented controls to restrict security access to job-related needs; developed and implemented procedures to maintain technical controls; and taken steps to raise awareness among all NFC employees.

The National Agricultural Statistics Service also requires a very high level of information security, which is necessary to maintain agency credibility given the market sensitivity of the reports released to the public and the confidential nature of the data collected from the nation's farmers, ranchers, and agribusiness. In 1998 Lockheed Martin conducted a risk assessment of NASS and recommended that the agency deploy firewalls, encryption devices, and other security options to protect data from compromise or modification due to attacks. These recommendations were consistent with the findings of a 1995 OIG report. The Department's FY 2001 budget requests $1.4 million in funding for NASS to address the technical, managerial, and administrative issues required to strengthen cyber-security in NASS. This computer security architecture is essential to strengthen NASS's internal security while retaining the benefits of a shared network with the Department.

As they develop the capability to widely process transactions online, the county-based agencies, the Agricultural Marketing Service, among others, are also working together to ensure the security of and privacy of customers' information. Firewalls, intrusion detection, and public key infrastructures are being deployed to protect our assets and the public.

Each of these agency specific efforts is important; however, I must reiterate that USDA is only as secure as its weakest link. The plan we have developed will ensure that USDA implements comprehensive security practices, while increasing our ability to materially enhance our security in an environment where the challenges will continue to grow exponentially.

E-Government

Our initiative to strengthen cyber-security is critical today primarily because the Department is increasingly communicating with and will eventually be conducting transactions with our customers over the Internet. Given the rapid adoption of the Internet in conducting business with the private sector, the American people increasingly expect the same level of efficiency when transacting business with USDA and other government agencies.

Under the Government Paperwork Elimination Act, the Department and other Federal agencies must generally provide customers the option to use electronic documents and signatures, and electronic record keeping where practical, by October 2003. The Freedom to E-File Act would require the Department to provide farmers the ability to securely file program applications online. USDA is fully supportive of these initiatives. However, this will represent a fundamental

change in the way USDA agencies deliver programs and services, as well as how we process administrative functions.

At present, many of the forms farmers need to apply for various programs are available online. After the producer fills out the form online, he or she has the option of faxing the completed form into the county office, thereby saving a trip. The funding we have requested for our Service Center Modernization Initiative is critical to put in place the kind of technical infrastructure that is required so that producers can file their applications online. We have much work to do, in terms of security, modernizing our telecommunications and other equipment, reengineering business processes, training our employees, and educating our customers, before farmers and other citizens can conduct their business – whether filing a program application, applying for a grant or loan, or transacting procurements – online.

Realizing this vision is complex, especially when the Internet is still growing and developing. Civilian agencies cannot afford to incur the extraordinary levels of risk as the private sector where many e-businesses will undoubtedly fail. Our challenge is to invest – as prudently as possible – the resources appropriated by Congress in the business processes and information technology that have been proven successful in the private sector. The Department must develop a corporate approach that leverages best practices from the private sector and, where practical, agency initiatives, to effectively implement e-government. In a very limited fashion, we are currently examining these issues from a Departmental perspective with existing resources.

Our FY 2001 budget requests $2 million for e-government. This funding will enable the Department to develop a coordinated strategy and ensure that cross-cutting issues which affect all USDA customers and employees are identified, prioritized and addressed as agencies pursue e-government initiatives. OCIO needs contract support to:

- Develop a Department-wide strategy and standards, and determine baselines and performance metrics, as required by Presidential Memorandum, to move towards a digital department;

- Identify innovative e-government and e-business applications within the private sector and other federal agencies, and share best practices with USDA agencies, focusing on mitigating risks.

- Ensure that USDA's e-government initiatives meet customer needs through outreach and other customer assessment initiatives;

- Analyze e-government applications within USDA agencies, determine where possible linkages exist, and, where practical, leverage successes across the Department;

- Improve coordination and develop standardized approaches to cross-cutting issues, including: use of the Internet, intranet, and extranet, data warehousing, data mining, electronic mail and other electronic directories, online forms, privacy, and training our IT staff to integrate web-based applications into the Department's technical infrastructure.

USDA agencies have a number of e-government related initiatives in process. Most are at the initial stage of e-government where agencies are using the Internet to provide the public electronic access to information about the Department's programs and services, market information, as well as breaking news. For example:

The **Natural Resources Conservation Service's** -- **NRCS** – PLANTs website provides a single source of standardized information about plants in the US and its territories. The database includes all sorts of information about plants, and is accessed by over 57,000 users per month.

The **Rural Development** agencies provide data over their web sites about all of their housing, infrastructure and job creating programs, as well as links to other sites of interest to the rural development community. Almost a million citizens viewed these web sites in 1999.

Visitors to the web site of the **Risk Management Agency --RMA--**, which manages Federal crop insurance, can access and search county actuarial tables online, by State or crop. There is also an education site to assist producers and agribusiness in understanding their risk exposure and responsibility.

Another example is USDA's **Forest Service --FS--**, which is participating in a one-stop recreation site with seven other Federal agencies. The site -- www.recreation.gov -- is part of the Vice-President's Access America initiative that was established to provide a single source of information about recreation on federal lands. Citizens can now reserve campground sites via the

Internet. FS is also piloting a clearinghouse on the Internet for distributing information related to Forest Plan updates. The clearinghouse application allows the public to view information generated from the FS' Geographical Information System (GIS) and relate their comments on the plan to specific locations on a GIS map.

The **Agricultural Research Service -- ARS --** web sites provide Internet access to extensive resources for scientists, regulators, farmers and many other customers. ARS laboratories use the Internet to provide information about their missions, research programs, results, and analyses. Technical and semi-technical publications produced in-house are published electronically; and customers may now subscribe to the *Agricultural Research* magazine online. Some 1500 stakeholders, including media outlets, commodity groups, educators, and others, have also signed up for a daily e-mail feed. An interactive web site for middle school students, "Science for Kids," showcases ARS research results in ways that demonstrate the importance of agriculture in people's everyday lives and help students understand and appreciate the benefits of agricultural research.

The **National Agricultural Library --NAL --** is also providing increased electronic access to its unparalleled storehouse of agriculture related information and to improve the services it provides. NAL maintains the Agriculture Online Access bibliographic database of more than 3 million citations to the literature of agriculture and related physical and social science subjects. NAL is also working in partnership with land-grant universities and other institutions through the establishment of the Agriculture Network Information Center -- AGNIC -- that serves as a major focal point on the Internet for access to quality information, subject area experts, and other

resources. Funding is needed for new technology to improve search systems that operate across multiple institutions and to expand the scope of these initiatives.

The Department's main "home page" --**www.usda.gov**-- has also recently been redesigned to provide visitors with information about critical Departmental issues and Secretarial initiatives, regardless of which agency or mission area they relate to. The homepage provides links to pages developed and maintained by USDA's agencies. However, one major concern, which again reflects the Department's stove piped nature, is that customers cannot easily look up information about USDA based on the subject of interest. As the pages are currently displayed, most information is organized by agency. A farmer who wants to know about a specific commodity, for example, would have to know which agencies -and there could be several- are most likely to have the information, and pursue it separately. Our e-government vision includes eventually providing customers a "portal," a main web site, similar to major private sector sites such as Yahoo.com, that will be organized by subjects, so that visitors can find the information they want regardless of which agencies might possess it.

The Internet now makes it possible for the Department to provide real time information to the public about issues critical to their health and welfare. USDA's broadcast facilities, managed by the **Office of Communications**, provide a wealth of information to farmers daily through radio and satellite transmissions. Daily and weekly radio and news reports supply information about sign ups for farm programs; announce results of agricultural research; broadcast major policy changes; provide consumer news on food prices, nutrition, conservation, and the environment; and report vital economic news about crop prices and supplies, as well as crop weather conditions.

However, the broadcast industry is moving quickly to digital standards that our existing equipment cannot meet. The Department must update its broadcast equipment so that information can be provided in digital formats that meet standards for digital and audio quality. The improvements we propose in the FY 2001 budget request will provide rural radio stations increased flexibility and speed in selecting and using the messages they wish to record and use; save them telephone time and money; and allow the Department to operate this function with a streamlined staff. Our goal is to use the Internet to allow farmers, constituency groups, and the public to take full advantage of the programs, services, and data at USDA. This means that we must invest in the kinds of high-speed computers and telecommunications equipment necessary to handle the voluminous files required to electronically disseminate video, photographs, radio, and television messages in digital formats.

Increasingly, USDA agencies are working with State and local partners, and other agencies, to develop applications that utilize the Internet to actually conduct e-business. Agencies are trying to meet the demands of their customers by moving beyond simply providing the public access to information via the Internet to implementing more advanced applications to conduct secure transactions online. Processes, from applying for grants to procuring products and services, are being web enabled. For example:

The **Food and Nutrition Service**, which is in the forefront of e-government through its highly successful Electronic Benefits Transfer --EBT-- initiative, has plans to use the Internet to share information with its state partners; provide authorized users online access to information to

help reduce fraud; and collect information directly from retailers who support the WIC program. FNS has also begun planning for an extranet environment that will allow entry to only users who have direct business with FNS. FNS currently uses an Electronic Data Interchange -- EDI -- system in its food distribution division that enables customers to process some 80 percent of the orders for the school lunch program. Of course, all of these applications are being developed with security and privacy as key components.

CSREES is a participant in the Inter-Agency Electronic Grants Committee (IAEGC) in the development of standard processes, standard Federal data sets, and the design of a "portal" to Federal grants activities known as the Federal Commons. The portal will allow citizens and institutions to track the status of federal grant proposals online throughout the entire grants life cycle. When it is completed, constituents will be able to apply for grants electronically as well as receive award notices online. This kind of interagency initiative is key to government's ability to provide citizens with the kind of common interfaces to government they are demanding; however these projects are expensive and they depend upon means being found to support interagency funding that have yet to be developed. CSREES has actually been using electronic mail to send acknowledgement of proposal receipts for the past year, reducing turn around time by weeks from the normal paper intensive process. However, much more work must be done before citizens can actually submit their proposals online.

The **Farm Services Agency** has already implemented an award winning e-business application – the Electronic Bid Entry System - that automates the bid entry portion of USDA's procurement of commodities that are exported under foreign food aid programs. With this system,

bids for some $1.2 billion in food for farm aid can be opened and contracts awarded in two hours. Plus, up to the minute market prices improve competition, so that more people can be fed for each dollar in aid. More recently, FSA has developed a system which allows steamship lines to use the Internet to input bid data. Yet another e-business application allows FSA to issue payment statements to vendors via e-mail, with estimated savings to vendors of almost $200,000 per year as a result.

In 1997, USDA's **Agricultural Marketing Service --AMS --** became the first Federal agency to actually use the Internet in the rule-making process by posting proposed rules for the National Organic Program, which sets standards for organic produce, for comment on its web site. As a result, the agency reported receiving over five times the usual number of comments on the proposed rule. AMS is now focused on educating employees and managers about potential e-business opportunities; establishing a viable Internet infrastructure which is 80 percent complete; providing adequate security for that infrastructure; training staff; and providing training to secure expert web building support to all AMS users.

Rural Development --RD-- agencies are developing web-based applications to allow more efficient operation of multi-family housing programs. Over 10,000 changes to tenant certifications, such as changes in income, etc, are received each month from borrowers. RD plans to enable those borrowers to transmit this information electronically or to enter data directly via a web page. Borrower and lender changes for RD and FSA guaranteed programs are now accepted via Intranet, and all RD community program reporting is now available through the web.

Departmental Administration is also developing e-business in the area of procurement. Our FY 2001 IT portfolio includes piloting an Integrated Acquisition System --IAS -- that would allow the Department to electronically post requirements and receive vendor responses while also automating support of other purchasing and contracting activities. The IAS will interface with the Department's Foundation Financial Information System --FFIS-- and complement the efforts of our redesigned purchase card management program. This key e-business initiative would allow USDA to procure much of the $3.5 billion annually in products and services using modern automated procurement tools; greatly streamlining the current paper intensive process; and allow the Department to eventually phase out legacy systems and their attendant costs.

USDA agencies are currently developing these new applications in an environment where literally "a thousand flowers are blooming." The host of web sites run by USDA agencies are supported by scores of servers, and other technology, which is decentralized and often redundant across agencies and even at the state and regional level. Web enabled applications are being developed often without adequate consideration of the impact on the Department's telecommunications network; and in an environment where we cannot effectively leverage each agency's initiatives across the Department. Solutions and best practices, which might be implemented across agencies, are not being shared - nor are lessons learned.

The Department must act quickly and decisively to develop a corporate strategy for e-government to ensure that we maximize the resources that are being devoted to this effort. The funds we have requested will allow OCIO, in conjunction with USDA agencies, to develop a

coordinated approach to e-government with an emphasis on sharing lessons and leveraging solutions across USDA.

Digital Divide

As we move forward, USDA must also work to help close the "digital divide." Before our vision of e-government can be realized, America's farmers, agricultural producers, rural residents, and other USDA customers must have Internet access. The Internet is increasingly a driving force behind our economic prosperity. Unfortunately, it is also a dividing force behind the growing digital and economic divide between rural and urban communities. USDA is uniquely capable of helping to close the digital divide in rural America and addressing this issue is also a part of our strategy for e-government. For example:

- Over the past six years, the **Rural Utilities Service --RUS--** has financed $1.2 billion in fiber optic facilities and $790 million in digital switching systems and enhanced feature software;
- Since 1993, RUS has funded 306 distance learning and telemedicine projects in 44 States and 2 territories, totaling $83 million;
- USDA sponsored 4-H Technology Leadership Teams are helping thousands of adults learn how to use the Internet; and
- In FY 1999, USDA donated some $1.9 million in information technology equipment to needy schools and non-profit organizations.

Still, approximately 6 percent of Americans, many of whom live within Tribal communities and rural areas, are today without telephone service of any kind; millions more have unreliable service or service that will not support features required to access the Internet.

To better share information and target the many efforts across USDA to bridge the digital divide, the Secretary has formed a USDA working group to focus on this issue. Deputy CIO Ira Hobbs is leading my office's participation in this effort, which is exploring what USDA can do to help provide rural America with the four "C's" necessary to fully participate in the Internet: computers, connectivity, competency, and content.

Enterprise Network Initiative

The diverse set of programs that USDA supports require substantial telecommunications resources. The Service Center modernization efforts, as well as the e-government initiatives already described, are also rapidly creating additional requirements for the increased bandwidth services and telecommunications equipment necessary to operate effectively in an online environment.

The Department's telecommunications networks can be compared to the Nation's highway system. Many local and State roads and highways feed into the Interstate system – an enterprise network of sorts that allows high volume traffic to flow across the country. The enterprise telecommunications backbone consists of a corporate network (interstate highway) with feeder

networks (primary and secondary roads) managed at the agency level. Our vision is to develop a modern and efficient enterprise/corporate network.

The General Accounting Office and the Congress have documented the missed opportunities to save millions of dollars with respect to telecommunications at USDA. We are working hard to improve our performance in this area. For example, we have made progress in correcting deficiencies raised in previous GAO audit reports. To ensure that telecommunications services and leased telecommunications equipment are terminated upon office closures, a checklist to be used when closing offices was provided to the agencies. Steps have also been taken to eliminate redundant, uneconomical or unused services and equipment. In response to another GAO recommendation, we have developed a plan to establish a telephone fraud incident reporting mechanism between the long distance exchange carriers and USDA's System Network Control Center --SNCC -- in Kansas City, MO. We are also taking advantage of every opportunity during the current FTS2001 transition to improve our performance in this area.

Even so, fundamental changes are required to improve our stewardship of USDA's telecommunications resources. The Department has long recognized that a corporate or enterprise network is necessary to support consolidated telecommunications operations; provide interoperability for interagency communications and data exchange among agencies and programs; and enhance program delivery and eliminate redundant services, facilities, resources, and operations. Most importantly, an enterprise network is also an integral component of our efforts to strengthen cyber-security.

Simply stated, the USDA enterprise network solution makes good business sense. With mergers occurring throughout the telecommunications industry, often resulting in reduced unit costs for telecommunications services, an enterprise network will enable USDA to leverage the apparent successes documented by our industry partners and take advantage of these reductions. The aggregation of telecommunications services and equipment from a corporate perspective can also significantly reduce the unit costs that are incurred by individual agencies by allowing the Department to take advantage of the economies-of-scale that exist. The bottom line is improved USDA program delivery.

Our Telecommunications Services and Operations --OCIO-TSO -- organization, which is being led by a very capable Associate CIO for Telecommunications who joined the Department last year, has been actively engaged in the process of identifying agency business requirements and redefining the architecture of an enterprise network. This process has included ongoing dialogues with Deputy Under Secretaries, agency program managers, as well as agency Chief Information Officers to ensure that programmatic and IT issues are identified early on in the planning phase.

Strengthening Information Technology Management

A critical component of our ability to improve the corporate management of USDA's information technology resources is our ongoing effort to utilize capital planning and investment controls, build our architecture, and implement other aspects of the Clinger-Cohen Act. These will continue to be high priority activities for us in FY 2001.

The Capital Planning Investment and Control --CPIC -- process is key to our capacity to strengthen the corporate management of the Department's IT resources. The goal of CPIC is to help agencies better plan for, acquire, and implement information systems to improve their operating performance. CPIC permits the Department to make more informed and intelligent investment decisions regarding capital acquisitions.

The Executive Information Technology Investment Review Board, which is chaired by the Deputy Secretary, reviews, monitors and approves the Department-wide information technology investments in support of USDA business objectives. In addition to the Deputy Secretary, the members of the EITIRB include the CIO, the Deputy CIO, the CFO, the Director of the Office of Budget and Program Analysis, the Inspector General, the General Counsel, and Under/Assistant Secretaries.

This year, for the first time, the EITIRB members asked the Deputy Under and Assistant Secretaries to form an EIRTB advisory working group to review USDA's major IT investment portfolio and make recommendations to EITRB members. The working group has reviewed proposed IT investments based on Clinger-Cohen Act criteria, including support of mission, investment risk, expected return on investment, and for investments underway, actual performance versus planned performance.

The Secretary has also appointed an Administrative/Financial Systems Executive Committee, which is headed by the Chief Financial Officer, to focus specifically on strengthening the corporate management of the Department's administrative and financial systems, including

accounting, budget execution, procurement, property, human resources, and travel. We are acutely aware that program managers, policy officials, members of Congress and other stakeholders need better and timelier information to support essential program management and financial decisions. Better information is also required for the Department to comply with the Government Performance and Results Act --GPRA-- and other requirements. The Secretary has charged the CFO, the Assistant Secretary for Administration, myself, and other officials to establish Department-wide priorities on how to get this accomplished.

These initiatives will ensure that the EITIRB has received sufficient input from the administrative and program communities as it makes recommendations about USDA's vast IT investment portfolio. Some of the major systems in the portfolio are:

- The Programs Funding Control System --PFCS-- will provide **FSA and Rural Development** agencies the ability to manage and control program funds based on restrictions mandated by Congress. This system will provide timely and accurate funds control data to the Farm Services Agency and Rural Development budget, program, finance and field office staffs.

- The Guaranteed Loan System --GLS-- supports guaranteed loan business activity in **RD** and the **Farm Service Agency** by providing timely and accurate status information. This will give managers the information they need to effectively manage these programs; help achieve reductions in non-performing loans, reduce risks in credit programs; and achieve annual costs avoidance of $250,000 through reduced postage and mailing costs.

- The Community and Utility Business System will modernize the **Rural Utilities Service's** loan servicing program, provide RUS with state of the art automation capabilities, and replace stovepiped legacy systems with a fully integrated modern online system, allowing the sharing of data with external systems in a more efficient manner.

- The Processed Commodities Inventory Management System --PCIMS-- is used to plan, procure, order, allocate, distribute, track and account for processed commodities to program recipients for **FSA, FNS, and AMS**, integrating data and business functions across three agencies.

- The Integrated Systems Acquisition Project --ISAP-- is a strategic initiative designed to replace aging, obsolete, and non-integrated platforms with integrated hardware and software across **APHIS**. ISAP will facilitate epidemiology studies across large geographic areas in timeframe that will enhance the ability to track, predict, and prevent serous outbreaks of diseases.

- Field Automation and Information Management --FAIM--, the **Food Safety and Inspection Service's --FSIS--** main initiative, is designed to integrate agency-wide information management and data sharing and extend modern information handling capabilities down to the in-plant inspector level.

- The Multi-Family Integrated System --MFIS-- supports the **Rural Housing Services'** Multi-Family Housing program by providing timely and accurate information on the management of multi-family housing projects. This system will provide agency management with access to information on the financial and management status of over 18,000 housing projects and 450,000 low income and senior citizen families reducing the opportunity for fraud, waste, and abuse.

- The Foundation Financial Information System --FFIS-- will provide timely and accurate financial information to support better program management, legislative proposals, and other Departmental initiatives; and help USDA achieve an unqualified opinion on its financial statements while conforming to requirements of the Federal Financial Manager's Integrity Act. The **Forest Service** and **FSIS**, representing 46 percent of USDA's workforce, successfully implemented this system at the beginning of FY 2000. Consequently, the Secretary has accelerated deployment this year to include **RD, FSA, NRCS and the Animal and Plant Health Inspection Service.**

These and other key IT investments are major components of USDA's IT investment portfolio. The Executive Information Technology Investment Review Board's review will ensure that each of these investments are fully aligned with the Department's business processes and architecture, and that their corporate impacts have been fully considered. The direct participation of senior officials in USDA's IT investment process is recognized within the agencies and has led to much greater attention to details as agencies analyze investment alternatives.

USDA Architecture

We are also continuing our efforts to develop USDA's Information Systems Technology Architecture --ISTA. The architecture has been used successfully in the development of core business processes for each mission area, establishment of the applications baseline for the Y2K initiative, development of the proposed enterprise telecommunications network, and creation of the baseline architecture for use by the Service Center Initiative and the Common Computing Environment. In addition, the architecture processes have been integrated with the Capital Planning and Investment Control Process.

In the course of developing and utilizing our architecture, we have:

- Identified core business processes for each mission area/agency;
- Developed a future architecture direction that focuses on a corporate approach for shared information and applications and recognizes the movement towards e-government;
- Developed architecture management processes to guide future architecture development efforts; and
- Begun integrating the IT Capital Planning and Investment Control and architecture processes: agency IT budgets and investments are being analyzed for compliance with the architecture.

To further these initiatives, our current plan includes: publishing the updated and expanded version of the USDA ISTA in both paper and electronic forms; continuing partnerships with and outreach to agencies regarding education and awareness of architecture principles, standards, processes, and future architecture direction; and identifying areas for increased collaboration to reduce redundant information systems. We will also continue to focus on implementing the ISTA Governance Framework. This includes establishing the groups who will oversee and operate specific architecture processes.

Workforce Planning

The Clinger-Cohen Act requires that executives, managers, and staff be trained in information resources management --IRM. Ensuring that USDA's program and IT staffs possess the skills necessary to effectively deliver programs and services with information technology is another priority for OCIO and, increasingly, for USDA's human resources community as well. We also face the challenge of competing with the private sector to recruit and retain skilled IT professionals. To this end, we are working to implement a professional development strategy that includes the recruitment and retention of IT professionals across the Department. The Office of the Chief Information Officer is partnering with the Office of Human Resources Management -- OHRM -- and with USDA agencies to carry out these efforts.

The average age of USDA's current IT workforce is 46 and the average length of service is 18 years. It is clear that our very experienced IT workforce is nearing retirement age in large numbers. OCIO's IT workforce improvement effort must address this situation.

Our efforts to address this issue includes supporting the OPM initiative to revise the way the Government structures and defines IT work by participating in an OPM-led pilot on proposed specialty titles and competencies for IT positions. Our IT Workforce Planning and Development working group is focusing on major hurdles identified by the agencies such as pay differentials between government and private industry; the need for stronger IT management by IT and non-IT managers throughout the Department; more IT training opportunities within the Department; the need for a more thorough exit interview process; institution of retention bonuses such as transport incentives; and the need for closer IT-HR collaboration in order to improve the recruitment and retention of IT personnel. The working group also plans to collaborate with the agencies in ensuring that the Federal IT core competencies are used by IT managers in recruiting, evaluating and developing the skills of IT employees.

On a Government-wide level, USDA remains a committed player in the effort to improve the Federal IT workforce through its active role on the CIO Council's IT Workforce Challenge Committee. USDA Deputy CIO Ira Hobbs serves as the co-chair of this committee. The Committee is currently reviewing of the significance of pay as a critical factor in the recruitment and retention of IT professionals.

As we have discussed earlier with reference to cyber-security, the ability to effectively recruit and retain skilled IT professionals is absolutely critical if we are to effectively use information technology to deliver programs and services to the American people. For that reason, my office will continue to focus attention on these issues.

Y2K

The Department's capacity to work together as a corporate entity and produce results was demonstrated most effectively through our successful efforts to prepare for the millennium rollover. USDA was able to successfully manage the millennium rollover, as well as the most recent "Leap Year" conversion, at the corporate and individual agency levels. The Office of the Chief Information Officer established an effective partnership with each mission area and agency, providing leadership, guidance, and technical assistance, while ensuring standardization, through each phase of the Year 2000 remediation and reporting process. Significantly, an effective partnership was established between the Department's information technology community and program leaders.

The Secretary ensured that program officials were fully accountable for our Year 2000 effort; consequently, program managers are now much more attuned to the critical role that information technology plays in support of program delivery. Because of our collective efforts, as the Year 2000 began, USDA agencies reported that 100 percent of mission critical and non-mission critical systems continued to operate normally, as did all USDA occupied buildings and

facilities, high impact programs, telecommunications, and laboratory and scientific systems. There was no impact whatsoever on the Department's ability to deliver critical programs and services to the American people.

Of course, meeting the Year 2000 challenge was expensive. Between fiscal years 1996 – 2000, USDA spent some $188 million on various aspects of Year 2000 remediation. Appropriations were used for hardware and software upgrades and replacements, renovation, validation and implementation of systems undergoing repair, and technical assistance. Of the $183 million, some $57 million was in emergency supplemental funding for Year 2000 conversion.

We believe this money was well spent. The Year 2000 effort left the Department much better positioned to meet all of the challenges that we face. It is a positive example of the kind of results that occur when the CIO's office acts in concert with USDA agencies, and of course our oversight bodies, to ensure that our goals are clearly defined and achieved.

Conclusion

The Department of Agriculture faces critical challenges as it transitions into this new era of e-government. The Service Center Modernization Initiative, which will bring USDA's county offices into the 21st century, vastly improve the efficiency of our programs and services, and reduce the burden on our customers is clearly among the Department's highest information technology priorities. The Common Computing Environment and Support Services Bureau are both keys to effectively modernizing the services we deliver to farmers, ranchers, and other customers of our county-based agencies.

Maintaining the security of our data and financial assets and protecting the privacy of our customers is also among our highest priorities. We must act quickly to strengthen our security perimeter while ensuring that each USDA agency is in compliance with the Department's security policies. We are also continuing to strengthen the corporate management of our telecommunications networks, improving the capital planning investment and control process and implementing other Clinger-Cohen requirements.

At the same time, USDA agencies are making progress in using the Internet across the Department to provide the public with much more convenient and cost effective access to the information, programs, and services that we provide. E-business is beginning to occur, but there is much more work to be done: the Department requires a corporate strategy to ensure that we address all of the crosscutting issues that affect all of the Department's customers and employees.

We are working hard to overcome the barriers to efficiency that have hampered us in the past and to transition USDA into the future. With the continued support of the Congress, we are confident that we can succeed.

USDA Biographical Sketch

Joseph Leo
Chief Information Officer

Joseph Leo was appointed Chief Information Officer for the U.S. Department of Agriculture, effective January 31, 2000. He replaced Anne F. Thomson Reed, who served as USDA's first CIO.

As chief information officer, Leo is responsible for the effective management of information technology resources and an integrated information technology architecture. He also monitors the performance of information technology programs in USDA agencies. With annual investments of over $1 billion, information management is a critical component of USDA program delivery.

In March 1998, Leo was selected to lead the administrative convergence implementation planning team for USDA. Secretary Glickman appointed him the acting executive director of the Support Services Bureau in 1999. As CIO, Leo continues his work on USDA's administrative convergence initiatives.

Since 1984, Leo has held the position of deputy administrator for management for USDA's Food and Nutrition Service, where he was responsible for information technology, human resources, procurement, and administrative services. He served as chairman of the Advanced Planning Document Committee, which provides executive oversight on all major State-initiated computer system acquisitions for the administration of FNS's food assistance programs. He is actively involved in promoting and shaping the direction of Electronic Benefit Transfer systems in the federal government, with particular emphasis on the food stamp and WIC programs.

Since 1995, Leo has served on the Department of Commerce's National Computer System Security and Privacy Advisory Board, which advises the Secretary and the Director of the National Institute of Standards and Technology on computer security matters. From 1971 to 1984, Leo held various positions at the U.S. Department of Transportation before moving to the Department of Agriculture.

Leo attained the rank of sergeant while serving on active duty in the United States Army from 1961-1964, including a tour of duty in South Korea. He has a bachelor's degree in political science from Western Illinois University in Macomb, Ill., and a master's degree in science policy from Purdue University in Lafayette, Ind. Leo was also a post-graduate fellow in science, technology, and public policy at Case Western Reserve University in Cleveland, Ohio.

REMARKS OF NFAC CHAIRMAN REED

Mr. SKEEN. Mr. Reed.

Mr. REED. Thank you, Mr. Chairman, Ms. Kaptur. I am here today in my capacity as Chair of the USDA National Food and Agriculture Council—NFAC. The chair is rotated annually between the USDA field-based agencies, namely the Natural Resources Conservation Service, Rural Development, and the Farm Service Agency. We, all three of us, are here in support of the Office of the Chief Information Officer and to respond to questions you might have for us concerning information technology applicable to the delivery of programs and services.

Again, thank you, and I am pleased to be here.

IMPLEMENTING CCE AT USDA

Mr. SKEEN. Ms. Kaptur, would you like to take on the questioning? I know you have another commitment.

Ms. KAPTUR. Administrator Browner is testifying across the hall, and the Chairman has kindly allowed me to ask questions first here so I might also attend a portion of that hearing.

Mr. Leo, maybe I should start with the Common Computing Environment questions here. It has taken the Department an awfully long time to do this, to try to streamline your computer systems and bring them up to date. We had testimony, I think, over 10 years ago that the Department has been saying it needed to upgrade its computer systems to make it easier for farmers to deal with various farm service agencies, so they could communicate with one another. Could you explain to us why it has taken so very long to effect this, please?

Mr. LEO. The journey has been a long one, from the documentation I have read. I have been with the Department 15 years and have watched this development from afar, so I am not intimately involved with the history and could turn to others if we need clarification.

If we look at what the agencies were faced with during this period of time, from my perspective, the following backdrop: One, there were declining resources in terms of staff; two, a corollary decline in resources in terms of funding for the overall programs at a time when programs were growing. So our leaders had to make choices.

First, we have to maintain the legacy or what we call the current system environment. It takes a lot of effort, a lot of staff years, a lot of money to maintain what is.

We then, in recent years, wound up with the Y2K challenge, and for all intents and purposes, except for a couple of areas which I will mention in a moment, we stopped work on our legacy systems in order to go in and see where the problems were.

Now, in recent years we made a couple of significant investments in the computer technology, which I believe are bearing fruit today as I speak. The two most significant ones were our telecommunications network, where we went into virtually 2,500 county offices and updated their phone systems so they can talk to one another. A farmer can dial one number and talk to somebody in Rural Development. If they wanted somebody in NRCS, they could transfer

the phone call to that person. Before that they couldn't. In addition, we wired for the coming electronic revolution. We wired to carry our digital or data flow. So they now have the infrastructure, if you will, in almost every county office. I think we have about 300 to go. It allows them that part of the communications which is modern, in place and working today.

In the last several years we bought approximately 30,000 computers that allow us to start talking on the Internet. One of the programs that we have, we are not finished, but we have a program, for example, that allows the farmer and rural housing applicant to actually fill out the forms. We have not yet solved the other end of it. They have to fill out the form or the application and fax what they are doing to us. Then we have to work on it at the field level and go back in a more manual way to them. So now we are asking for investment funds so we can do it basically online.

It has been slow, it has been torturous, but the funding resources, the ability to deliver our programs today, I think, is our most important priority. Building our future has been a struggle. I think that is why I am here today, to help accelerate that delivery.

SERVICE MODERNIZATION PLAN

Ms. KAPTUR. I wanted to try to get a second question on this first round, and I will have others on the computing environment for the record.

We have just received lots of inquiries about the service modernization plan. For example, both Chairman Skeen and I have received a letter from Rudy Price, the president of the National Association of Conservation Districts, dealing with some of the conservation districts' concerns. I would like to raise those items with you. I will offer many questions for the record.

FIELD OFFICE CLOSURE IMPACT

But one of the basic questions really is what steps has the Department taken to ensure that the interests and needs of the non-Federal conservation partners are safeguarded as USDA reorganizes itself, and what impact will the closing of field offices have on the delivery of conservation services?

Now, we have received calls from Ohio. I got one the other day from one of my favorite farmers, all upset about what was going to happen in Ohio. I had to be honest and say I wasn't aware of all the details and how this would work out locally. Could you talk to us a little bit about that? Have you gotten complaints from many organizations like this?

Mr. LEO. I would like to handle the first part and then turn to Mr. Reed for handling the question on the location, if I might.

First of all, I have met with the NACD four times now in collaboration with NRCS, with the Office of the Deputy Secretary and with the project manager for the initiative. We met for two purposes: One, to explain further our rationale for the support for the Support Service Bureau, and secondly, on the Modernization Plan. In fact, I along with the Deputy Secretary, Special Assistant Linda Delgado and Greg Carnill, the project manager, have set up a briefing next week for the entire executive board and membership, the

last number was 350 members, to explain further what the Modernization Plan does, as well as turning over copies of it.

There was a little gap, because we respectfully turned over the plan, as Congress requested, first to you before providing it to the public. We had to meet the deadline to get the plan in to you all.

Now, we are setting up briefings as fast as we can with regard to explaining the Service Center Modernization Plan that we delivered to you.

The concerns of NACD, I believe, are genuine. They ask a very significant question: How do almost 14,000 people on the partnership side work hand in hand together? I believe Mr. Reed is in the very best position to answer that question. I can assure you, I have been in dialogue along with Mr. Reed and others continually to further this work.

We have passed their request, now that Mr. Reed is chair, about how we can strengthen that communication between NACD partners and the National FAC. The National FAC is currently assessing their request.

DECOUPLING DISTRICTS FROM NRCS

Ms. KAPTUR. One of the facts I was given was when the field service centers were established, it resulted in over 250 conservation districts being decoupled from NRCS. Some of these may be in Ohio. I am just unaware of that. So I was concerned about what impact this would have on NRCS's operating costs and on coordination with State and local interests relative to conservation.

Mr. Reed, if you have any comments at this point, they would be greatly appreciated.

Mr. REED. Just to add to what Mr. Leo said, we are very much aware of the concerns raised by the National Association of Conservation Districts. The Secretary is personally aware and has met with the leadership of the conservation partnership. He has directed us to make sure as we proceed that the interests of all of our partners, not only the conservation districts, but others, are fully incorporated into our decision-making process.

As Chair of the FAC, I think I can speak for Keith and Inga as well, we are committed to ensuring that as we move down the USDA modernization efforts, that we incorporate into everything we do the concerns of our partner organizations.

Ms. KAPTUR. Thank you, Mr. Chairman. My time has expired. I am going to ask if Mr. Hinchey might take the lead on this side of the aisle as I go across the hall and take care of another hearing.

Mr. SKEEN. Certainly. We understand. We appreciate your accommodating us.

Ms. KAPTUR. I will try to get back. Again, I thank the witnesses.

Mr. SKEEN. Very good.

CONTRACTS CANCELLED AT BELTSVILLE LAB

Mr. Leo, as I understand it, several contracts were recently canceled at the interoperability lab in Beltsville. Would you tell the committee what the circumstances were that led up to the cancellation of those contracts, and specifically why they were recalled?

Mr. LEO. I can give you a general answer. A bit of forgiveness, I have only been here 6 weeks trying to get the entire matter under

my belt. What I know in general is that we use contractor assistance in order to help us develop all the activities associated with the Modernization Plan. We have a central contract vehicle, and then there are subcontracts under that contract vehicle.

Upon inspection, on how we were managing that contract, it was the belief of USDA personnel that we were perhaps giving the contractor too much with regard to assignments, whether they have to do with formulating the plan, sizing up what it would take to carry out a particular activity, and then executing that activity. So we stopped. We basically, with the contracting officer and the program officials, decided to reexamine how we were managing that contract. We have completed that reexamination.

We have put in place more government management of that contract. Now we have restarted that contract, and we have cut out some of the tasks that were formerly given to that contractor, which now the government employees are doing. That is the basic, general reason you saw a sudden stoppage. It seemed like people were sort of leaving the job. It was actually, basically a stop work order.

Now we are back. We are bringing back what we think is the right mix of contractor personnel and government personnel.

EFFECTS ON CONTRACTORS

Mr. SKEEN. It also affected the contracts you had before, correct?

Mr. LEO. What happens is when you use a general contractor, you have a number of subcontractors underneath. When you stop at the center, all the subs wind up stopping as well.

AWARDING CONTRACTS

Mr. SKEEN. When you heat the head, the feet get cold. What was the rationale for awarding the contracts to the same vendors rather than going out for new bids? Was this part of the exercise?

Mr. LEO. That is certainly an option the government has. My understanding is the contractor was doing good performance, it is just that our management, our stewardship of the things we were assigning that contractor and his subs had to be reexamined.

From the feedback I have received to date, the contractor was doing a good job, but was just doing too much of the job. The government is now doing more of the stewardship areas. That contractor, to my knowledge, is performing in accordance to our requirements.

LAN/WAN/VOICE UPGRADES

Mr. SKEEN. Fiscal year 2000 is the final year for the complete installation of the local and wide-area network and voice technology. Now that the Department has nearly completed the project phases of this technological installation at the service centers, and with the technology changing so rapidly, are there any plans for technology upgrades within the service centers with respect to local and wide-area network and voice technology? That is one of the most marvelous statements I have asked a question on.

Mr. LEO. Yes, sir. We are very proud——

Mr. SKEEN. You are earning your pay.

Mr. LEO. Thank you, sir. We are very proud of our LAN/WAN/Voice-based activity. Basically when you take the task of modernizing 2,500 offices and the State offices, in a country as vast as ours, it is indeed a challenge.

For example, we are now in the process of upgrading our telecommunications network to what we call a frame relay system, which basically means the old technology we were using in the computer industry, something referred to as X dot 25, is now old. We are modernizing the old way of doing telecommunications to its modern way.

In addition, we have a very clear vision. We must connect up to 30,000 computers that are now by and large in a stand-alone configuration. The money that we have requested, a large part of the $75 million, connects those computers.

What can we do when we connect them? We can do remote diagnostics and management of those computer networks. We can upgrade the software in those computers remotely. We can actually have something called e-mail and actually send e-mail efficiently to over 30,000 employees and so forth.

So with the funds we have requested, a major part is to continue with the connectivity in our telecommunications area.

I am also told we have somewhere around 300 more sites, and we will have completed the effort. In other words, we are at about 90 or 95 percent complete in installing that LAN/WAN/Voice operation.

Mr. SKEEN. You just can't live without them in this day and time.

Mr. LEO. Thank you, sir.

INFLUENCE ON AGENCY IT EXPENDITURES

Mr. SKEEN. Explain how the Office of Chief Information Officer influences the formulation of technology expenditure at the agency level if the Office of the Chief Information Officer does not own the investment funding. And then, how do you ensure that there is a common platform for the informational systems development? I think that is what you were working on.

Mr. LEO. That is exactly what we are working on, sir. Let me start with the vision.

The vision is that the legislation created the Office of the CIO, and we have faithfully implemented that legislation. There are differences in the way agencies manage their resources. In some agencies, they are very centralized. We are more of a decentralized department, as you know.

The CIO's office is mainly—but I am trying to change that subtly—is mainly now sort of like the captain, cheerleader, team leader, coach of the enterprise. So the Secretary has vested in the OCIO, and now me, the ultimate responsibility, one, as his chief adviser for information technology. Second, I have approval authority basically for all major acquisitions, which is defined as anything over $250,000, that now must come through our office for review and concurrence. So I have an ability to look at the entire corporate portfolio in USDA, and make independent evaluations.

Now, in that regard, the reason why I am requesting funds before you today for fiscal year 2001 is to provide some resources

within my office to take stewardship and leadership for a couple of critical areas. I believe that the security initiative, for example, is absolutely critical, and not just to speak about it or put policy out on it, but actually have some funds to do some corporate work.

This is, I would say, the major area that the CIO's office needs to get engaged in, the corporate vision of USDA.

So I have some tools. I am asking before your committee the additional resources to put, in essence, the resources behind the policy and the resources behind my ability to execute those responsibilities vested in me.

One last example. If I were to look independently at an agency's major acquisition or how it is going, we would use what we call an IV and V, independent validation and verification. Without any funds, I don't have the ability to do that.

So certain prudent—we are not asking for a whole lot—of funds enables the OCIO to do the work necessary to ensure that the corporate vision of USDA is implemented and the standards that we try to promulgate are followed.

Mr. SKEEN. You tested the water, and it is time to swim in it.

Mr. LEO. It is time to swim, sir, but carefully, cautiously.

Mr. SKEEN. I appreciate the word "carefully." Thank you for that.

Mr. Hinchey.

Mr. HINCHEY. Thank you very much, Mr. Chairman.

Good morning, gentleman. No fancy strokes yet?

Mr. LEO. I think, sir, to stay afloat is my major objective.

Mr. SKEEN. You are doing very well.

DOWNSIZING USDA COUNTY OFFICES

Mr. HINCHEY. Your biggest issue before the Congress this year apparently from your testimony, Mr. Leo, is to remove the language from last year's appropriation bill that prevented the Department from implementing the Support Services Bureau. I can understand why you would want to create a single administrative function for each county office. Many of these county offices you not only have duplication of activity, but even triplication very frequently. There has been a reluctance on the part of the Congress to authorize the SSB in part because we have seen such a substantial downsizing of the Department across the country.

You note in your testimony that the county offices have lost 22 percent of their work force since 1993, while their workload has increased with the downturn in the farm economy.

County offices are going to be called upon to deliver $55 billion in farm, conservation, and Rural Development programs and services this year, with substantial staffing decreases—over 1,000 county offices have been closed, and those that remain have been downsized by over 10,000 positions since 1993.

Now, Members of the Congress all have our experiences with the delivery of these programs as a result of that downsizing. My experience is that the downsizing has gone too far too fast, and that the services are not getting out to people, and the reason the services are not getting out to people is very simple: there are an inadequate number of people in the county offices, in the State offices to deliver the services.

So, therefore, with the opposition of the employee unions, you must understand the reluctance on the part of the Congress, to go along with this recent initiative, even though the elimination of duplication of services is very important. As I said, in some offices you have three people essentially doing the same thing, so we need a way to resolve this.

I think one of the ways that we can resolve it is to communicate to the Department that they have gone too far too fast with the downsizing of government. There are some serious problems with the inability of your agencies to deliver the services that I know you want to be delivered, certainly the Secretary wants delivered, I know the Chairman wants delivered, and I do as well.

So I am not asking you to resolve this matter today, but this a big issue, and it has to be resolved. And I think that the likelihood of your request getting more favorable consideration this year—and it is a good request, and it ought to get favorable consideration—but the likelihood of it getting favorable consideration will be substantially enhanced if the Department expresses a realization of the fact that they have gone too far too fast in cutting down on people out in the field. I don't know if you want to respond to that.

Mr. LEO. Well, I have the trusted adviser here for the Department as a whole. Mr. Dewhurst, would you care to provide the macroview, and I will step in right behind you.

Mr. SKEEN. He is certainly well-known around here. We will listen to him any time.

Mr. LEO. I have had the distinct pleasure, sir, of working with him 15 years. I wholeheartedly concur in your observation. He is a tremendous asset to our Department.

Mr. SKEEN. Your recommendation is not misused or misstated. It is very well done.

Mr. Dewhurst.

Mr. DEWHURST. I think, having had the privilege of being here over many years and actually testified on this subject with Secretary Madigan and then Secretary Espy and now with the current Secretary, there are a couple of points that have always impressed me about this.

One is that the Department's personnel levels, as you have said, have gone down fairly dramatically in the last 5 years for all kinds of reasons. I know that the Secretary, among others, has the same kinds of concerns that you do. There are some increases in the President's budget in both Rural Development and the NRCS in personnel, if the Congress will enact the appropriations the administration has suggested.

In the FSA, there is continuing debate about personnel levels in that agency. The budget protects the full-time work force at its current level, but does cut temporary employees. I happen to think it is important to remember that the objective of the SSB was always to have its primary impact at levels above the county offices, at the National headquarters level and at the regional and State levels. The theory has always been the more efficient your administrative structure above the county level, the better service you can give the counties, and, in fact, the greater proportion of resources you can make available at the county level.

So the SSB was one effort to try to reduce the impact of the personnel cuts at the local level, but it does remain an issue, and we are having, as you know, some trouble right now delivering programs.

Mr. LEO. I just want to add a bit to Mr. Dewhurst's statement. From my perspective, I have worked on this Bureau for 2 years, with hundreds of people. It is clear to me that if you survey the workers out there, if you survey our staff out there, they want the Support Services Bureau with regard to delivering integrated service. Our customers out there make no distinction with regard to whether the service is coming—let's use computers—whether they call FSA for the computer support or RD for the computer support or NRCS.

Our administrative structure has been cut, and in one sense we are proud, and in another sense it is a struggle; has been cut a larger percentage than our program staff or the ones out there delivering the programs. They are cut to the point that we need to consolidate these staffs, the administrative staffs, to get the synergy out of three combined staffs into one. To get rid of, for example, 44 divisions—now it is 10 divisions—in our Support Service Bureau as opposed to three separate structures. Our whole objective was to deliver those administrative services to our program people so that they can deliver services to our customers. If we do not do that, then you wind up having program folks that are supposed to be serving the customers trying to figure out how to get some more administrative services, some of them trying to do it themselves. You lose focus and energy.

So I have been at this, sir, with a passion for 2 years. It is just good government and good sense. In particular when we talk about this vision of the electronic highway for rural America, which is an another passion of mine, it is one thing to buy it. It is another thing to maintain and operate it. I submit to you those information technology staff need to be working closer together if we are to provide the services on the one hand and then ask them to maintain and operate it and keep it in good working order on the other.

It is sort of like we have three car mechanic shops in town. I would like to put them into one modern facility, and improve the workers' productivity through automation. We can do so much, we can't do it all. It is clear our commitment before you today and the $75 million we are asking for is to get modern tools into the workers' hands so they can do a better and more productive job of providing services to the farmers and other residents in rural America.

Mr. HINCHEY. My time is up, Mr. Chairman. May I have more time?

NFAC ROLE IN SERVICE CENTER MODERNIZATION

Mr. SKEEN. Mr. Reed, you alluded to the National Food and Agriculture Council in your opening statement. Please tell us what the basis was for the formation of the Council, when it was formed, and what is the Council's role as it relates to the service centers?

Mr. REED. The National Food and Agriculture Council is an organization established by the Secretary to provide program and management coordination USDA-wide at the agency head level. We call

it the NFAC. The NFAC reports to the Deputy Secretary. All USDA agencies have a seat at the table.

The NFAC's focus over the past 6 years has been on program and management coordination needs of the field-based agencies, mainly NRCS, Rural Development and FSA. In that regard, the NFAC's primary function has been to provide leadership, oversight and coordination for what is now called the USDA field-based agencies' modernization efforts, which includes the items you mentioned earlier, the service center collocation, State office collocation, business process reengineering, the Common Computing Environment, along with other activities.

The NFAC also provides, which in my view is equally as important, the framework for USDA agencies and our partners to work together on a multitude of issues from emergency and disaster relief to the coordination of the use of facilities, property and personnel.

NFAC ROLE IN STATE OFFICE COLLOCATION

Mr. SKEEN. The USDA recently announced the selection of 26 cities to collocate State offices. I want to get into this collocation. What was the role of the Food and Agriculture Council in the selection of those sites, and can you provide for the record the criteria used for the selection of each of those cities, including sites that were selected where lowest cost was not the basis for the selection?

Mr. REED. Yes, sir, we can provide that for the record.

Mr. SKEEN. I would appreciate it.

Mr. REED. Thank you.

[The information follows:]

The cities selected for State Office collocation were in all cases based on cost consideration, but only after first determining that they were able to support all program performance needs. The requirements of all applicable Executive Orders, regulations and statutes affecting how Federal facilities are located, acquired and utilized were the next considerations. Cost was considered after ensuring that each of the above requirements were met.

The lowest collocation costs were projected by selecting cities recommended by State Food and Agriculture Councils—FACs—requiring the fewest number of employees to relocate. Whether collocation involves moves between cities or within the same city, lower operating costs are expected from reduced overall space needs and from other economies of collocation. Cities requiring the solicitation of lease offers were informally surveyed for market rates by each State FAC when preparing their cost-benefit analysis. The results of these analyses were discussed with the GSA Regional Offices for the proposed locations to check against their knowlege of local market lease rates.

The combination of programmatic considerations, existing Federal space inventories, socioeconomic requirements for locating Federal facilities, and projected onetime and long term operating costs were considered by the National FAC in forming their recommendations for the Secretary. In all cases, the lowest relocation cost scenario was used. Where competitive space soliciations will be required, the award will go to the lowest cost, acceptable offer.

Mr. SKEEN. Mr. Hinchey.

REPROGRAMMING SSB EMPLOYEES

Mr. HINCHEY. Thank you, Mr. Chairman.

Mr. Leo, just returning to that issue of the implementation of the SSB, what you said in response to the question, I think, is inarguable. It is absolutely a very important initiative, and I want it to be accomplished, and we ought to help you do it.

One of the questions that arises, however, is with regard to the present employees. When the SSB is implemented, what happens to those employees? Will they be reprogrammed into doing the field work, which is now so seriously and obviously deficient, or are they going to be eliminated?

Mr. LEO. Well, I do have some data on that. That was a question—you might be aware that I had chaired a labor-management council, and I have the opportunity to say I did have strong labor support. I had tremendous support from the field unions and associations, and I had a lot of support in Washington.

Now, there were some that said, Joe, you have unanswered questions, and one of them is the one you just asked, with regard to what happens to employees.

First of all, the vision of the Support Service Bureau in combining the staff was to achieve savings. I am either sad or happy, I don't know how I feel, that 33 percent of the employees, with regard to the cut that you talked about earlier, are gone. There was no RIF planned, because I was losing employees faster than any effort that I would need to do what we call in the government an "adverse personnel action." I was trying to hold onto what precious little I had, so that we assured employees that there would be no RIF, no "adverse personnel action."

Number two, we went through a process with our management and union partners on how would the transfer occur. The vision was simple: We would have employees from NRCS, RD and FSA who were in these administrative positions. There are five functional areas. I might just enlighten you, those areas were civil rights, administrative services, financial management, personnel and information technology. Those employees were going to be housed in the Support Services Bureau, and the Support Services Bureau would be an entity within the Department managed by the three leaders of those agencies; what I mean by that, simply stated, a board of directors.

These employees would then work for the whole, as opposed to their individual agencies. They would receive a common identity, Support Services Bureau employees, and they would work for the common good.

Now, I already indicated the original vision which we set out for the Support Service Bureau was efficiency. We wanted to get as many program folks at the front, if you will, delivering the services we could. So there was a target, and only a target. It was not a mandate, it was a target that we would have this consolidation. We would have a total reduction of 45 percent of the existing work force in the three agencies over a 10-year period; 45 percent of them would disappear over a 10-year period. So by the end of 2002, we would achieve our objective.

Well, if you recall, 33 percent, now about 35 percent, are already gone. We had less than 15 or so, about 10 percent, to go. We saw no need for any adverse action with 10 percent. That would be taken care of just by attrition.

But the unions and other employees felt we shouldn't have to take those additional cuts. I said, great, if we can hold them in the budget, they are only targets, we will do the very best we can. But administrators, chiefs such as Pearlie Reed or Under Secretary

Smulkstys, have to look at the total resources in the agency and go, how do I best deploy them? If they decide in their judgment that 5 percent ought to come from administration, because I cannot meet my payroll, then I can not substitute my judgment for that leader. In other words, those leaders in the end have to stand before you and account for their stewardship.

So they are continually faced with the difficult choices between program delivery, and administrative support to support that program delivery. So I said, look, these are targets set by the Secretary. We made them public so everybody knew where we were going. But I explained a half a dozen or more times that every cut since I started was taken as a result of budget conditions, meaning not enough money to meet the payroll, and not as a result of the Support Services Bureau.

I am going to conclude here by saying it was clear that we wanted a very lean, productive administrative infrastructure for program support. So, yes, we were reducing our administrative overhead in terms of numbers. Difficult? Yes. But they were only targets.

SSB PEOPLE DEPLOYMENT

Mr. HINCHEY. Well, that was a very long and detailed answer, but it wasn't quite responsive to my question.

Mr. LEO. Yes, sir.

Mr. HINCHEY. My question is if you eliminate these people, and the objective is a good one because in eliminating them you will improve the efficiency of your operation, recognizing the fact that you have cut too far and too fast in other parts of the agency, will those people who you will eliminate as a result of this SSB initiative be reprogrammed to fill other gaps within the agency? You may not be able to answer that question, but I would like an answer to it. So if you could avail upon others within the Department to provide an answer, I would be very grateful to you.

[The information follows:]

If future budgetary conditions enable the leaders of the Service Center Agencies to reprogram redundant administrative staff into program delivery positions, then we are confident that they will make every effort to do so where those employees meet the necessary qualifications. However, at this point, it does not appear that any administrative staff will fall into this category. We do not anticipate that any current administrative employees will be separated in "adverse actions" if the SSB is approved and implemented. To the maximum extent practical, all current administrative employees will be placed in "matching" jobs for which they qualify in the new administrative structure.

The remaining ten percent reduction envisioned as a result of the SSB will be absorbed by normal attrition—assuming that future budget conditions do not force country-based agencies to make additional cuts unrelated to the SSB.

As we have stated, the country based agencies are facing tremendous difficulties today meeting increased program delivery needs with reduced staffing levels. Staffing in the country-based agencies has decreased by 22 percent, or some 10,000 staff years, since 1993. 6600 of the staff year reductions are the result of the Administration's original streamlining plan. However, staffing reductions have exceeded the original plan by 3,500 staff years. These additional staff reductions of 35% reflect the reduced funding levels within which these agencies have had to operate over the years.

Indeed, one of the benefits of the SSB is that, by creating a more efficient administrative apparatus, more resources would be available for program delivery. However, this assumes that future budgetary conditions will allow agency heads to actually increase, rather than decrease, field staffing levels. In the event that FTE in-

creases are funded, and administrative employees are adversely separated—which, again, is unlikely—those employees would receive preferences for any program delivery positions for which they qualify.

Mr. LEO. I am clearly trying to do that. I am trying to save the program staff, redeploy that program staff. But as I indicated, 35 percent of them, the slots are gone, and the people are gone. That 35 percent is off the table. I don't have them anymore. They are missing.

If Mr. Dewhurst and company are so persuasive to you that we are able to get the employment levels that you have heard Mr. Dewhurst state, we will be very happy to look at how to redeploy those resources.

So I think we are doing the very best we know how with the resources we have, but I just wanted to say to you, they are gone.

RESTORATION OF EMPLOYMENT LEVELS

Mr. HINCHEY. I know they are gone, Mr. Leo, but I want to help you recover some of those.

Mr. LEO. Thank you. I am trying automation to make up some of that gap. You could really help me with this money I requested. That would be one magnificent way of helping me with regard to the infrastructure, because if we can make those employees more productive——

Mr. HINCHEY. Mr. Leo, you are on one track. I am trying to get you on two.

Mr. LEO. I understand the cuts have been brutal at USDA.

Mr. HINCHEY. We don't have the people in the field delivering the services. The services are not getting out to the people who need them. That is a serious problem. The agency has to address that problem.

Mr. LEO. Yes, sir.

Mr. HINCHEY. Thank you, Mr. Chairman.

TELECOMMUNICATIONS MANAGEMENT

Mr. SKEEN. Mr. Leo, there have been GAO reports that indicate the telecommunications at USDA have not been managed in the most cost-effective way. Is it your determination that the operational costs will be greatly reduced by implementing a centralized telecommunications management system. If so, what progress has the Office of Chief Information Officer made in either the implementation of a centralized system or reduction of operational costs? You have several elements there that you discussed this morning.

Mr. LEO. Yes, sir. There is a project that you are referring to called, from what I understand, Telecommunications Enterprise Network—TEN. The good news is we were able to document the entire infrastructure of the Department of Agriculture. The not so good news is that we are migrating away from a centralized command and control to a centralized management.

The earlier vision that you heard about was to round up everything and just do command and control, take over the entire telecommunications, all the way down to the desktop in telecommunications.

Quite frankly, sir, we have evolved from there. There is a relationship between what the agency should be doing at their level and what the Department as a corporate entity should be doing.

Let me give you an example of where I am steering telecommunications today. We are trying to control what I call the pipes; that is, planning much better. There is a revolution going on in the private sector with regard to consolidation of telecommunications services. We need to take advantage of that revolution. We need to be smart buyers by buying what we call the "throughput". The technical term is bandwidth. We need to buy the pipes so we can move our data very efficiently.

I am working with the Department officials, the agency officials, rather, in managing that part. The LAN part, connecting the computers together, we think the agencies—that should be their responsibility. So we have evolved in our vision, in my view, in a positive manner.

We then looked at the GAO reports on telecommunications for voice, and we have been in a rapid response mode, taking all their recommendations. We have been responding back to GAO on how we have modernized. We set up, we better control the ordering of telephones now, or when a field office is closed or somebody moves, we can get that telephone out of circulation and not be paying the monthly charges on it. We have organized what we call the managers in each agency. We have monthly meetings. We responded back to the three GAO reviews and set up what is basically a review function in our Kansas City office, a centralized area where we could observe fraud or incidents that are suspicious. So we think we are taking positive steps.

Lastly, we believe we are smarter buyers in that the demand for telecommunications, let's say, on the data side is growing immensely. We are trying to buy with the same dollar that growth. So I don't have a dollar or two to put on the table, but I am trying to meet with that dollar or two the increased demand that we have been getting from throughout the entire agency.

Mr. SKEEN. That is indicative of what is going on from the producer side of this thing, because if you are in the farming business, you have got to have help in getting through these systems. But then if you can't even deal with your local USDA personnel it makes it very difficult. This is a new age, and I don't know why government is always the last one to know about what is going on. Of course, we are getting fewer and fewer agricultural producers. If they are not with the science, it is very difficult.

Mr. Hinchey.

OFFICE CLOSURES VS. WORKLOAD DEMANDS

Mr. HINCHEY. Thank you very much, Mr. Chairman.

Mr. Leo, I don't want to keep beating this horse to death——

Mr. SKEEN. We have him lathered up pretty good.

Mr. HINCHEY. I do want to get on the record that this year the USDA is going to be required to deliver about $55 billion in services, and since 1993, you have closed 1,000 county offices across the country, and that those that remain have been cut back by more than 10,000 positions, all since 1993.

I understand the motivation behind that, and I think what you are trying to do with this SSB obviously is going to help achieve these efficiencies. You have got a problem now where people can't communicate, not just between the field and Washington, say, for example, but right within their own offices. So that has to be corrected, and I know that that is a major part of your objective.

But my concern is that while you guys are working to be more effective and more efficient, that you are not getting the services out to the people who need them. I say that from practical experience in New York. If that is happening in New York, it has got to be happening in a lot of other places across the country.

Mr. SKEEN. Miss. Kaptur.

HIRING AND RETENTION OF ITS STAFF

Ms. KAPTUR. Thank you, Mr. Chairman. Again, sorry for the musical chairs here this morning.

I want to thank Mr. Hinchey very, very much for pinch-hitting here for us on our side of the aisle.

I wanted to ask a question about overall staffing, Mr. Leo, in terms of the people that are leaving, those through attrition, and the ones that are left.

How successful are you within the agency in being able to serve the public and match the professional needs that you have based on where people are leaving versus those who remain? What is the match between what you really want to accomplish and the skills of those who are left to do it? That is the first question.

Secondly, in talking with employers back home, and even here in the Congress among our own staffs, it is harder and harder to hire because of the job market. It is getting tighter, and we also need people who are highly skilled, and I wonder how you are doing competing certainly in the high-tech area, but as well as other professional areas, in terms of salaries, benefits and attracting people to government service at USDA. Are you having trouble hiring staff?

Mr. LEO. Yes, thank you. Actually my deputy Ira Hobbs is leading a task force on behalf of the entire Federal Government and the information technology arena in particular, with the CIO Council, and in our own Department we have joined with an OPM effort to examine our IT, information technology, employment situation with an eye towards trying to figure out new ways of competing. So my answer, if I am correct in hearing you, is for the information technology profession.

Let me just be very honest and say—I am always honest—but say to you we have got a problem. It is clear. To start with, at the Federal Government, we are not very competitive. The issues in information technology are going so fast and the demand for these IT professionals is so high that we in the Federal Government, given where we currently are, are behind. In USDA I think the situation is equal or worse.

Ms. KAPTUR. You said we are——

Mr. LEO. We are behind in our ability to retain, not just attract. One of our phenomena is we have a good attitude toward training and providing knowledge so they can be very productive in the work force. Unfortunately, as soon as we train them, the private

sector goes, great, I will pay you that much more, whatever, and give you this responsibility, and they are gone. I wanted to say in the Federal Government in general, this is a very serious problem, and we are examining this issue.

In USDA, I think we are equal or worse in our situation. The reason for that is we have had a very dedicated work force. It is now aging, like fine wine, aging real fine, but since our work force has declined, we have not had as much of the entry level coming in. So now we have got an average age of 46 or 47 in the IT community, and with about 18 years of service. So we are going to be facing some serious attrition. This is why my deputy, Ira Hobbs, and our Department, volunteered with OPM to examine ways that we can strengthen not only the recruitment, but retention of our IT workforce.

We would be happy to give you, if you would like, some further details of that work force in USDA for the record.

Ms. KAPTUR. We would appreciate that.

[The information follows:]

MR. LEO. As I mentioned in my testimony, with the average age of USDA's IT workforce being 47 and the average length of service being 18 years, it is clear that USDA's very experienced IT workforce is nearing retirement age in large numbers. To address this critical issue, OCIO is partnering with the Office of Human Resources Management (OHRM) and with the agencies, through the USDA IT-HR IT Workforce Planning and Development Working Group.

Since FY 1998, OCIO has been tracking the number of IT employees, including their average age and average length of service, in the seven major IT series in each of the USDA agencies. We are now in the process of collecting additional data in order to enable us to obtain a complete and accurate picture of the actual current IT workforce situation at USDA. However, it is clear that USDA agencies are finding it a challenge to recruit and retain a skilled IT staff. For example, FAS/FSA is struggling to hire people at the grade for which the current IT pay and grade structure allow. Retention is also problem as most technical IT employees find it virtually impossible to move beyond the grade 13 level because the standards are rigid and written such that it is very difficult to be classified as a " technical 14." The current standards demand that a " technical 14" must be a Departmental expert; a very difficult qualification when working at the agency level.

FAS/FSA HQ has lost about 10% of their IT staff for each of the past 3 years of which they have replaced less than half. Of this 10%, about 5% have accepted jobs in the private sector for which they received salary increases of about 30%. FSA/FAS has had little success at filling programming slots; virtually all candidates turn them down today for more money elsewhere. The average length of time for which a vacancy stays open is 6 months and 1 LAN job has been open for 2 years. The Animal and Plant Health Inspection Service (APHIS) has also had a particularly difficult time recruiting and retaining telecommunications specialists.

As for the competencies of IT employees, USDA agencies do cite skills level as a significant problem. Recruitment and retention focus groups which were conducted with IT employees at USDA in FY 1999 revealed that employees most often look to leave their job if and when they became dissatisfied with their manager. Then, while conducting their job search, employees often find higher paying IT positions elsewhere. " Happy employees don't usually look and once they start looking it is too late" is the summary of one USDA IT manager.

To combat many of these recruitment and retention problems, USDA supports OPM's current initiative to revise the way the government structures and defines IT work. USDA's National Finance Center and Rural Development are active participants in the OPM-led pilot on proposed specialty titles and competencies for IT positions. This pilot began in March 2000 and will continue until September 2000.

Also on a federal level, USDA remains a committed player in the effort to improve the federal IT workforce through its active role on the CIO Council's IT Workforce Challenge Committee. As I also have

mentioned before, USDA Deputy CIO Ira Hobbs serves as the co-chair of this committee. One activity of the Committee which Mr. Hobbs actively supports is the review of the significance of pay as a critical factor in the recruitment and retention of IT professionals. In this area, the Council is working with OPM and the National Academy of Public Administration (NAPA) in the design of a concrete study on this critical issue. Other Committee activities in which USDA is actively involved include implementation of the 13 recommendations cited in the Federal IT Workforce Challenge report and the Strategic and Tactical Advocates for Results (STAR) Program - designed to train strategic leaders in information technology. Thus far, USDA has had 6 graduates of the STAR Program.

Further information on these initiatives can be found at the following web addresses: Federal IT Workforce Challenge Report - (http://www.cio.gov/files/itchalle.pdf); New parenthetical specialty IT titles and competency-based job profiles to replace current qualification standards - (http://www.opm.gov/fedclass/html/draft.htm). CIO University - (http://ciouniversity.cio.gov). The Strategic and Tactical Advocates for Results (STAR) program - (http://star.gsa.gov). To learn more about the work of the IT Workforce Committee, refer to the CIO Council web site, (http://cio.gov).

CURRENT IT VACANCIES

Ms. KAPTUR. You have openings right now then that you are not able to fill?

Mr. LEO. Well, it really depends. First of all, the senior managers have to make sure they have what we call staff years. So if there is a vacancy, do I put that staff year in information technology? Assuming they make that decision, when we put them on the board, it is very difficult to us to attract a pool. I don't think it is hard to get somebody to apply for a job. It is a different story to get somebody who is qualified for that job to apply. I think that is where we face the challenge.

Retention, I would say, is equally as tough as the ability to get the job filled in the first place. We are finding that the turnover rates are very difficult, because, as I said, once we have them trained, they are gone.

But I would say generally to you we are having a hard time recruiting. Back in my old agency, I was with the Food and Nutrition Service prior to taking this job, we would advertise sometimes three and four times for a programmer, software programmer, before we would get somebody on board. That would take 4 or 5 months to get that person.

AGENCY FUNDING OF CCE

Ms. KAPTUR. This is very interesting listening. This sounds like what I hear in my district from many of my CEOs of our locally-based companies in terms of the job behavior and tenure, et cetera.

I wanted to just ask one final question here, and that is within the budget for information technology, if you did receive the $75 million for the Common Computing Environment, would you still need to tap FSA and NRCS and Rural Development budgets for some portion of what you need to spend for those activities?

Mr. LEO. Yes. I am aware that in our budget submitted for the year 2001, that the agencies, in looking at their individual needs at the agency level, have some monies in that to add to the $75 million. I believe our total, if everything would work, the total available would be $137 million, $75 million of which comes from what you have just stated, and $62 million from the agencies' budgets, which has to do with other than the Common Computer Environment in general. That is basically to support our business process reengineering; getting the modernization, if you will, of the way we do our programs the old-fashioned way, getting them to do it the new way; streamlining our forms, getting our forms in electronic format; looking at the job flow and saying, we can do it better than the way we are doing it; getting teamwork between, for example, various conservation matters that may be in FSA and in NRCS.

So we have these teams working on business process reengineering. Once we discover what we want to do, we pilot it before we decide to roll out Nationwide. The monies in the agencies are to handle that part of the business. The $75 million is to handle, if you will, the electronic bricks and mortar, the infrastructure costs, to do our program.

Ms. KAPTUR. Thank you very much. Again, I want to thank my colleague, Congressman Hinchey, for helping me out this morning and helping the committee out. Thank you very much.

Mr. SKEEN. Mr. Hinchey.

CONTRACTOR SUPPORT IN 2001

Mr. HINCHEY. Thank you, Mr. Chairman.

With regard to the common computing environment, Mr. Leo, I think it is very clear what you are trying to do is the right thing. There is no question about the need. There is a question, I think, about the ability to bring the system up to where you want it to be within the time frame that has been set out. I know you have engaged some outside help, Lockheed Martin, for example, in looking at some of the security needs of your system, which, of course, is very important. I am wondering if you are going to need any additional outside help in that regard, not just with security, but in implementing the entire system.

Mr. LEO. Yes. Our plan, there are basically three components in the budget request before you. Each one does have some contract assistance. The $75 million request for the Common Computer Environment involves principally buying the application servers or communications servers. So equipment manufacturers, for example, will be a large part of spending those monies. In addition, we will have contractor support in applications and development, for example.

In the $6.6 million, the security initiative, the first chunk is for staff. We were asking for 12 staff years to get the security staff in place at the corporate level. There is contractor assistance in enabling us to understand where we are, for example, in digital signatures, what are we doing, where is it going in the commercial sector and the government sector so we do our smart buys, because you can't just buy anything.

These days you can invest in one piece of technology for security, only to be negated not by some willful matter, but just by lack of knowledge. You went out and bought another piece, and now you have negated your security components that you put in somewhere else. So we must think corporately in our security, and we will need high-level contractor assistance in order to assess where we are and to make recommendations to us about which way and how to proceed.

We also want to evaluate, and we will need contractor assistance, to help set up our corporate-level computer security programs. So I see a very healthy mix between our own employees and contractor assistance in carrying out the IT program of the Department.

PRIVACY AND DATA SECURITY

Mr. HINCHEY. I mentioned Lockheed Martin because I was encouraged to see you had engaged them, frankly, because I know in the private sector, they have done some very remarkable work with regard to integrating computing systems and making them run much more efficiently. They are noted as a defense contractor primarily, but they have done some very important and comprehen-

sive work in this field generally in the private sector. So I think that they could probably do a very good job for you, too.

I know that you are concerned about the issue of information security, which is understandable. After all, people are applying for mortgages, for example, in the rural housing program under USDA and have to provide the same kind of information they would provide to a bank. It is important to have that information secure within your system.

There is also another issue, the issue of privacy, and that is the issue of protecting the data that people supply to the Department, personal data, from the unauthorized use by other people. It has become a major industry in America today for certain people to, in effect, surf through the various systems to which they have access, compile information, and then market that information out in the marketplace.

So, I would just urge you, and I would—beyond urging you, I would like very much for you to be able to tell us at some point, not necessarily today, but at some point, to what extent you are structuring your operation in order to ensure the privacy of the people who provide very private personal data to you in the context of their applications.

Mr. LEO. Yes, sir, I will do that. I do have overall privacy responsibility at the corporate level, which is one of the responsibilities in the Office of the Chief Information Officer.

Mr. HINCHEY. Thank you very much.

Thank you, Mr. Chairman.

Mr. SKEEN. Thank you.

Mr. Kingston.

THE DIGITAL DIVIDE

Mr. KINGSTON. Thank you, Mr. Chairman.

Mr. Leo, one of the things I have noticed is, you know, you have some funding for digital divide, and, we talk about that. Sometimes I wonder how real that is. I know, for example, farmers want less paperwork, but they don't mean they want more computer work in place of less paperwork. They just want to have less to process.

How are you handling that? I know a lot of the rural community does not have the hook-up capacities. In the FAC where I live, which isn't in a rural area, but it is in a suburban area, we don't have the capabilities they do in the city in terms of Internet access. We have a lot more problems with the wiring in, and rural America has more problems with the wiring. How is that challenge being handled?

Mr. LEO. Well, sir, thank you. It is a big challenge. By way of statistics one of our organizations, NASS, had compiled in 1999, for your information the National Agricultural Statistics Service found that 29 percent of farms now have Internet access, and 47 percent of the farms have access to a computer.

But, there is a big difference between the larger and smaller farms. As you might guess, 77 percent of farms with sales over $250,000 have access to a computer, and 52 percent have access to the Internet. So a little over half have Internet access, and three-quarters of them, if they are over $250,000, have Internet connectivity. However, if you go below $250,000, only 45 percent of

the farms have access to computers, and only 27 percent of them have access to the Internet.

The Secretary is also concerned, and I think excited. He has established a new group, a new task group within the Department, to look at what we have done as well as where we are going. For example, we have very exciting news, positive news, in Rural Development, about their commitment to telecommunications. They have sunk billions into telecommunications for rural America. They have done things like education, and telemedicine and so forth. I mean, the Department of Agriculture has done some very progressive and exciting positive things to close the digital divide, if you will, in rural America.

We also have a very healthy program of donating computers. We have donated over $1 million worth of personal computers to nonprofits. So now the Secretary has put together a task group, of which our office is a member, in looking at now what else can we do to close the digital divide.

I agree with you wholeheartedly that we don't want to use automation to make the farmer, if you will, work just as hard or harder. The vision is obviously to do less. We capture the data once, if we have a good data management program going on. Once we got the farmer's address, data, and the information we need, that information is still good when he is applying for a loan, or applying for other assistance in USDA.

So our vision is, yes, to make less work. In essence, if you look at the future way after I am gone, we are probably looking at something like 24 hours a day, 7 days a week we would be able to provide service electronically to our rural customers. Why? Because when we look at the Internet, and we look at Web sites, and we look at the ability to move information, as they say, in Internet time, like real time. I see in the future that we are not saying we don't need personal service, but we do need to go out to your farm and do need to work with you right there with the soil, or right there with the housing situation that we need to repair or so forth. I think we also could do a lot with the Internet and with our constituencies.

MYRIAD OF WEBSITES

Mr. KINGSTON. Let me ask you this also. You have a myriad of Web pages that you talk about in here. That is very impressive. Just quickly, if I am getting on and I want to find out what is available to me, I know you have one for plants, I think it is 57,000 hits a month.

Mr. LEO. The best one in the country. Every plant that exists is run by NRCS's system.

Mr. KINGSTON. If I don't have those, how do I get those addresses? Do you go to the USDA Web page?

Mr. LEO. It is very difficult. I would say we are no better than a lot of folks trying to figure out how to get what we would call a corporate portal, so when you want to know anything about USDA, we could migrate. You go into the portal, and you could do like Yahoo, or you could do whatever. I admit we cannot do that today. So you would be frustrated, searching all over the place.

The initiative that you see, I have here, the $2 million initiative is an attempt to look. I don't want to discourage the agencies from doing e-government. They are doing a wonderful job. We need a more corporate approach.

To answer your question, we need to research that portal vision. I don't know what to do yet, but I know we have to look into it and research it.

Mr. KINGSTON. Thank you.

CLOSING REMARKS

Mr. SKEEN. Mr. Leo, on that note, with a vote we have coming, I want to tell you we appreciate your being here today. You are not the only governmental agency that has this problem. I think it is endemic to many others as well. But I think you are doing an awful lot to correct the problem and move in the right direction. So, with that, we are going to say thank you very much. If we have anything else, we will be in touch with you.

Mr. LEO. Thank you, sir.

Mr. SKEEN. Have a good day.

[The following questions were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY MR. SKEEN

Office of the Chief Information Officer

USDA IT BUDGET SUMMARY

Mr. Skeen: Please provide a table which succinctly shows the fiscal year 1999, 2000 and 2001 funding for IT by agency and for the Department. Please do NOT provide a copy of OMB exhibit 42 or a similar report to answer this question.

Response: The following table shows the fiscal year 1999, 2000 and 2001 funding for IT by agency and for the Department, in millions of dollars: This includes funding for staff, hardware/software purchases and support, contractor services, and telecommunications and other infrastructure expenditures.

Agency	FY 1999	FY 2000	FY 2001
Agricultural Marketing Service	$17.5	$16.0	$17.4
Agricultural Research Service	38.7	37.9	40.4
Animal & Plant Health Inspection	30.8	26.0	29.0
Cooperative State Research Education,	4.7	7.3	8.3
Departmental Administration	3.9	3.9	3.7
Economic Research Service	5.0	5.7	6.0
Farm Service Agency	157.7	160.3	165.9
Food & Nutrition Service	348.5	343.1	395.0
Food Safety & Inspection Service	27.1	29.1	27.6
Foreign Agricultural Service	10.1	11.2	12.3
Forest Service	302.3	310.5	307.9
Grain Inspection, Packers & Stockyards	2.6	2.4	2.5
National Agricultural Statistics	16.6	16.3	17.5
National Appeals Division	.7	.8	.5
Natural Resources Conservation Service	93.6	71.1	64.6
Office of Budget & Program Analysis	.7	.6	.6
Office of Civil Rights	2.4	1.9	2.3
Office of Communications	.5	.5	1.2
Office of Inspector General	5.3	5.8	3.2
Office of the Chief Economist	.9	.8	1.1
Office of the Chief Financial Officer	.5	.5	.5
Office of the Chief Information	5.6	6.1	14.7
Office of the General Counsel	1.5	1.6	2.5
Risk Management Agency	28.5	27.5	29.3
Rural Development	60.9	66.5	92.1
Service Center	.0	12.6	75.0
Department Total	$1,166.6	$1,166.0	$1,316.1

IT CONTRACTOR SUPPORT COSTS

Mr. Skeen: How much of the fiscal year 2000 information technology budget does USDA plan to spend on contractor support services?

Response: Estimated amounts spent for contractor support are as follows: FY 1999 - $277 million. FY 2000 - $294 million, FY 2001 $319 million.

Mr. Skeen: How many contractors were in place and how much was spent or is planned to be spent in fiscal years 1999 and 2000?

Response: USDA will compile this information and forward it to the Committee by June 1, 2000.

IRM SUPPORT SERVICES CONTRACTS FOR 2000

Mr. Skeen: Please provide for the record a list of all IRM support services contracts for 2000. For each contract, provide information in its cost, length and purpose.

Response: I will provide that for the record.
[The information follows:]

United States Department of Agriculture
Office of the Chief Information Officer
FY 2000 IRM Support Services Contracts

Agency	Contract Number	Delivery Order#	Mod Num.	Dollars Obligated	Action Date YYYYMM	Est. Compl. YYYYMM	Service Code	Description
AMS	GS35F4317D	4047400B0137		$37,897.20	200004	200006	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F5234H	4347400B0036		$353,005.32	199901	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
				Sum: $390,902.52				
APHIS	4332KW0B1223			$76,591.00	200002	200009	D314	ADP ACQUISITION SUP SVCS
	53314271008	4332KW0F1076		$9,354.15	199910	200009	D301	ADP FACILITY MANAGEMENT
	53314291022	4332KW9B1825		$91,341.55	199909	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	5331FH7014	APHIS97010	17	$1,445.33	200001	200004	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	5331FH7014	APHIS97010	18	$768.10	200003	200004	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	5331FH7014		16	$96,609.48	199909	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	5332943013TSK10			$156,207.00	199309	200408	D314	ADP ACQUISITION SUP SVCS
	5332KW9006	TASK1		$132,023.23	199905	199912	D306	ADP SYSTEM ANALYSIS
	5332KW900602			$180,692.85	199909	199912	D306	ADP SYSTEM ANALYSIS
	GS35F40003D	4332KW9F1517	01	$6,078.45	199910	200009	D307	AUTOMATED INFORMATION SYSTEM SVCS
	GS35F4000D	4332KW9F1738		$499,948.66	199909	199912	D307	AUTOMATED INFORMATION SYSTEM SVCS
	GS35F5827H	4332KW9B1488	02	$80,570.07	199910	200006	D308	ADP PROGRAMMING SVCS
				Sum: $1,331,629.87				
ARS	26396D0320	433K0693572		$141,749.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	403K0693240			$27,000.00	199904	199912	D317	AUTO NEWS, DATA & OTHER SVCS
	433K0680962	433K06990791		$64,000.00	199908	200001	D317	AUTO NEWS, DATA & OTHER SVCS
	433K0680962	433K06990805		$32,000.00	199909	200005	D317	AUTO NEWS, DATA & OTHER SVCS
	53314211064	993K0603008		$2,745.04	199910	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314211064	993K0603009		$4,027.00	199910	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314211064	993K0603024		$10,916.40	199910	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314211064	993K0603309		$13,815.92	200001	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314211064	993K0693450		$55,250.00	199909	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314211064	993K0693571		$2,185.00	199909	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314251064	433K0693429		$24,974.00	199909	199911	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314271008	403K06903409		$20,094.00	199908	200008	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314271027	403K0603325		$76,338.79	200001	200002	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314271027	403K0603326		$73,876.94	200001	200002	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314271027	433K0693317		$60,616.00	199909	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS

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	53314271027	433K0693317		$60,616.00	199910	200007	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314271027	433K0693318		$19,258.00	199909	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314271027	433K0693466		$24,975.00	199909	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314271027	433K0693467		$24,818.00	199909	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	533142971027	433K06000532		$15,000.00	199912	200007	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	533142971027	433K06000548		$7,500.00	199912	200007	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	533K0602			$2,066,815.00	200002	200103	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06514		0012	$947.94	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06514		0013	$3,114.96	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06514		0014	$1,354.30	199912	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06616		0001	$2,000.00	199710	200109	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06616		0002	$1,000.00	199711	200109	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06616		0003	$27,000.00	199711	200109	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06616		0005	$30,055.00	199810	200109	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06616			$200,000.00	199609	200109	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K0676	433K0603005	01	$254,608.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K0676	433K0603005	02	$252,277.00	200004	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K0676	433K0603005		$201,094.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06817		0007	$2,500.00	199912	199911	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533K06817		0008	$4,857.00	200003	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06903		0003	$449,875.00	199912	200012	D317	AUTO NEWS, DATA & OTHER SVCS
	533K06910			$225,550.00	199909	200012	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06911			$1,099,293.00	199909	200109	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533K06993			$424,410.00	199811	200312	D317	AUTO NEWS, DATA & OTHER SVCS
	543K06616		0006	$30,055.00	199911	199911	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	BOA98CLFB70007	403K06001		$100,000.00	199911	199911	D317	AUTO NEWS, DATA & OTHER SVCS
	GS00K89ADS0011	993K0600509		$28,000.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS07K93BND0004	403K0693459		$26,497.66	199909	199910	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	GS09K97BHD0073	403K0693482		$40,438.71	199909	199910	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	GS10F0100J	433K0603383		$157,448.00	200002	200102	D302	ADP SYSTEMS DEVELOP
	GS26F1001B	433K06003147		$44,261.00	199912	200009	D304	ADP SVCS/TELECOMM & TRANSMISSION
	GS35F0059J	433K0603152		$153,657.00	199912	200003	D302	ADP SYSTEMS DEVELOP
	GS35F0343J	433K0603359		$129,961.00	200003	200009	D302	ADP SYSTEMS DEVELOP

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	GS35F4076D	003085		$86,435.00	199911	199911	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4984H	433K0603015		$30,000.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	TDTTS5999D00448	4395CV90208		$71,982.00	199909	199912	D307	AUTOMATED INFORMATION SYSTEM SVCS
	TIRNO97Z0002	403K06903301		$6,689.00	199906	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	TIRNO97Z0002	433K0693453		$17,994.00	199909	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	TIRNO97Z0002	433K0693454		$51,408.00	199909	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	TIRNO97Z0002	433K0693529		$126,792.00	199909	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
				Sum: $7,110,124.66				
FNS	43319890262			$99,924.14	199909	200004	D310	ADP BACKUP & SECURITY SVCS
	5331985040	43319852040	08	$22,662.83	199909	199911	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5331986002		07	$134,305.60	199909	200009	D303	ADP SVCS/DATA ENTRY
	5331986036	43319803400		$381,796.00	199909	200009	D306	ADP SYSTEM ANALYSIS
	5331986036	43319893340		$188,546.78	199909	200009	D306	ADP SYSTEM ANALYSIS
	5331987017	43319883228	01	$8,837.00	199908	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5331987017	43319893328		$217,075.00	199905	200005	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5331989005		04	$472,146.00	199908	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5331989916	43319893339		$166,000.00	199909	200409	D309	ADP INF, BROADCAST & DIST SVCS
	GS00K96AFS0002	43319880286	01	$248,056.00	199904	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS00K96AFS0002	43319890150		$39,563.00	199903	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS00K96AFS0002	43319890180	01	$176,100.00	199909	200001	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS00K96AFS0002	43319890180		$1,022,260.00	199905	200209	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F0306J	43319890209		$825,000.00	199908	200008	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4255D	43319890145		$19,448.00	199903	200002	D301	ADP FACILITY MANAGEMENT
	GS35F4461G	43319800068		$286,807.00	199911	200003	D301	ADP FACILITY MANAGEMENT
	GS35F4461G	43319890169		$372,790.00	199904	199910	D301	ADP FACILITY MANAGEMENT
	GS35F4461G	43319890191	1	$79,632.00	199910	199910	D301	ADP FACILITY MANAGEMENT
	GS35F4461G	43319890191	2	$31,560.00	199912	199910	D301	ADP FACILITY MANAGEMENT
	GS35F4461G	43319890191		$279,588.00	199906	199910	D301	ADP FACILITY MANAGEMENT
	GS35F4809G	43319890246		$250,000.00	199904	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4890G	43319890185		$1,146,958.18	199905	200003	D302	ADP SYSTEMS DEVELOP
	GS35F4890G	43319890208		$137,212.00	199907	200007	D302	ADP SYSTEMS DEVELOP
	GS35F4890G	43319890212	02	$74,257.00	199909	200008	D302	ADP SYSTEMS DEVELOP

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	GS35F4890G	43319890212		$1,613,027.00	199909	200008	D302	ADP SYSTEMS DEVELOP
	GS35F4890G	43319890214		-$9,398.49	199909	200008	D302	ADP SYSTEMS DEVELOP
	GS35F4890G	43319890219		$1,299,540.00	199908	200008	D302	ADP SYSTEMS DEVELOP
	GS35F4890G	43319890231		$245,191.00	199909	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F5572H	43319890210		$262,745.00	199908	200002	D302	ADP SYSTEMS DEVELOP
				Sum: $10,091,629.04				
FS	4303R690138			$99,983.00	199909	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	4382X995104			$14,086.00	199907	199910	D302	ADP SYSTEMS DEVELOP
	43837190199			$48,976.91	199909	200006	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	4384N800047			$48,700.00	200004	200007	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	439A63000049			$39,160.00	200003	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	439A63990061			$199,688.75	200002	200006	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	530109600420	010942099006		$40,000.00	199909	200003	D315	DIGITIZING SVCS
	530109600420	01094209906	1	$1,000.00	199912	200005	D315	DIGITIZING SVCS
	53034300008			$122,412.50	200004	200011	D302	ADP SYSTEMS DEVELOP
	53034370020	9914		$43,000.00	199809	199912	D302	ADP SYSTEMS DEVELOP
	53034370020	9917		$46,840.00	199902	199910	D302	ADP SYSTEMS DEVELOP
	53034370020		4	$94,421.50	199905	199910	D302	ADP SYSTEMS DEVELOP
	53034370020		6	$164,295.00	199908	200012	D302	ADP SYSTEMS DEVELOP
	53034380016		1	$73,920.00	199908	200005	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53034390013		01	$44,544.50	199906	199912	D302	ADP SYSTEMS DEVELOP
	53034390013		04	$109,244.50	200003	200009	D302	ADP SYSTEMS DEVELOP
	53034390013		06	$120,197.88	200003	200104	D302	ADP SYSTEMS DEVELOP
	53034390013		2	$35,500.00	199908	200108	D302	ADP SYSTEMS DEVELOP
	53034390013		3	$6,500.00	199909	200009	D302	ADP SYSTEMS DEVELOP
	53034390013			$99,955.00	199902	200002	D302	ADP SYSTEMS DEVELOP
	53038503205			$866,361.60	200002	200102	D303	ADP SVCS/DATA ENTRY
	5304H157420	0001	3	$70,768.52	200004	200006	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5304H157420	0001MOD2	2	$56,562.20	200001	200005	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5304H157420	0004	1	$101,778.60	200004	200006	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5304H157420	0005	1	$96,000.00	200004	200006	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5304H178150		10A	$26,406.96	199904	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS

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	5304H178260		3	$20,000.00	199910	200009	D309	ADP INF, BROADCAST & DIST SVCS
	5304H178270		3	$20,000.00	199910	200009	D309	ADP INF, BROADCAST & DIST SVCS
	5304H178680		2	$72,000.00	199809	200109	D302	ADP SYSTEMS DEVELOP
	5304H191090		1	$14,956.00	199908	199910	D313	COMPUTER AIDED DESGN/MFG SVCS
	5304H191090			$65,000.00	199904	199910	D313	COMPUTER AIDED DESGN/MFG SVCS
	5313045002		04	$100,000.00	199902	200004	D308	ADP PROGRAMMING SVCS
	538371717		3	$70,620.60	199909	200009	D301	ADP FACILITY MANAGEMENT
	538371811		2	$65,400.00	199809	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5391S88EC26			$500.00	199808	200008	D307	AUTOMATED INFORMATION SYSTEM SVCS
	5391S88EC28			$500.00	199808	200008	D307	AUTOMATED INFORMATION SYSTEM SVCS
	5391S88EC30			$500.00	199808	200008	D307	AUTOMATED INFORMATION SYSTEM SVCS
	5391S89AF03			$24,500.00	199810	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF03			$255,637.00	199909	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF03			$25,000.00	199912	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF03			$25,000.00	200001	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF04		12	$1,000.00	199909	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF04		13	$18,000.00	199909	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF04		14	$25,000.00	199909	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF04			$25,000.00	199810	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF04			$23,600.00	199905	200010	D308	ADP PROGRAMMING SVCS
	5391S89AF04			$377,598.00	199909	200010	D308	ADP PROGRAMMING SVCS
	5391S8EC32			$500.00	199808	200008	D307	AUTOMATED INFORMATION SYSTEM SVCS
	5404H157420	0004MOD1	1	$101,778.60	200002	200010	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	CIOSP26396D0332	5343ZP806	6	$1,979,600.00	199912	200212	D307	AUTOMATED INFORMATION SYSTEM SVCS
	CIOSP26396D0332	5343ZP806	7	$534,290.00	200004	200212	D307	AUTOMATED INFORMATION SYSTEM SVCS
	GS35F4863G	4382X995140	1	$1,200.00	199911	200010	D308	ADP PROGRAMMING SVCS
	GS35F4863G	4382X995140	2	$245,000.00	200001	200010	D308	ADP PROGRAMMING SVCS
	GS35F4863G	4382X995140	3	$10,500.00	200001	200010	D308	ADP PROGRAMMING SVCS
	GS35F4863G	4382X995140		$2,823,784.00	199904	200010	D307	AUTOMATED INFORMATION SYSTEM SVCS
	GS35F5189H	43837190177	1	$2,950.00	199909	200004	D315	DIGITIZING SVCS
	GS35F5189H	43837190177		$18,360.00	199904	200004	D315	DIGITIZING SVCS
	GS35F5189H	43837190233		$2,950.00	199908	200004	D315	DIGITIZING SVCS
	GS35F5189H	43837190233		$153,591.00	199909	200004	D315	DIGITIZING SVCS

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				Sum: $9,774,618.62				
FSA	533151300006	43DC7482085		$150,000.00	199809	199912	D311	ADP DATA CONVERSION SVCS
	533151500100	43DC7452024		$2,690,510.00	199501	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533151500100	43DC7492150		$2,931,911.00	199902	200001	D301	ADP FACILITY MANAGEMENT
	533151700103	43315108000		$436,842.85	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43315108001		$1,200,000.00	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43315108002		$300,000.00	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43315108003		$300,000.00	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43315108009		$1,034,005.00	200001	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43315108013		$417,774.44	200002	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43315108018		$36,369.60	200003	200007	D308	ADP PROGRAMMING SVCS
	533151700103	43315198003		$899,261.50	199906	200009	D301	ADP FACILITY MANAGEMENT
	533151700103	43315198005		$208,044.00	199907	199912	D301	ADP FACILITY MANAGEMENT
	533151700103	43315198012		$647,185.03	199909	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402004		$413,039.92	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402005		$447,337.95	199909	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402006		$1,116,650.51	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402008		$462,070.65	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402011		$356,111.48	199909	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402012		$891,048.70	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402013	01	$40,989.24	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402013		$48,235.70	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402013		$48,235.70	200001	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402014		$178,942.91	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402015		$464,427.28	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402018		$277,786.59	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402019		$1,050,500.00	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7402020		$1,050,500.00	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	43DC7492084		$475,074.00	199811	199910	D301	ADP FACILITY MANAGEMENT
	533151700103	43DC7492084		$475,073.76	199910	200009	D308	ADP PROGRAMMING SVCS
	533151700103	4DC7492441		$186,733.19	199909	200003	D308	ADP PROGRAMMING SVCS
	533151700103	543DC7402005		$447,337.95	199910	200009	D308	ADP PROGRAMMING SVCS

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	533151700104	43DC7492009		$118,446.00	199810	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533151700105	43DC782464		$5,000.00	199809	199910	D301	ADP FACILITY MANAGEMENT
	533151700106	43315108017		$1,422,951.67	200003	200009	D308	ADP PROGRAMMING SVCS
	533151700107	43DC7492005		$406,657.00	199810	199910	D301	ADP FACILITY MANAGEMENT
	533151700114	43CC7402000	3	$8,000,000.00	199909	200209	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533151700114	43CC7492012	3	$7,900,000.00	199810	200209	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533151700114			$8,026,000.00	199710	200209	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533151900002			$70,000.00	199910	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	533151900003	43314805309		$10,000.00	199912	199912	D306	ADP SYSTEM ANALYSIS
	533151900003	43314895190	4	$60,000.00	199909	199912	D306	ADP SYSTEM ANALYSIS
	53315750002	43315197004	05	$131,282.00	199910	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
	53315750005	43315197006	13	$76,083.60	199910	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
				Sum: $45,908,419.22				
FSIS	533A94601	433A9400612		$287,756.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406000		$112,940.80	199911	199912	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406001		$287,557.60	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406002		$287,557.60	199912	199912	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406003		$162,684.00	199911	199912	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406004		$96,806.40	199511	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406005		$287,557.60	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406006		$2,538.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406007		$406,958.00	200001	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406008		$2,538.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406009		$15,918.00	200002	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406010		$5,693.00	200002	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406011		$287,756.00	200002	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406013		$182,047.25	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406014		$33,099.50	200003	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9406016		$194,597.50	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407000		$2,943.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407001		$14,094.00	199912	199912	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407002		$2,515.00	199911	199912	D307	AUTOMATED INFORMATION SYSTEM SVCS

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	533A94601	433A9407003		$1,658.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407004		$2,028.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407005		$2,344.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407006		$2,515.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407007		$3,223.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407008		$2,589.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407009		$17,598.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407010		$9,252.00	200001	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407011		$2,515.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407012		$13,588.00	199912	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407013		$10,140.00	200001	200001	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407014		$2,969.81	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407015		$12,155.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407016		$17,900.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407017		$2,515.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407018		$2,431.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407019		$8,750.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407020		$19,474.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407021		$14,704.00	200001	200002	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407022		$2,347.00	200002	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407023		$1,209.00	200002	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407024		$7,872.00	200002	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407025		$2,658.00	200002	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407026		$2,765.00	200002	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407027		$2,765.00	200002	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407029		$17,424.00	200002	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407030		$21,780.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407031		$16,664.00	200002	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407032		$3,339.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407033		$2,994.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407034		$2,237.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407035		$2,217.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407036		$3,900.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS

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	533A94601	433A9407037		$10,890.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407038		$2,765.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407039		$4,781.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407040		$16,454.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407041		$2,666.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407042		$1,589.00	200003	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407043		$10,890.00	200003	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407044		$2,765.00	200003	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407045		$2,765.00	200003	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407046		$13,136.00	200003	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407047		$1,831.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407048		$2,369.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407049		$2,931.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407050		$3,008.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407051		$1,861.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407052		$2,369.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407053		$2,169.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407054		$9,155.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9407055		$3,168.00	200004	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9496043		$126,653.76	199909	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9496044		$118,737.90	199909	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9497080		$1,681.30	199909	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9497081		$1,958.98	199909	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9497082		$25,466.74	199909	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9497083		$11,444.86	199909	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A94601	433A9497086		$5,876.94	199909	199910	D307	AUTOMATED INFORMATION SYSTEM SVCS
	533A949702	01		$27,130.00	200003	200006	D302	ADP SYSTEMS DEVELOP
	533A949702	04		$95,641.16	199706	200910	D302	ADP SYSTEMS DEVELOP
	533A949702	433A9405018		$55,200.00	199910	200009	D302	ADP SYSTEMS DEVELOP
	533A949702	433A9405022		$24,965.00	200003	200009	D302	ADP SYSTEMS DEVELOP
			Sum:	**$3,504,395.70**				
NRCS	4382TS002			$95,143.16	199912	200009	D302	ADP SYSTEMS DEVELOP

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	438B059131			$57,000.00	199909	200009	D315	DIGITIZING SVCS
	533151700104	4382TS735	01	$6,076.62	199707	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS735		$61,310.87	199707	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS736		$318,132.59	199707	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS737		$33,383.82	199707	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS741		$255,000.00	199709	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS803		$49,988.45	199712	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS804		$112,868.87	199712	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS805		$395,941.37	199712	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS806		$85,188.88	199712	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS836	01	$215,631.60	199808	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS836		$99,611.91	199805	200109	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS926		$232,000.00	199904	200002	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS927		$10,000.00	199904	200002	D302	ADP SYSTEMS DEVELOP
	533151700104	4382TS928		$135,000.00	199904	200002	D302	ADP SYSTEMS DEVELOP
	533151700106	4382TS008		$179,640.00	200002	200009	D301	ADP FACILITY MANAGEMENT
	533151700106	4382TS010		$108,861.00	200002	200009	D301	ADP FACILITY MANAGEMENT
	533151700106	4382TS014		$189,480.00	200002	200009	D301	ADP FACILITY MANAGEMENT
	533151700106	4382TS015	01	$136,000.00	200004	200009	D301	ADP FACILITY MANAGEMENT
	533151700106	4382TS015		$471,520.00	200002	200009	D301	ADP FACILITY MANAGEMENT
	533151700106	4382TS016		$599,963.00	200003	200009	D301	ADP FACILITY MANAGEMENT
	533151700106	4382TS025		$100,000.00	200004	200009	D308	ADP PROGRAMMING SVCS
	533151700106	4382TS026		$276,763.00	200004	200009	D308	ADP PROGRAMMING SVCS
	533151700106	4382TS913	01	$65,649.00	199905	199912	D302	ADP SYSTEMS DEVELOP
	533151700107	4382TS003	01	$10,357.00	200003	200009	D301	ADP FACILITY MANAGEMENT
	533151700107	4382TS003		$15,728.00	199912	200009	D302	ADP SYSTEMS DEVELOP
	533151700107	4382TS004		$100,524.00	200002	200009	D301	ADP FACILITY MANAGEMENT
	533151700107	4382TS011		$206,548.00	200002	200009	D301	ADP FACILITY MANAGEMENT
	533151700107	4382TS012		$80,000.00	200002	200009	D301	ADP FACILITY MANAGEMENT
	533151700107	4382TS013		$100,000.00	200002	200009	D301	ADP FACILITY MANAGEMENT
	533151700107	4382TS929		$94,911.00	199904	200005	D302	ADP SYSTEMS DEVELOP
	5374829436	NEDC901		$24,393.00	199909	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5374829436	PHASE1T1T6		$83,438.00	199908	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS

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	5382TS001	4382TS007	01	$67,766.48	200004	200009	D302	ADP SYSTEMS DEVELOP
	5382TS001	4382TS007		$124,617.36	200002	200009	D302	ADP SYSTEMS DEVELOP
	GS23F7102H	4382TS001		$162,695.61	199910	200009	D302	ADP SYSTEMS DEVELOP
	GS23F7102H	4382TS005		$165,625.61	200001	200009	D302	ADP SYSTEMS DEVELOP
	GS23F7102H	4382TS024		$326,251.22	200004	200009	D302	ADP SYSTEMS DEVELOP
	GS35F0595J	438B05995		$53,000.00	199908	200002	D315	DIGITIZING SVCS
	GS35F4415G	4382TS006		$77,448.16	200002	200009	D302	ADP SYSTEMS DEVELOP
	GS35F4415G	4382TS027		$42,411.64	200004	200005	D308	ADP PROGRAMMING SVCS
				Sum: $6,025,869.22				
OFCO	4372450041			$48,418.80	199910	200009	D309	ADP INF, BROADCAST & DIST SVCS
	4372450049			$34,053.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	4372450077			$62,153.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314271008	4372450060		$45,479.54	199910	200010	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F0182D	4372450072		$671,976.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4415G	4372450045		$212,348.00	199910	200009	D308	ADP PROGRAMMING SVCS
	GS35F4863G	4372450022		$110,953.48	199910	200009	D308	ADP PROGRAMMING SVCS
	GS35F5839H	4372450085		$29,062.00	200003	200007	D308	ADP PROGRAMMING SVCS
				Sum: $1,214,443.82				
OO	403142905585			$64,375.00	199909	199911	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314231045	433142004038		$122,936.62	200004	200006	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314231181	433142803004		$62,802.00	199710	200809	D304	ADP SVCS/TELECOMM & TRANSMISSION
	53314241060	433142004978		$53,849.00	199912	200004	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314241060	433142905191	01	$34,296.00	199904	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314241060	433142905191	02	$34,296.00	199904	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314241060	433142905191		$45,000.00	199904	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314271027	433142004879		$1,634,134.00	199910	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314281024	433142903551		$29,723.64	199809	199910	D301	ADP FACILITY MANAGEMENT
	53314281031	433142004951		$10,000.00	199912	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314281031	433142905607	01	$1,046.00	199911	199911	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314281031	433142905607		$18,954.00	199909	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314291003	433142005013		$30,000.00	199912	200001	D304	ADP SVCS/TELECOMM & TRANSMISSION

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	53314291003	433142005014		$36,029.82	199912	200001	D304	ADP SVCS/TELECOMM & TRANSMISSION
	53314291006MM	433142903037	02	$7,273.61	199909	199910	D304	ADP SVCS/TELECOMM & TRANSMISSION
	53314291006MM	433142905336		$307,040.00	199906	200001	D304	ADP SVCS/TELECOMM & TRANSMISSION
	53314291006MM	433142905621		$145,600.00	199909	199912	D304	ADP SVCS/TELECOMM & TRANSMISSION
	53314291012	433142903602	01	$27,162.58	199902	200309	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314291012	433142903602	02	$25,836.00	199902	200309	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314291012	433142903602		$127,461.17	199812	200309	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53314291022	433142003005		$485,321.20	199911	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314291022	433142003038		$95,736.00	200002	200002	D306	ADP SYSTEM ANALYSIS
	53314291022	433142005085		$100,000.00	200003	200007	D306	ADP SYSTEM ANALYSIS
	53314291029	433142004818		$904,673.84	199910	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314291029	433142004980	01	$26,000.00	200003	200003	D307	AUTOMATED INFORMATION SYSTEM SVCS
	53314291029	433142004980		$240,000.00	199912	200001	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	53314291029	453142004973		$50,000.00	199911	200009	D316	TELECOMMUNICATION NETWORK MGMT SVCS
	533142991022	433142905512		$100,000.00	199909	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS23F9786H	433142905071		$3,493,000.00	199812	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F0196J	433142905624		$27,474.00	199909	200009	D317	AUTO NEWS, DATA & OTHER SVCS
	GS35F0399J	433142004812		$622,478.56	200001	200010	D306	ADP SYSTEM ANALYSIS
	GS35F0517J	433142905587	01	$33,074.80	199911	200005	D302	ADP SYSTEMS DEVELOP
	GS35F0517J	433142905587		$342,847.90	199909	200004	D307	AUTOMATED INFORMATION SYSTEM SVCS
	GS35F4041G	433142004894		$874,227.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4052G	433142805475	01	$29,921.16	199908	199910	D302	ADP SYSTEMS DEVELOP
	GS35F4052G	433142905070	02	$5,000.00	199909	199910	D302	ADP SYSTEMS DEVELOP
	GS35F4340D	433142905291		$77,137.00	199906	200001	D302	ADP SYSTEMS DEVELOP
	GS35F4415G	453142803597		$70,120.00	199802	199912	D308	ADP PROGRAMMING SVCS
	GS35F4522G	433142004914		$77,717.38	199911	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4594G	403142903676		$239,962.00	199906	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4594G	433142905224		$122,930.00	199904	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4984H	433142003550		$209,700.00	199909	200005	D307	AUTOMATED INFORMATION SYSTEM SVCS
	GS35F4984H	43314200359		$135,700.00	199911	200004	D311	ADP DATA CONVERSION SVCS
	GS35F5014H	433142903607		$260,000.00	199909	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F5049H	433142904051	01	-$9,022.00	200003	200010	D307	AUTOMATED INFORMATION SYSTEM SVCS
	GS35F9737H	433142905185		$299,890.00	199903	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS

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	OPENMARKET	433142005161		$28,891.00	200003	200004	D306	ADP SYSTEM ANALYSIS
	OPENMARKET	433142905654		$31,900.00	199909	199911	D307	AUTOMATED INFORMATION SYSTEM SVCS
			Sum:	**$11,792,495.28**				
RD	4064KX95078			$47,808.00	199812	200001	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	4364KX03030			$69,040.08	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750008	4364KX03036	M089	$1,419,555.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750008	4364KX75045	M020	$1,072,500.00	199610	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750008	4564KX75059	M022	$49,380.00	199610	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750008	4564KX83070	M001	$39,224.00	199803	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750008	4564KX83070	M049	$110,288.00	199801	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750008	4564KX83102		$82,815.00	199807	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750008		01	$7,274,730.00	199509	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750008			$7,182,000.00	199505	199912	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	53315750009	4331ME05000		$4,252,000.00	199909	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5331ME00001			$1,660,800.00	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5331ME80004	6031ME0C5007		$80,628.00	199911	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5364KX902	4364KX03002	M00	$318,567.96	199910	200009	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	5364KX904		01	-$26,953.57	199902	199910	D311	ADP DATA CONVERSION SVCS
	5364KX905	4364KX03082		$24,997.84	200002	200012	D302	ADP SYSTEMS DEVELOP
	5364KX905	4364KX03087		$239,900.40	200003	200012	D302	ADP SYSTEMS DEVELOP
	5364KX905	4364KX95117	01	$81,990.00	199909	200003	D302	ADP SYSTEMS DEVELOP
	5364KX905	4364KX95150		$35,000.00	199907	200007	D302	ADP SYSTEMS DEVELOP
	5364KX905	4364KX95169		$81,347.50	199909	200008	D302	ADP SYSTEMS DEVELOP
	5364KX905	4364KX95170		$185,120.00	199909	200006	D302	ADP SYSTEMS DEVELOP
	5364KX905	4364KX95174	01	$139,929.60	200003	200009	D302	ADP SYSTEMS DEVELOP
	5364KX905	4364KX95174		$154,942.88	199909	200009	D302	ADP SYSTEMS DEVELOP
	5364KX907			$1,742,766.00	199909	200005	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F0279J	4064KX03062		$258,781.00	199912	200012	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F0343J	4364KX03090		$31,986.63	200003	200005	D302	ADP SYSTEMS DEVELOP
	GS35F0343J	4364KX95179	01	$1,448,696.70	199909	200009	D302	ADP SYSTEMS DEVELOP
	GS35F0343J	4364KX95179		$640,201.88	199909	200009	D302	ADP SYSTEMS DEVELOP
	GS35F3075D	4031ME90063		$118,000.00	199903	200003	D301	ADP FACILITY MANAGEMENT

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	GS35F4321D	4064KX95158		$64,000.00	199908	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4321D	4064KX95171		$34,547.69	199908	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4321D	4064KX95178		$248,454.00	199909	199910	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4321D	4364KX03035		$340,774.00	199909	200009	D306	ADP SYSTEM ANALYSIS
	GS35F4534G	4131ME90039		$40,000.00	199902	200002	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
	GS35F4883H	4064KX03084		$32,400.00	200003	200004	D302	ADP SYSTEMS DEVELOP
	GS35F5013H	4364KX95177		$269,030.40	199909	200009	D302	ADP SYSTEMS DEVELOP
	GS35F5236H	4364KX95163		$194,617.00	199908	199912	D302	ADP SYSTEMS DEVELOP
	GS35F5861H	4364KX95092	01	-$13,145.00	200003	200003	D399	OTHER ADP & TELECOMMUNICATIONS SVCS
			Sum:	**$30,025,720.99**				

Grand Total: $127,171,248.94

LAST QUARTERLY CCC REPORT

Mr. Skeen: Please provide the latest quarterly CCC report related to ADP expenditures.

Response: The Commodity Credit Corporation - CCC - Summary Expenditures Report, for the quarter ending September 30, 1999, is attached for the record.
[The information follows:]

Commodity Credit Corporation
Summary Expenditure Report
Sections 5 and 11
For the Quarter Ended September 30, 1999
(Dollars in Thousands)

		Fiscal Year Through June 30	Current Quarter Total	Cumulative Fiscal Year Total
Funded by CCC Borrowing Authority				
Outlays:				
Commodity Loans Made		[illegible]	[illegible]	[illegible]
Commodity Purchases	(a)	458,192	345,411	801,603
Commodity Storage & Handling	(a)	53,364	[illegible]	[illegible]
Transportation-Domestic & Foreign	(a)	134,035	109,272	243,307
Deficiency	(a)	[illegible]	[illegible]	[illegible]
Loan Deficiency	(a)	2,319,660	1,041,870	3,360,359
Flexible Contracts	(a)	[illegible]	[illegible]	[illegible]
Market Loss Assistance	(a)	2,810,969	332	2,811,301
Dairy Market Loss Assistance	(a)	[illegible]	[illegible]	[illegible]
Disaster	(a)	248,814	61,097	309,711
Crop Loss Disaster Assistance	(a)	[illegible]	[illegible]	[illegible]
Cotton User Marketing	(i)	280,072	5,000	285,072
Livestock Assistance	(a)	[illegible]	[illegible]	[illegible]
Export Enhancement	(i)	1,254	195	1,449
Market Access	(a)	[illegible]	[illegible]	[illegible]
Interest - Treasury	(a)	258,802	23,779	280,582
Interest - Other	(a)	[illegible]	[illegible]	[illegible]
Dairy Export Incentive		96,315	31,830	127,145
Dairy Export Pilot Programs	(a)	[illegible]	[illegible]	[illegible]
Wool and Mohair		(184)	—	(184)
Conservation	(a)	[illegible]	[illegible]	[illegible]
Non-Insured Assistance		44,554	9,376	53,930
World Food Program		[illegible]	[illegible]	[illegible]
Automated Data Processing - Under Apportionment Authority (Exhibit 1)		79,758	22,721	102,479
Reimbursable Services - (Exhibit 2)		[illegible]	[illegible]	[illegible]
Other Outlays	(i)	175,880	(31,104)	144,776
Total		22,843,947	3,771,629 $	26,615,776
Receipts:				
Commodity Credit Repaid		[illegible]	[illegible]	[illegible]
Commodity Sales Proceeds		31,902	87,270	119,173
Interest Income	(i)	[illegible]	[illegible]	[illegible]
Assessments	(i)	47,526	10,913	58,439
Miscellaneous Receipts		[illegible]	[illegible]	[illegible]
Collections and Other Receivables		4,691	4,181	8,872
Claims		[illegible]	[illegible]	[illegible]
Total		4,186,592	3,094,479 $	7,281,371
Non-Expenditure Transfers-Natural Resources Conservation Service-Wildlife Habitat Incentives Program		20,000	—	20,000
Non-Expenditure Transfers-Animal & Plant Health Inspection Service-Various Programs		120,364	22,576	142,940
Non-Expenditure Transfers-Forest Service-Southern Pine Beetle Infestation		—	510	510
Net Outlays (Receipts) Funded by CCC Borrowing Authority		18,797,419	700,436 $	19,497,855
Funded by Specific Appropriation and/or Permanent Borrowing Authority				
Outlays:				
P.L. 480 Direct Credits		[illegible]	[illegible]	[illegible]
Export Credit Guarantees		166,201	123,746	289,947
P.L. 480 Title I (Direct, Credit, Grants)		[illegible]	[illegible]	[illegible]
Reimbursable Services - Hazardous Waste (Exhibit 2)	(a)	3,240	1,377	4,617
Disaster		[illegible]	[illegible]	[illegible]
Total		1,001,397	830,043 $	1,831,540
Receipts:				
P.L. 480 Direct Credits		[illegible]	[illegible]	[illegible]
Export Credit Guarantees		227,941	123,913	351,854
P.L. 480 Title I (Direct, Credit, Grants)		[illegible]	[illegible]	[illegible]
Total		595,863	338,927 $	934,790
Net Outlays (Receipts) Funded by Specific Appropriation and/or Permanent Borrowing Authority		405,704	491,716 $	897,420
Total CCC Net Outlays		19,203,123	1,192,152 $	20,395,274

Note: *Expenditures are defined as outlays for purposes of this report.*
Totals may not add due to rounding
() *Represents a refund or receivable established for program payment*

Commodity Credit Corporation
Summary Expenditure Report
Footnotes
For the Quarter Ended September 30, 1999

(a) Costs associated with the purchase of commodity inventory including processing and packaging costs.

(b) Amount of warehouse receiving, handling, and storage charges for acquiring commodities from price support loans and producers.

(c) Expense incurred in transporting CCC-owned commodities, including ocean transportation and costs incidental to the disposition of CCC-owned commodities.

(d) Deficiency payments and related recoveries, including advances and amounts forgiven for feed grains, wheat, cotton, and rice producers.

(e) Amount paid to producers who, although eligible to obtain a loan, agree to forgo such a loan in return for a loan deficiency payment. Outlays reported are for feed grains, wheat and cotton.

(f) Market loss assistance payments to partially compensate owners and producers for the loss of market of 1998 crop commodities produced on a farm.

(g) Payments made under the Dairy Market Loss Assistance Program to compensate dairy producers for the market loss of milk marketed commercially during the fourth quarter of calendar year 1998.

(h) Amount of payments and related recoveries incurred under the Disaster Assistance Acts of 1988, 1989, 1990 and 1993 (not covered under P.L. 103-75).

(i) Disaster assistance payments for single and multi-year crop losses due to adverse weather conditions.

(j) Upland cotton Step II payments and related recoveries.

(k) Payments incurred under the livestock emergency programs.

(l) Payments made to exporters under the Export Enhancement Program.

(m) Formerly the Market Promotion Program, this line represents the amount of outlays made for overseas market development.

Commodity Credit Corporation
Summary Expenditure Report
Footnotes
For the Quarter Ended September 30, 1999

(n) Amount of interest paid on CCC capital stock and borrowings from the U.S. Treasury (excluding interest on foreign program borrowing).

(o) Includes interest expense associated with no-net cost tobacco, warehouse user fee fund, prompt payment penalties, and other related expenses.

(p) Payments made under the Dairy Options Pilot Program to dairy farmers who use options to manage the price risk of producing milk.

(q) Payments made under the Conservation Reserve Program, Environmental Quality Incentives Program, Farm Option Pilot Program, and conservation programs administered by the Natural Resources Conservation Service.

(r) Represents outlays not otherwise classified, or not directly attributable to a specific program, such as accounts and notes receivable, accounts payable, undistributed expenditures, etc.

(s) Represents interest income on loans, claims, and other receivables, including non-Credit Reform amounts collected under the OGSM Direct Sales program and rescheduled debt for export credit programs.

(t) Assessments withheld or collected for marketing sugar and tobacco. Parentheses ( ) represent refunds of assessments previously collected.

(u) Amount of site inspection and cleanup expense invoiced by the Department of Energy. These amounts are related to funds under the USDA shared appropriation 12X0500.

(v) Amount of payments and related recoveries incurred under the Disaster Assistance Acts of 1990. 1992, 1993 (not covered under P.L. 103-75), and the 1998 Supplemental Appropriations and Recissions Act (P.L. 105-174) related to programs for which advanced appropriation funds were received before expenses were incurred.

Exhibit 1
Commodity Credit Corporation
Automated Data Processing (ADP)
Schedule of Obligations and Disbursements
For the Quarter Ended September 30, 1999
(Dollars in Thousands)

	Year of Apportionment				
	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Cumulative Total
Apportionment of Borrowing Authority	$ 155,000	$ 54,833	$ 91,900	$ 62,000	$ 363,733
Obligations:					
Cumulative through June 30	143,986	36,146	80,623	30,744	291,500
Current Quarter	—	—	(6)	16,771	16,765
Total	$ 143,986	$ 36,146	$ 80,617	$ 47,515	$ 308,265
Net Balance: (a)	$ 11,014	$ 18,687	$ 11,283	$ 7,485	$ 55,468
Disbursements: (b)					
Cumulative through June 30	$ 109,102	$ 19,293	$ 50,744	$ 14,711	$ 193,850
Current Quarter	3,298	553	9,645	9,225	22,721
Total	$ 112,400	$ 19,846	$ 60,389	$ 23,936	$ 216,571

Note: Totals may not add due to rounding

(a) The unobligated balances of indefinite borrowing authority are withdrawn at the end of each year to comply with guidance established by the Office of Management and Budget, and the Department of Treasury.

(b) Figures presented are cumulative since the year of the apportionment, whereas the summary page presents fiscal year activity only.

Exhibit 2
Commodity Credit Corporation
Reimbursable Services Outlays
For the Quarter Ended September 30, 1999
(Dollars in Thousands)

	Fiscal Year through June 30, 1999	Current Quarter Total	Cumulative Fiscal Year Total
Systems Support			
Agency:			
Agricultural Marketing Service	$ 20	$ 353	$ 373
Food & Nutrition Service	—	—	—
Foreign Agricultural Service	—	—	—
General Services Administration	—	—	—
Office of Communications	—	—	—
Total	$ 20	$ 353	$ 373
County Estimates Program			
Agency:			
National Agricultural Statistics Service	$ 100	$ —	$ 100
Total	$ 100	$ —	$ 100
Administrative Support			
Agency:			
Foreign Agricultural Service	$ 15,867	$ 1,564	$ 17,431
General Services Administration	2,751	848	3,599
Grain Insp. & Packers/Stockyards Adm.	161	—	161
Natural Resources Conservation Service	—	9,800	9,800
Office of the Secretary	60	—	60
Office of the Inspector General	842	870	1,712
U.S. Air Force	43	—	43
U.S. Geological Survey	—	194	194
Extension Service	5	—	5
Economic Research Service	6	—	6
Agricultural Marketing Service	45	—	45
Risk Management Agency	—	18	18
Total	$ 19,829	$ 13,255	$ 33,084
Remote Sensing			
Agency:			
Foreign Agricultural Service	$ 2,100	$ —	$ 2,100
Total	$ 2,100	$ —	$ 2,100
U.S. Warehouse Act			
Agency:			
Farm Service Agency	$ 2,772	$ 1,325	$ 4,097
Total	$ 2,772	$ 1,325	$ 4,097
Hazardous Waste Management			
Agency:			
City of Humphrey			
Funded by Specific Appropriation	$ 500	$ —	$ 500
Kansas Department of Health & Environment			
Funded by Specific Appropriation	$ 544	$ 300	$ 844
Department of Army			
Funded by Specific Appropriation	$ 125	$ 233	$ 358
Department of Energy			
Funded by Specific Appropriation	$ 207	$ 844	$ 2,015
Funded by CCC Borrowing Authority	2,726	1,937	11,369
Total	$ 5,968	$ 3,014	$ 8,982
Total	$ 30,589	$ 17,947	$ 48,536

Exhibit 3
Commodity Credit Corporation
Reimbursable Services
Schedule of Obligations and Disbursements
For the Quarter Ended September 30, 1999
(Dollars in Thousands)

	Year of Apportionment				
	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	[illegible] Fiscal Year	Cumulative Total
Apportionment of Borrowing Authority	$ 50,000	$ 43,746	$ 43,343	$ [illegible]	$ 172,926
Obligations:					
Cumulative through June 30	49,441	39,283	37,881	[illegible]	146,423
Current Quarter	—	—	—	[illegible]	14,899
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net Balance (a)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Disbursements: (b)					
Cumulative through June 30	$ 46,410	$ 35,977	$ 28,001	$ [illegible]	$ 122,797
Current Quarter	572	510	2,969	[illegible]	16,411
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: Totals may not add due to rounding

(a) The unobligated balances of indefinite borrowing authority are withdrawn at the end of each year to comply with guidance established by the Office of Management and Budget, and the Department of Treasury.

(b) Figures presented are cumulative since the year of the apportionment, whereas the summary page presents fiscal year activity only.

IT MORATORIUM THRESHOLD INCREASE

Mr. Skeen: Has the moratorium threshold on new information technology activities been increased?

Response: USDA recently restored the threshold back to the original level of $250,000 for information technology acquisitions needing Chief Information Officer approval. The $250,000 threshold was established when the IT acquisition moratorium was established in November 1996.

In July 1997, Secretary Glickman directed USDA agencies to concentrate as many resources as possible on correcting the Year 2000 problem, so the moratorium threshold was lowered to $25,000. Following the successful USDA transition the moratorium threshold was raised back to its original level for all but administrative and financial systems and telecommunications investments.

The following activities remain exempt from the IT acquisition approval process:

- The renewal of existing contracts for maintenance and leases, so long as optional enhancements and/or upgrades which exceed the $250,000 threshold are not involved; and
- Information technology acquisitions for organizations other than USDA agencies, when funded by USDA grants.

USDA SERVICE CENTER LAN/WAN/VOICE INSTALLATIONS

Mr. Skeen: Update the table that appears on page 839 of last year's hearing record showing LAN/WAN/Voice installations to include the latest information.

Response: [The information follows:]

Number of LAN/WAN/Voice Installations

Fiscal Year	Completed Installations at end of FY	Remaining Installations (out of 2,567 Target)
1997	102	2465
1998	1,914	653
1999	2,449	118
2000	118	0

LAN/WAN/VOICE INSTALLATION COSTS

Mr. Skeen: Please provide the Committee with a table showing costs for fiscal year 1997 through fiscal year 2001 to complete the LAN/WAN/Voice installation.

Response: [The information follows:]

LAN/WAN/Voice Installation Costs

Fiscal Year	(Dollars in thousands)
FY 1996	72,700
FY 1997	10,673
FY 1998	25,275
FY 1999	13,775
FY 2000	4,000
FY 2001	0

This table represents the total cost of the LAN/WAN/Voice Project as part of the Service Center initiative since its inception. The planned LAN/WAN/Voice installations are nearly complete. We will continue to complete installations as states continue to certify sites, as local leasing and other issues are resolved. Currently there are approximately 60 sites that have potential to be installed in fiscal year 2000. Beginning in fiscal year 2001, LAN/WAN/Voice activities will be funded and managed directly by the partner agencies.

TOTAL YEAR 2000 CONVERSION COSTS

Mr. Skeen: Please submit for the record the costs for addressing Year 2000 issues.

Response: USDA costs for addressing Year 2000 issues are listed in the following chart:
[The Information follows:]

FISCAL YEAR	1996	1997	1998	1999	Est. 2000	TOTAL
Cost in Millions	$1.4	$14.1	$64.1	$95.4	$13.5	$188.5

SERVICE CENTER IMPLEMENTATION TEAM EMPLOYEES AND COSTS

Mr. Skeen: How many USDA employees are devoted full time to the Service Center Implementation Team?

Response: Currently, there are 8 USDA employees devoted to the Service Center Implementation Team--SCIT. SCIT's estimated salary costs for FY 2000 is $755,000. These salary costs are included in the Agency budgets and do not constitute an added cost to the Department.

Mr. Skeen: What was the total cost for the Service Center Implementation Team in fiscal year 1999? What are the estimated total costs for the Service Center Implementation Team for fiscal years 2000 and 2001?

Response: The total direct cost of the SCIT in FY 1999 was $3,094,000. Of this total, $794,000 was funded using fiscal year 1996 no-year funds. The total estimated cost for the Service Center Implementation Team for FY 2000 and FY 2001 is estimated at $1,700,000 each year, of which $850,000 is for the Implementation Team's direct cost. The reduction in the funding requirement for FY 2000 and FY 2001 is due to the completion of the Change Management training for all field office personnel early in FY 2000.

DETAIL OF USDA AGENCIES PERSONNEL WORKING ON SCI

Mr. Skeen: Please provide a detailed breakout, by agency, of the total number of USDA employees working on Service Center Implementation.

Response: The information requested is included in the following table. The breakdown of FTEs shown at any time may vary depending on project needs. [The information follows:]

Program	OHRM	APFO	FSIS	APHIS	FNS	WAOB	OIA	NASS	CSREES	RMA	DMCS	FSA	NRCS	RD	Total
Strategic Planning	0	0	0	0	0	0	0	0	0	0	0	1.0	0.4	0.2	1.6
Outreach	0	0	1.0	0	0	0	0	0	0	0	0	0	0	0	1.0
Communicat-ions	0	0	0	0	0	0	0	0	0	0	0	.5	0.5	0	1.0
Program Management	0	0	0	0.9	0	0	0	0	0	0	0	1.5	1.0	3.0	6.4
Change Management	0	0	0	0.1	0	0	0	0	0	0	0	8.3	9.3	6.3	24.0
Customer Service	0	0	0	0	0	0	0	0	0	0	0	0.5	0.7	1.4	2.6
BPR	0	0	0	0	0	0	0	0	0	0	0	0	1.0	4.8	5.8
BPR - Pilot Sites	0	0	0	0	0	0	0	0	0	0	0	2.0	0	1.0	3.0
BPR - Eligibility/ Compliance	0	0	0	0	0	0	0	0	0	0	0	2.4	0	0	2.4
BPR - Farm and Community Programs	0	0	0	0	0	0	0	0	0	0	0	1.1	0	0	1.1
BPR - Resource and Community Assess.	0	0.5	0	0	0	0	0	0	0	0.1	0	3.4	2.8	0	6.8
BPR - Administration	1.0	0	0	0	0	0	0	0	0	0	0	8.0	12.0	6.0	27.0
BPR - Lending/Outrea ch	0	0	0	0	0	0	0	0	0	0	0	3.7	0	0.4	4.1
BPR - Conservation	0	0	0	0	0	0	0	0	0	0	0	0.1	9.6	0	9.7
Data Management	0	0	0	0	0	0	0	0	0	0	0	2.7	3.2	0.7	6.6
CCE	0	0	0	0	0	0	0	0	0	0	0	3.0	2.5	0.5	6.0
LAN/WAN/Voice	0	0	0	0	0	0	0	0	0	0	0	1.8	9.6	3.9	15.3
Office Information	0	0	0	0	0	0	0	0	0	0	0	0	3.2	0	3.2
Disaster Assistance	0	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	.1	0.8	0.1	0.1	2.0
TOTAL	1.0	0.5	1.1	1.1	0.1	0.1	0.1	0.1	0.1	0.3	0.1	41.0	55.5	28.0	129.0

ACTION ON GAO AND OIG AUDITS

Mr. Skeen: Briefly describe the findings and actions taken on each GAO and OIG audit listed in the explanatory notes.

Response: I will provide that information.
[The information follows:]

#23099-1-FM --Official Draft--OCIO Security Over Data Transmission In The Department Needs Improvement

This audit is in draft and contains 6 recommendations. On February 11, 2000, the Office of the Chief Information Officer--OCIO forwarded a response to the OIG regarding the recommendations.

Recommendation: 1. Take immediate action to eliminate the risk of fraud and misuse of sensitive information posed by agencies transmitting unencrypted data over the Internet and Departmental and agency's networks.

Actions Taken:

OCIO concurred with this recommendation. OCIO agrees that the U.S. Department of Agriculture is at risk in transmitting unencrypted data associated with mission-critical and sensitive applications. NITC is currently taking several steps to mitigate these risks. We will be glad to brief the Committee on these specific activities.

Recommendation: 2. Implement appropriate safeguards to secure the link between NITC and NFC.

Actions Taken:

OCIO concurred with this recommendation. NITC believes that the telecommunications link used for transmitting data between NITC and NFC is at minimal risk for compromise. The link is a point-to-point circuit that does not traverse or have access to the Internet. When we transition to FTS 2001, the circuits will be a mirror of our current environment. We will ensure that these issues are evaluated and that the IG's concerns are addressed during the transition planning process.

Recommendation 3. Strengthen Departmental Regulation--DR 3140-2 by requiring that all data transmitted by the agencies over the Internet and Intranet be encrypted, and require that NITC and NFC no longer accept unencrypted data from any source.

Actions Taken:

OCIO concurred in part with this recommendation. DR 3140-2 "Internet and Electronic Mail Security" has been updated and strengthened to require the encryption of all sensitive data transmitted over open networks such as the Internet. The draft policy has been distributed to USDA agencies for review and comment. However, OCIO is not in agreement that the policy require that *all* data transmitted by the agencies over the Internet and Intranet be encrypted and that NFC and NITC no longer accept unencrypted data from any source. OCIO believes the sensitivity of the data should dictate the need for encryption.

Recommendation 4. Take immediate action to eliminate the identified vulnerabilities.

Actions Taken:

Appropriate steps have been taken and this recommendation is now closed.

Recommendation 5. Establish a process to scan the remaining computers, routers, etc. that are part of the Department's network. Ensure periodic reviews and risk assessments are performed over the network.

Actions Taken:

OCIO concurred with this recommendation. As indicated in the OCIO Response to Key Recommendations. "An action Plan to Strengthen USDA Information Security" includes a proposal to establish a USDA Cyber Security Program and to develop practical risk assessment procedures that link security to business needs and manage risks on a continuing basis. Cyber Security Program implementation and funding and contract support are required before USDA can

properly test and correct all of the security weaknesses on the Department's Network. After this program is in place, OCIO will have the risk assessment of the Department's Network performed on a priority basis to begin the risk migration process. Until that time, we will continue to monitor, report, and evaluate security incidents implementing interim security measures, as necessary, where existing funding/resources permit.

Recommendation: 6. Implement a network intrusion detection system and an emergency response team to ensure the timely detection, correction and tracking of unauthorized activities.

Actions Taken:

OCIO concurred with this recommendation. OCIO has awarded a contract to assist with the implementation and operation support of network security solutions within USDA.

#50099-3-HQ --audit closed 11-1-99--Review of the Year 2000 Day One Strategies

Recommendations

OCIO obtain copies of all missing Day One Strategy documentation and institute an immediate review to ensure that strategies address all Office of Management and Budget--OMB requirements.

Actions Taken

On November 22, 1999 a final call for Y2K contingency plans and self-assessment was issued to all USDA agencies to conduct an assessment review of their Business Continuity and Contingency Plans and Day One Plans, using the General Accounting Office--GAO and OMB guidance. Each agency furnished revised and updated information to the Y2K Program Office by November 30, 1999.

#50099-17-FM --awaiting closure confirmation--Review of Year 2000 (Y2K) Conversion Project

Recommendations

Provide guidance to each agency on identifying and assessing vulnerable systems and processes, telecommunications equipment, including specific provisions for conducting inventories of all equipment.

Provide guidance to agencies for testing and certifying equipment. Establish a certification process.

Actions Taken

- The OCIO issued guidance to all agencies through their Executive Sponsors. The OCIO also maintained a web site with specific information on vulnerable systems and processes and telecommunications.
- A contract was executed which provided assistance and guidance in the area of vulnerable systems. The contractor worked with the General Services Administration Y2K Program for Buildings. The contractor developed and issued BCCP guidance and facilitated training sessions. All agencies completed a BCCP for their respective facilities.
- Independent verification and validation --IV&V--visits to 30 mission-critical sites were completed. All facilities were Y2K compliant.
- The CIO Subcommittee on Y2K Telecommunications Working Group formulated specific guidance on assessing complex telecommunications equipment and developed test scenarios for this equipment. This guidance was shared with all agencies.
- A web-based Telecommunications Inventory Module was developed by the OCIO that contained the entire USDA telecommunications inventory. An IV&V of this inventory was conducted for Y2K compliance. All telecommunications systems reported 100% compliant. Of the 3854 known routers in the USDA system, 100% were compliant.

• Additional guidance on compliance testing of critical vulnerable systems was developed and shared with the agencies. The guidance covered a testing methodology and included sample test instructions and a worksheet.
• Each agency designated an Executive Sponsor who was charged with the responsibility of certifying Y2K compliance, and a certification process was established. Certifications were updated and maintained by the Y2K Program Office.

#50099-24-FM Security over USDA Information Technology Resources

This audit is ongoing. No findings or recommendations have been identified at this stage of the on going audit.

The OCIO has supplied various documents as requested by the OIG team and meetings with individuals within OCIO have been held.

#88099-1-FM USDA FY98 NITC General Controls Review

The purpose of the audit was to obtain reasonable assurance about whether the internal control structure of the USDA's OCIO National Information Technology Center-NITC presents fairly the aspects of the NITC's policies and procedures that may be relevant to a user organization's internal control structure; whether the control structure policies and procedures included were suitably designed to achieve control objectives; if those policies and procedures were complied with satisfactorily; the policies and procedures had been placed in operation; and whether the polices and procedures were operating effectively.

The audit contains recommendations. They, and the actions taken to date, are as follows:

1. Eliminate identified system vulnerabilities. OCIO Headquarters responded to this recommendation. All vulnerabilities belong to the NITC itself, and those identified as being the responsibility of several user agencies, were eliminated.
2. Install adequate procedures to prevent a reoccurrence of the identified vulnerabilities. NITC obtained a copy of the same system audit package used by OIG. It is processed monthly and existing vulnerabilities are identified to NITC management.
3. Implement a network intrusion detection system. Subject system has been implemented and saw heavy usage during the Y2K rollover weekend. Usage continues.
4. Develop and implement a plan to install firewalls on critical NITC resources. This recommendation has been implemented. Testing continues.
5. Establish controls to prevent the reuse of passwords. Done - a password may not be reused for 4 cycles. Each cycle is 35 days.
6. Identify user ID's that have not been used for a specific period of time - suspend and delete. For the various USDA platforms--except one--users have been notified that the necessary actions will commence June 1, 2000. As agreed to by the security officers of the major user agencies, logons will be suspended after 60 days of inactivity and will be deleted after 150 days.

No action was taken for the USDA platform processing the Forest Service--FS--Weather Information Management System. This is a forest fire information system used by various governmental units--multi-Departments and multi-agencies--as well as private users. The password management change was appealed by FS security personnel as being unnecessary and burdensome on their diverse and relatively unsophisticated users. This system is active daily and hourly year around. Most users seldom access the system - often less than yearly. From that perspective, suspension/deletion on logons would be unwise.

For the FAA platform suspension/deletion of inactive logons is in progress. As previously planned, full implementation should take place April 14, 2000.

7. Establish controls to ensure that contractor logons are suspended and deleted when no longer needed. This recommendation has been fully implemented. The NITC Security Staff is now informed when a contractor leaves the Center.

8. Assure that CA-7 passwords are changed at required intervals or suspend the out-of-date passwords. Necessary changes were made to the Security Staff's desk procedure to reflect current operational requirements.

9. Implement corrective actions for the network's user ID's to ensure that users do not circumvent password change controls. Corrective actions are still in progress.

10. Restrict the Vanguard reporting software to security personnel. The necessary RACF rule changes were made.

11. Restrict the Telecommunications Services and Operations Account commands to a limited number of users. The necessary rule changes were made prior to receipt of the formal audit.

12. Review and limit console sessions to only personnel who need such authority to carry out their duties. This recommendation applied to the FAA platform. After coordination with the FAA, the necessary rule changes were made to effect this limitation.

#OCIO-97-01 Year 2000 Remediation

Recommendations: This audit contained several recommendations to strengthen USDA's Year 2000 program.

Actions Taken:

USDA resolved any and all Y2K-related issues by January 1, 2000. USDA accomplished the following:

- 100% of mission critical systems were rendered Y2K compliant and deployed.
- 100% of non-mission critical systems were repaired and/or retired.
- USDA implemented an intensive Department-wide Independent Verification and Validation process that ensured remediated code had indeed been repaired and was operable. More than 52 million lines of code Independently Verified & Validated. This was in addition to agencies' individual IV&V efforts.
- USDA tracked 473 data exchanges representing 1,480 exchange partners. All data exchanges were rendered compliant.
- USDA aggressively dealt with telecommunications remediation. All routers are Y2K compliant.
- USDA occupied buildings--owned or leased--are compliant.
- OCIO continuously reviewed and updated agencies' BCCPs to further ensure program viability.

General Accounting Office Audits:

AIMD-95-97--awaiting closure confirmation--USDA Telecommunications: Missed Opportunities to Save Millions

Closure documentation forwarded to GAO on 05/13/1999. OCIO is awaiting GAO's approval of closure.

Recommendations and Actions Taken

OCIO responded to the following GAO recommendations: 1. advise about opportunities identified by the Office of Information Resources Management--OIRM to reduce telecommunications costs; 2. develop a plan for consolidating and optimizing FTS2000 telecommunications costs at USDA's new Field Office Service Centers and identify additional USDA Headquarters and field office sites where it is cost-effective to consolidate and optimize FTS2000 telecommunications services; 3. establish an implementation team consisting of OIRM and agency staff to implement Department-wide FTS2000 cost-savings

solutions; 4. oversee implementation of telecommunications cost-savings initiatives; and 5. preclude USDA agencies from obtaining and using redundant FTS2000 telecommunications services by requiring technical approvals that sufficiently address Department-wide consolidation and optimization of FTS2000 services.

The OCIO, through the Assistant Secretary for Administration, issued letters to the agencies on the importance of telecommunications management and cost-reduction opportunities. The OCIO developed USDA's Strategic Telecommunications Initiative #6 - Aggregation Network Management - which presented cost-reduction recommendations to agencies and staff offices. The OCIO also assisted with the development of a Network Analysis Model software tool for USDA FTS2000 service access arrangements. This tool and the appropriate training was provided to agency representatives.

AIMD-95-203--awaiting closure confirmation--USDA Telecommunications: Better Management and Network Planning Could Save Millions

Closure documentation forwarded to GAO on 03/10/2000. OCIO is awaiting GAO's approval of closure.

Recommendations and Actions Taken:

The OCIO-Policy organization led the effort to develop responses for the following open key recommendations: 1. Establish and implement procedures for reviewing telecommunications resources at offices that USDA plans to close or relocate; 2. Develop Departmental policy requiring agencies to establish management controls over the acquisition and use of telecommunications resources; 3. Provide USDA agencies with explicit guidelines that include procedures to monitor the acquisition of telecommunications and telecommunications services and equipment; implement call detail programs to review vendor-provided bills; 4. Conduct periodic reviews of agency telecommunications management activities to ensure that inventories of telecommunications equipment and services are properly maintained; management controls exist over telecommunications resources and expenditures; and redundant or uneconomical services are eliminated; and 5. Determine the interagency information sharing requirements necessary to effectively carry out USDA cross-cutting programs. The OCIO released an updated telecommunications policy--Departmental Regulation 3300-1, Telecommunications and Internet Services and Use, dated 03/23/1999, which included stronger language to satisfy many of the above GAO recommendations. OCIO also implemented several processes, including the Telecommunications Network Stabilization and Migration Program, the IT Investment Moratorium--which has recently been relaxed--and the Capital Planning and Investment Control as corrective measures in response to GAO's findings.

AIMD-96-59 --awaiting closure confirmation--USDA Telecommunications: More Effort Needed to Address Telephone Abuse and Fraud

Closure documentation forwarded to GAO on 03/10/2000. OCIO is awaiting GAO's approval of closure.

Recommendations and Actions Taken

The OCIO-Policy organization led the effort to develop responses for the following open key recommendations: determine the risk of and vulnerability to telephone fraud, waste, and abuse Department-wide, develop plan to mitigate these risks, and implement this plan. Determine the need to continue to accept collect calls.

The OCIO released an updated telecommunications policy, Departmental Regulation 3300-1, Telecommunications and Internet Services and Use, dated 03/23/1999, which included language prohibiting collect calls and third party

calls except for official business and only when authorized in writing by the Agency Administrator or Staff Office Director.

AIMD-97-67 --awaiting closure confirmation--Telecommunications: More Effort Needed by U.S. Department of the Interior and the USDA Forest Service to Achieve Savings

Closure documentation forwarded to GAO. OCIO is awaiting GAO's approval of closure.

Recommendations and Actions Taken:

The OCIO concurred with GAO on the following recommendations: 1. Determine where Department of Interior -DOI-- and USDA field sites are collocated and which services are shared; 2. Identify potential savings opportunities for all telecommunications equipment and services at the collocated sites; 3. Stop further radio system purchases until DOI and USDA can jointly determine where radio equipment and services can be cost-effectively shared; and 4. Monitor the activities and follow up where needed.

The OCIO replaced a Memorandum of Agreement dated 01/12/1995 between USDA and DOI with a Memorandum of Understanding dated 01/14/1998 for the optimization and consolidation of telecommunications networks and services. USDA and DOI agreed to work together in pursuing opportunities for telecommunications service consolidation and resource sharing. Through the use of the Forecast, Inventory, and Reporting--FIR--database, the OCIO developed a spreadsheet of collocated DOI and USDA field sites where specific reviews would be conducted for sharing opportunities. The FIR also allows for a continuous inventory and monitoring process which will satisfy GAO's recommendation. The USDA's FS imposed a moratorium on radio system purchases and established plans for determining collocated radio sites for sharing opportunities.

AIMD-98-131 USDA Telecommunications: Strong Leadership Needed to Resolve Management Weaknesses, Achieve Savings

The purpose of the audit was to address recommendations from previous audits:

- USDA Telecommunications: Missed Opportunities to Save Millions -AIMD-95-97--
- USDA Telecommunications: Better Management and Network Planning Could Save Millions -AIMD-95-203--
- USDA Telecommunications: More Effort Needed to Address Telephone Abuse and Fraud -AIMD-96-59--

Recommendations and Actions Taken:

The audit recommendations and the actions taken to date, are as follows:

The Secretary of Agriculture should direct that the CIO complete and implement a Department-wide corrective action plan that fully addresses all GAO's recommendations for resolving the Department's telecommunication management weaknesses and achieving savings wherever possible.

During FY 1999, USDA focused on Y2K program management. USDA is now refocusing its efforts on open telecommunications recommendations and has established a team to compile documentation that will support closing of open recommendations. The team will address an action plan for resolving these issues. However, the realization of savings has been over projected or misinterpreted in the past. Management controls have been established through the waiver process, the revision of DR 3300-1 "Telecommunications and Internet Services and Use" and the TNSMP. The CIO's recent organizational changes in the OCIO's Telecommunication Services Operation are also steps to strengthen identified management weaknesses and develop strategic alliances within the Department and external to USDA.

The Secretary of Agriculture should direct the CIO to periodically report to the Secretary on the Department's progress in:

1. Implementing this corrective action plan.

Status

On-going--USDA has established teams to compile documentation that will support closing of open recommendations. USDA submitted closure recommendations on the three audits referenced above. A team to specifically address this audit is currently being formed and will address the corrective action plan. The CIO will utilize the Executive Information Technology Review Board as a forum for keeping the Deputy Secretary apprized of telecommunications status on a regular basis and will meet with the Deputy Secretary as often as issues warrant.

2. Achieving the estimated $70 million in annual savings identified by the Department.

Basis for Disagreement

USDA does not concur with the $70 million annual savings cited by GAO. Although the Department reportedly identified this amount, we find that USDA cannot achieve that level of annual savings in telecommunications costs when the Department spends less than $150 million annually in this area. Seventy million is approximately 47% of USDA's telecommunications budget--both voice and data. This savings estimate was based upon life-cycle savings for the proposed USDA Enterprise Network that is not yet funded. Additionally, requirements for Internet "Web" enabled applications, as well as proposed legislation for electronic filing by USDA customers, will utilize any savings identified as increased service requirements by program areas.

AIMD-98-168 USDA Service Centers: Multibillion Dollar Effort to Modernize Processes and Technology Faces Significant Risks

GAO Recommendations:

Develop and document a concept of operations and the new mission-critical business processes necessary to provide one-stop service at all sites. Integrate the Service Center BPR Project with the county-based study. Assign responsibility to the Deputy Secretary who would work with the Under Secretaries and Assistant Secretaries of the Service Center agencies and the CIO. Hold the CIO accountable, and provide him requisite authority and responsibility for managing and implementing the Service Center IT modernization, and direct that he complete the following additional actions, etc. The Deputy Secretary should report on a regular basis to the Secretary on the progress the Department is making to implement each of these recommendations, and notify the Secretary when all of the identified weaknesses have been fully addressed and resolved.

Actions Taken

Progress has been made over the past several months to address the management issues associated with the Department's Service Center Modernization Initiative. In the summer of 1999, a combined task force of USDA and OMB representatives examined the Service Center agencies' organizational structure, budget, program workload, staffing, etc., as well as recommendations made in the Price Waterhouse Coopers -PWC-- county-based agency study. As a result, a "Service Center Modernization Plan of the USDA County-Based Agencies" was developed and approved. This document provides the comprehensive plan, including the concept of operations and agreed to PWC recommendations, to guide the modernization initiative. It, along with more detailed plans for each component of the initiative, also provides a risk assessment and mitigation strategy and milestones for the initiatives. Additionally, the Secretary has also recently enhanced the role of the USDA CIO from oversight to a direct responsibility for the management of the IT portion of the initiative, consistent with the GAO recommendations. This includes responsibility and accountability for appropriations from Congress for the Common Computing Environment-CCE.

The FY 2000 revised and FY 2001 Annual Performance Plan includes specific performance measures related to the Service Center Modernization Initiative. This includes those related to oversight responsibilities as well as to results from the initiative. These include measures such as progress reviews, evaluations, etc., and those related to reduction in program delivery time, reduction in customer time and paperwork, changes in customer satisfaction and others.

Although USDA did not agree with the GAO recommendation that the CIO take over the management and implementation of the Service Center IT Modernization, the Department did recognize the issues raised as valid. The Department's view was that a more permanent solution was needed to both ensure the success of the initial modernization and the successful management and operation of the new technology infrastructure. The Support Services Bureau-SSB would have accomplished that goal. However, since Congress prevented the establishment of the SSB in the FY 2000 appropriations language, the Secretary, as an interim measure, has recently assigned direct responsibility for the IT Modernization to the USDA CIO. This includes accountability for managing the FY 2000 appropriation for CCE and the requested FY 2001 appropriation. It is our intention to shift this responsibility back to the CIO of the consolidated SSB when we have approval from the Congress to move forward.

AIMD-99-178 **--awaiting closure confirmation--YEAR 2000 Computing Crisis USDA Needs to Accelerate Time Frames for Completing Contingency Planning**

Closure documentation forwarded to GAO on 09/29/1999. OCIO is awaiting GAO's approval of closure. Findings and Recommendations

- Secretary advance the Department's December 1999 time frame for completion and testing of agencies' BCCPs.
- Secretary direct USDA's 7 mission areas develop priorities for completing and testing BCCPs for the Department's 43 highest priority programs.
- Report regularly to the secretary on progress.

Actions Taken

- Deadline for completion and testing of BCCPs was moved up to September 30, 1999. All agencies were in full compliance with recommendation.
- The 7 mission areas completed the following relative to the Department's 43 highest priority programs: defined acceptable levels of recovery time; documented contingency plans that identified triggers and implementation modes; established business resumption teams; developed "zero day" strategies; and developed contingency test plans.
- Agencies reported to the Secretary through the Y2K Program Office on progress in meeting milestones.

AIMD-99-284 --awaiting closure confirmation--Year 2000 Computing Challenge: Readiness of USDA High-Impact Programs Improving, But More Action Is Needed

Closure documentation forwarded to GAO on 02/14/2000. OCIO is awaiting GAO's approval of closure.

Findings and Recommendations

- Food Safety and Food Inspection programs reach agreement with OMB on the Federal agencies and foreign countries to be partners in assuring the remediation the Y2K problem.
- Food and Nutrition and Food Safety programs establish specific milestones to complete BCCPs;

--Demonstrate readiness with a program event; and
--Develop overall plan to ensure Y2K readiness.

- Report regularly to the Secretary on progress.

Actions Taken

- Food Safety and Inspection Service -FSIS named the state inspection programs and the Food and Drug Administration as its high-impact program partners.

They were so designated because they have the same type of responsibility for food safety as FSIS.

- FSIS received updated Y2K progress information from the state inspection programs. Although cooperative agreements established between FSIS and the states have no criteria for a legal review of plans, FSIS requested BCCPs form all states. States maintaining inspection programs established and enforced requirements equal to those of FSIS.
- All states achieved Y2K compliance and readiness.
- FSIS contacted other sovereign nations and received Y2K readiness assurances and planning information from most of them.
- FNS received Y2K certification letters from all states.
- FNS reviewed BCCPs form all states.
- Relative to EBT, FNS received assurances from major retailers and third party processors that they were Y2K compliant.
- USDA Secretary sent letters to each state governor or senior level territory officials.
- Establishing November 15, 1999 as the deadline for full completion of all Y2K preparations, including BCCPs and ensuring readiness of EBT processes.
- FNS and FSIS reported regularly to the Secretary on progress.

A-11 EXHIBIT 42

Mr. Skeen: Please provide a copy of the OMB Exhibit 42 report that shows the requirements for information resources management for fiscal years 2000 and 2001.

Response: A copy of the OMB Exhibit 42 report, which shows the requirements for information resources management for fiscal years 2000 and 2001, is attached for the record.

[The information follows:]

Investments Shown in Millions of Dollars

10/27/1999

Bureau Line	Title	FY1999	FY2000	FY2001
USDA				
Data on IT System by Mission Area				
01-0000	Misison Area 1: Financial Management			
01-1000	Major IT:			
01-1010	FIN - CAS - BUDG/LEDG (BUDG and LEDG Systems for Central Accounting System)	12	9	10
01-1011	Development/Modernization/Enhancement (D/M/E)	0	0	0
01-1012	Steady State (SS)	12	9	10
01-1013	Subtotal, IT Costs	12	9	10
01-1014 01	Cooperative Work, Forest Service 12X8028	0	0	0
01-1014 02	Forest and Rangeland Research, Forest Service 12X1104	0	0	0
01-1014 03	National Forest System, Forest Service 12X1106	10	7	8
01-1014 04	Other Appropriations, Forest Service	0	1	1
01-1014 05	Reconstruction and Construction, Forest Service 12X1103	1	0	0
01-1014 06	State and Private Forestry, Forest Service 12X1105	0	0	0
01-1014 07	Timber Salvage Sales, Forest Service 12X5204	0	0	0
01-1014 08	Wildland Fire Management, Forest Service 12X1115	1	1	1
01-1017	Subtotal, funding sources	12	9	10
01-1020	FIN - FFIS (Foundation Financial Information System)	22	23	24
01-1021	Development/Modernization/Enhancement (D/M/E)	16	13	12
01-1022	Steady State (SS)	6	10	12
01-1023	Subtotal, IT Costs	22	23	24
01-1024 01	Cooperative Work, Forest Service 12X8028	1	1	1
01-1024 02	Forest and Rangeland Research, Forest Service 12X1104	1	1	1
01-1024 03	National Forest System, Forest Service 12X1106	17	18	19
01-1024 04	Other Appropriations, Forest Service	0	0	0
01-1024 05	Reconstruction and Construction, Forest Service 12X1103	1	1	1

01-1024 06	State and Private Forestry, Forest Service 12X1105	0	0	0
01-1024 07	Timber Salvage Sales, Forest Service 12X5204	1	1	1
01-1024 08	Wildland Fire Management, Forest Service 12X1115	1	1	1
01-1027	Subtotal, funding sources	22	23	24
01-1030	Core Accounting System (CORE)# 006	2	2	1
01-1031	Development/Modernization/Enhancement (D/M/E)	2	1	0
01-1032	Steady State (SS)	0	0	0
01-1033	Subtotal, IT Costs			
01-1034 01	Commodity Credit Corporation Fund, Liquidating Account 12 4336	2	2	1
01-1034 02	Salaries and Expenses, Farm Service Agency 12 0600	0	0	0
01-1037	Subtotal, funding sources	2	2	1
01-1040	Agency Financial Management System (AFMS)	3	3	3
01-1041	Development/Modernization/Enhancement (D/M/E)	0	0	0
01-1042	Steady State (SS)	3	3	3
01-1043	Subtotal, IT Costs	3	3	3
01-1044 01	Child Nutrition Program, FNS 12 3539	0	0	0
01-1044 02	Food Program Administration, FNS 12 3508	3	3	3
01-1044 03	Food Stamp Program, FNS 12 3505	0	0	0
01-1047	Subtotal, funding sources	3	3	3
01-1050	New Guaranteed Loan Accounting System (NGLS)	3	3	11
01-1051	Development/Modernization/Enhancement (D/M/E)	0	0	0
01-1052	Steady State (SS)	3	3	11
01-1053	Subtotal, IT Costs	3	3	11
01-1054 02	RD Appropriation	3	3	11
01-1057	Subtotal, funding sources	3	3	11
01-1060	Program Fund Control System	0	0	3
01-1061	Development/Modernization/Enhancement (D/M/E)	0	0	3
01-1062	Steady State (SS)	0	0	0
01-1063	Subtotal, IT Costs	0	0	3
01-1064 01	RD Appropriation	0	0	3
01-1067	Subtotal, funding sources	0	0	3
01-1070	RUS Modernization	1	3	9
01-1071	Development/Modernization/Enhancement (D/M/E)	1	3	9
01-1072	Steady State (SS)	0	0	0

01-1073	Subtotal, IT Costs	1	3	9
01-1074 02	RD Appropriation	1	3	9
01-1077	Subtotal, funding sources	1	3	9
01-2000	All Other -Mission Area 1: Financial Management			
01-2895	Roll-up of "Non significant systems"	39	48	47
01-2993	Subtotal for All Other	39	48	47
01-3000	Mission Area 1 - Financial Management			
01-3001	Development, Modernization, Enhancement	23	18	36
01-3002	Steady State	21	25	25
01-3003	Total, Mission Area 1	83	91	108
11-0000	Misson Area 2 - Natural Resources and Environment			
11-1000	Major IT:			
11-1010	IPS (Integrated Personnel System)	10	8	8
11-1011	Development/Modernization/Enhancement (D/M/E)	0	0	0
11-1012	Steady State (SS)	10	8	8
11-1013	Subtotal, IT Costs	10	8	8
11-1014 01	Cooperative Work, Forest Service 12X8028	0	0	0
11-1014 02	Forest and Rangeland Research, Forest Service 12X1104	1	0	0
11-1014 03	National Forest System, Forest Service 12X1106	8	7	7
11-1014 04	Other Appropriations, Forest Service	0	0	0
11-1014 05	Reconstruction and Construction, Forest Service 12X1103	0	0	0
11-1014 06	State and Private Forestry, Forest Service 12X1105	0	0	0
11-1014 07	Timber Salvage Sales, Forest Service 12X5204	0	0	0
11-1014 08	Wildland Fire Management, Forest Service 12X1115	1	1	1
11-1017	Subtotal, funding sources	10	8	8
11-1020	IPS21 (Integrated Personnel System for the 21st Century)	0	4	10
11-1021	Development/Modernization/Enhancement (D/M/E)	0	4	8
11-1022	Steady State (SS)	0	0	2
11-1023	Subtotal, IT Costs	0	4	10
11-1024 01	Cooperative Work, Forest Service 12X8028	0	0	0
11-1024 02	Forest and Rangeland Research, Forest Service 12X1104	0	0	1
11-1024 03	National Forest System, Forest Service 12X1106	0	4	8
11-1024 04	Other Appropriations, Forest Service	0	0	0

11-1024 05	Reconstruction and Construction, Forest Service 12X1103	0	0	0
11-1024 06	State and Private Forestry, Forest Service 12X1105	0	0	0
11-1024 07	Timber Salvage Sales, Forest Service 12X5204	0	0	0
11-1024 08	Wildland Fire Management, Forest Service 12X1115	0	0	1
11-1027	Subtotal, funding sources	0	4	10
11-2000	All Other -Mission Area 2: Natural Resources and Environment			
11-2895	Roll-up of "Non significant systems"	76	65	69
11-2993	Subtotal for All Other	76	65	69
11-3000	Mission Area 2 - Natural Resources and Environment			
11-3001	Development, Modernization, Enhancement	0	4	8
11-3002	Steady State	10	8	10
11-3003	Total, Mission Area 2	86	77	87
21-0000	Mission Area 3 - Research, Education, and Extension			
21-1000	Major IT:			
21-1010	Research, Education, and Economics Information Systems (REEIS)	1	2	2
21-1011	Development/Modernization/Enhancement (D/M/E)	1	2	2
21-1012	Steady State (SS)	0	0	0
21-1013	Subtotal, IT Costs	1	2	2
21-1014 01	Appropriation	0	0	0
21-1014 02	Research and Education Activities - CSREES 12 1500	1	2	2
21-1017	Subtotal, funding sources	1	2	2
21-2000	All Other -Mission Area Research, Education, and Extension			
21-2895	Roll-up of "Non significant systems"	38	38	41
21-2993	Subtotal for All Other	38	38	41
21-3000	Mission Area 3 - Research, Education, and Extension			
21-3001	Development, Modernization, Enhancement	1	2	2
21-3002	Steady State	0	0	0
21-3003	Total, Mission Area 2	39	40	43
31-0000	Mission Area 4 - Food Safety			
31-2000	All Other for Mission Area 4 - Food Safety			
31-2895	Roll-up of "non-significant systems"	0	1	1
31-2993	Subtotal for All Other	0	1	1
31-3000	Mission Area 4 - Food Safety			
31-3001	Development, modernization, enhancement	0	0	0

31-3002	Steady State	0	0	0
31-3003	Total, Mission Area 4	0	1	1
41-0000	Mission Area 5 - Food Nutrition and Consumer Service			
41-1000	Major IT			
41-1010	Advanced Planning Documents (APDs)	257	255	265
41-1011	Development/Modernization/Enhancement (D/M/E)	81	75	80
41-1012	Steady State (SS)	176	180	185
41-1013	Subtotal, IT Costs	257	255	265
41-1014 01	Special Supplemental Food Program (WIC), FNS 12 3510	87	82	84
41-1014 02	Food Program Administration, FNS 12 3508	1	1	1
41-1014 03	Food Stamp Program, FNS 12 3505	169	173	180
41-1017	Subtotal, funding sources	257	255	265
41-1030	Electronic Benefit Transfer (EBT) -- FNS Direct Operations	2	2	2
41-1031	Development/Modernization/Enhancement (D/M/E)	0	0	0
41-1032	Steady State (SS)	2	2	2
41-1033	Subtotal, IT Costs	2	2	2
41-1034 01	Special Supplemental Food Program (WIC), FNS 12 3510	0	0	0
41-1034 02	Child Nutrition Program, FNS 12 3539	0	0	0
41-1034 03	Food Program Administration, FNS 12 3508	0	0	0
41-1034 04	Food Stamp Program, FNS 12 3505	2	2	2
41-1037	Subtotal, funding sources	2	2	2
41-1040	Electronic Benefit Transfer (EBT) -- Grants to States	54	58	86
41-1041	Development/Modernization/Enhancement (D/M/E)	10	10	23
41-1042	Steady State (SS)	44	48	63
41-1043	Subtotal, IT Costs	54	58	86
41-1044 01	Special Supplemental Food Program (WIC), FNS 12 3510	4	3	10
41-1044 02	Food Program Administration, FNS 12 3508	0	0	0
41-1044 03	Food Stamp Program, FNS 12 3505	50	55	76
41-1047	Subtotal, funding sources	54	58	86
41-1050	Food Stamp Program Integrated Information System (FSPIIS)	7	6	7
41-1051	Development/Modernization/Enhancement (D/M/E)	1	1	2
41-1052	Steady State (SS)	6	5	5
41-1053	Subtotal, IT Costs	7	6	7
41-1054 01	Food Program Administration, FNS 12 3508	1	1	1

41-1054 02	Food Stamp Program, FNS 12 3505	6	5	6
41-1057	Subtotal, funding sources	7	6	7
41-2000	All Other Mission Area 5 - Food Nutrition and Consumer Service			
41-2895	Roll-up of "non-significant systems"	5	5	7
41-2993	Subtotal, All Other	5	5	7
41-3000	Total Mission Area 5 - Food Nutrition and Consumer Service			
41-3001	Development, Modernization, and Enhancement	91	86	104
41-3002	Steady State	228	236	256
41-3003	Total, Mission Area 5	324	326	367
51-0000	Mission Area 6 - Farm & Foreign Agricultural Service			
51-1000	Major IT			
51-1010	Processed Commodities Inventory Management System (PCIMS)	7	10	10
51-1011	Development/Modernization/Enhancement (D/M/E)	2	4	4
51-1012	Steady State (SS)	5	6	6
51-1013	Subtotal, IT Costs	7	10	10
51-1014	Appropriation/Funding Sources:			
51-1014 01	Funds for Strengthening Markets Income and Supply (Section 32) - AMS 12 5209	1	3	3
51-1014 01	Food Donations Programs for Selected Groups, FNS 12 3503	0	0	0
51-1014 02	Commodity Assistance Program, FNS 12 3507	0	0	0
51-1014 03	Child Nutrition Program, FNS 12 3539	3	4	4
51-1014 04	Food Program Administration, FNS 12 3508	0	0	0
51-1014 05	Food Stamp Program, FNS 12 3505	1	0	0
51-1014-06	Commodity Credit Corporation Fund, Liquidating Account 12 4336	2	2	2
51-1027	Subtotal, funding sources	7	10	10
51-2000	All Other Mission Area 6 - Farm and Foreign Agricultural Service			
51-2895	Roll-up of "non-significant systems"	29	28	30
51-2993	Subtotal, All Other	29	28	30
51-3000	Total Mission Area 6 - Farm and Foreign Agricultural Service			
51-3001	Development, Modernization, and Enhancement	2	4	4
51-3002	Steady State	5	6	6
51-3003	Total, Mission Area 6	36	38	40
61-0000	Mission Area 7: Marketing and Regulatory Programs			

61-2000	All Other Mission Area 7 - Marketing and Regulatory Programs			
61-2895	Roll-up of "non-significant systems"	4	7	10
61-2993	Subtotal, All Other	4	7	10
61-3000	Total Mission Area 7 - Marketing and Regulatory Programs			
61-3001	Development, Modernization, and Enhancement	0	0	0
61-3002	Steady State	0	0	0
61-3003	Total, Mission Area 7	4	7	10
71-0000	Mission Area 8: Rural Development			
71-1000	*Major IT:*			
71-1010	Automated Multi-Housing System (AMAS)	3	3	4
71-1011	Development/Modernization/Enhancement (D/M/E)	1	1	3
71-1012	Steady State (SS)	2	2	1
71-1013	Subtotal, IT Costs	3	3	4
71-1014 02	RD Appropriation	3	3	4
71-1017	Subtotal, funding sources	3	3	4
71-1020	Dedicated Loan Origination and Servicing System (DLOS)	7	8	9
71-1021	Development/Modernization/Enhancement (D/M/E)	2	3	3
71-1022	Steady State (SS)	5	5	6
71-1023	Subtotal, IT Costs			
71-1024 01	RD Appropriation	7	8	9
71-1027	Subtotal, funding sources	7	8	9
71-2000	All Other Mission Area 8 -Rural Development	7	8	9
71-2895	Roll-up of "non-significant systems"	13	10	15
71-2993	Subtotal, All Other	13	10	15
71-3000	Total Mission Area 8 - Rural Development			
71-3001	Development, Modernization, and Enhancement	3	4	6
71-3002	Steady State	7	7	7
71-3003	Total, Mission Area 8	23	21	28
81-1010	Civil Rights Employments Complaints Tracking System	1	0	0
81-1011	Development/Modernization/Enhancement (D/M/E)	1	0	0
81-1012	Steady State (SS)	0	0	0
81-1013	Subtotal, IT Costs	1	0	0
81-1014	Appropriation/Funding Sources:			
81-1014 01	Civil Rights	1	0	0
81-1017	Subtotal, funding sources	1	0	0

81-2000	All Other Mission Area 9 - Dept Administration and Staff Offices			
81-2895	Roll-up of "non-significant systems"	1	2	2
81-2993	Subtotal, All Other	1	2	2
81-3000	Total Mission Area 9 - Dept Administration and Staff Offices			
81-3001	Development, Modernization, and Enhancement	1	0	0
81-3002	Steady State	0	0	0
81-3003	Total, Mission Area 9	2	2	3
99-3000	All Mission Areas			
99-3001	Development, Modernization, and Enhancement	121	118	161
99-3003	Steady State	270	281	304
99-3003	Total, All Mission Area	597	605	686
Data on IT Infrastructure and Office Automation				
01-1010	FS IT Infrastructure -- IBM (Project 615)	101	104	103
01-1011	Development/Modernization/Enhancement (D/M/E)	61	57	57
01-1012	Steady State (SS)	40	47	46
01-1013	Subtotal, IT Costs	101	104	103
01-1014	Appropriation/Funding Sources:			
01-1014 01	Cooperative Work, Forest Service 12X8028	0	0	0
01-1014 02	Forest and Rangeland Research, Forest Service 12X1104	3	4	3
01-1014 03	National Forest System, Forest Service 12X1106	84	87	86
01-1014 04	Other Appropriations, Forest Service	0	0	0
01-1014 05	Reconstruction and Construction, Forest Service 12X1103	5	4	5
01-1014 06	State and Private Forestry, Forest Service 12X1105	1	1	1
01-1014 07	Timber Salvage Sales, Forest Service 12X5204	0	0	0
01-1014 08	Wildland Fire Management, Forest Service 12X1115	8	8	8
01-1017	Subtotal, funding sources	101	104	103
01-1020	NRCS-Administrative Support and Records Management/Management Services Information System - Legacy (MSIS)	1	0	0
01-1021	Development/Modernization/Enhancement (D/M/E)	0	0	0
01-1022	Steady State (SS)	1	0	0
01-1023	Subtotal, IT Costs	1	0	0
01-1024	Appropriation/Funding Sources:			

01-1024 01	Conservation Operations - Natural Resources Conservation Service 12 1000	1	0	0
01-1024 02	Resources Conservation and Development - Natural Resources Conservation Service 12 1010	0	0	0
01-1024 03	Watershed and Flood Prevention Operations - Natural Resources Conservation Service 12 1072	0	0	0
01-1024 04	Watershed Surveys and Planning - Natural Resources Conservation Service 12 1066	0	0	0
01-1027	Subtotal, funding sources	1	0	0
01-1030	NRCS-Human Resources Information Systems - New Combined Administrative Management System (CAMS-HR)	0	2	0
01-1031	Development/Modernization/Enhancement (D/M/E)	0	0	0
01-1032	Steady State (SS)	0	2	0
01-1033	Subtotal, IT Costs	0	2	0
01-1034	Appropriation/Funding Sources:			
01-1034 01	Conservation Operations - Natural Resources Conservation Service 12 1000	0	2	0
01-1034 02	Resources Conservation and Development - Natural Resources Conservation Service 12 1010	0	0	0
01-1034 03	Watershed and Flood Prevention Operations - Natural Resources Conservation Service 12 1072	0	0	0
01-1034 04	Watershed Surveys and Planning - Natural Resources Conservation Service 12 1066	0	0	0
01-1037	Subtotal, funding sources	0	2	0
01-1040	FAIM - Field Automation and Information Management	8	8	8
01-1041	Development/Modernization/Enhancement (D/M/E)	8	8	8
01-1042	Steady State (SS)	0	0	0
01-1043	Subtotal, IT Costs	8	8	8
01-1044	Appropriation/Funding Sources:			
01-1044 01	Food Safety and Inspection Service 12 3700	8	8	8
01-1044 02	Food Safety and Inspection Service 12 3700	0	0	0
01-1047	Subtotal, funding sources	8	8	8
01-1050	FAIM - State implementation	4	4	4
01-1051	Development/Modernization/Enhancement (D/M/E)	4	4	4
01-1052	Steady State (SS)	0	0	0
01-1053	Subtotal, IT Costs	4	4	4

01-1054	Appropriation/Funding Sources:			
01-1054 01	Food Safety and Inspection Service 12 3700	4	4	4
01-1054 02	Food Safety and Inspection Service 12 3700	0	0	0
01-1057	Subtotal, funding sources	4	4	4
01-1060	Integrated Systems Acquisition Project	22	17	18
01-1061	Development/Modernization/Enhancement (D/M/E)	22	16	0
01-1062	Steady State (SS)	0	1	18
01-1063	Subtotal, IT Costs	22	17	18
01-1064	Appropriation/Funding Sources:			
01-1064 01	Salaries and Expenses, APHIS 12 1600	22	17	18
01-1067	Subtotal, funding sources	22	17	18
01-1070	Service Center	0	13	70
01-1071	Development/Modernization/Enhancement (D/M/E)	0	13	70
01-1072	Steady State (SS)	0	0	0
01-1073	Subtotal, IT Costs	0	13	70
01-1074	Appropriation/Funding Sources:			
01-1074 01	Appropriation	0	13	70
01-1077	Subtotal, funding sources	0	13	70
01-2000	All Other Infrastructure and Office Automation Systems			
01-2895	Roll-up of "non-significant systems"	431	408	426
01-2993	Subtotal for All Other	431	408	426
99-3000	All Infrastructure Systems			
99-3001	Development, Modernization, and Enhancement	94	97	139
99-3003	Steady State	41	52	63
99-3003	Total, All Mission Area	567	558	628
Data on IT Architecture and Planning				
01-2000	All Other IT Architecture and Planning			
01-2985	Roll-up of "non-significant systems"	3	4	4
01-2993	Subtotal for All Other	3	4	4
99-3000	All IT Architecture and Planning			
99-3001	Development, Modernization, and Enhancement	0	0	0
99-3002	Steady State	0	0	0
99-3003	Total, All IT Architecture and Planning	3	4	4
IT Resources Summary				
99-3000	Part 4: IT Resources Summary			
99-3001	Development, Modernization, and enhancement	215	215	300
99-3002	Steady State	311	333	367
99-3003	Total, All IT costs	1,166	1,166	1,318

EXAMPLES OF 3 BUSINESS PROCESS IMPROVEMENTS

Mr. Skeen: Please provide three specific examples of how business processes in the county-based agencies have been improved during fiscal year 1999.

Response: The Combined Administrative Management System--CAMS is the only reengineered business process that was ready for the deployment in fiscal year 1999. CAMS deployment will continue through fiscal year 2001. Other business processes like the Integrated Office Information System, Geographic Information System--GIS, Data Acquisition Integration and Delivery, GIS Training, Customer Information Management System, Customer Service Toolkit Wetlands, Multi-Family Housing Phase I, Conservation Area Reserve Assessment Analysis are currently being piloted.

USDA TOTAL PLANNED 2001 IT EXPENDITURES

Mr. Skeen: What is USDA total planned IT expenditures for fiscal year 2001 and how much will be spent on new agency hardware and software?

Response: The following table reflects figures compiled in September, 1999, prior to the submission of the Department's budget to OMB, of our expenditure estimate for fiscal year 2001. We are in the process of revising the figures to reflect the Department's submission for the President's budget. We will forward those updated figures as soon as available.

[The information follows:]

Category	FY 2001 Estimate ($ in millions)
Equipment	305.4
Software	82.2
Services	144.1
Support Services	319.1
Supplies	27.7
Personnel	378.9
Intra-Governmental Payments	547.5
Intra-Governmental Collections	-260.4
Total	1,544.5

NUMBER AND COSTS BY AGENCY FTES

Mr. Skeen: How many FTEs by each component agency or office will be supported under this budget and what is the cost?

Response: In August, 1999, USDA agencies reported a 2001 projection of 4,964 IT employees. The breakdown for this, by agency follows:
[The information follows:]

Agency	FY 2001 FTEs
AMS	80
ARS	278
APHIS	203
CSREES	28
CR	4
DA	15
ERS	50
FSA	670
FNS	152
FSIS	70
FAS	22
FS	1,570
GIPSA	30
NAD	1
NASS	128
NRCS	390
OCFO	609
OCE	2
OCIO	315
OGC	4
OC	4
OIG	16
OBPA	4
RMA	76
RD	243
SCIT	0
TOTAL	4,964

The projected cost for these FTEs is $379 million.

IT BUDGET FOR CONTRACTOR SUPPORT

Mr. Skeen: How much of USDA's fiscal year 2000 and 2001 IT budgets will be used for contractor support?

Response: Estimated amounts for contractor support for FY 2000 and FY 2001 are as follows: FY 2000 - $294 million. FY 2001 - $319 million.

ISTA AND CPIC MILESTONES

Mr. Skeen: Please provide for the record the current time frames and milestones for completing a department-wide Information Systems Technology Architecture, and fully instituting a Capital Planning and Investment Control Process at USDA?

Response: The Department has taken great strides to fully institute its Capital Planning and Investment Control--CPIC Process. The Department will forward the CPIC guide to OMB in the near future. OCIO's major goal for this year is to work on an individual basis with each agency to ensure that the process is applied consistently throughout USDA.

The Department has a senior level advisory group which reviews the major information technology--IT investments in an effort to make recommendations aligned with the Department's missions and to maximize efficient and effective utilization of USDA's IT resources.

For FY 2001, the senior level advisory group's review encompassed IT investments designated major because of their size, scope, or strategic impact to the Department. The review criteria included impact on mission, risk, return on investment for new investments, along with performance criteria--cost, schedule, and performance goals for systems that are in the "select" phase of the process. IT investments in the Evaluate phase were evaluated against Post-Implementation-Review criteria to determine how the systems were performing against the original design criteria.

The senior level advisors reviewed and scored the investments based on supporting documentation prepared by the agencies and met early in December to develop a consensus on investment scores and priorities. The review process took approximately two weeks. Their report was reviewed by the Executive Technology Investment Review Board-EITIRB prior to being forwarded to the Office of Management and Budget. On December 13, 1999, the EITIRB successfully adopted a FY 2001 IT portfolio for the Department.

For FY 2002, we are coordinating the capital planning process with the Department's budget formulation and review process. This will allow feedback from the capital planning reviews to be better utilized within agency budget deliberations.

With respect to the Department's architecture, it should be noted that because of changing business and technology that the architecture is never fully complete. For example, a recent example of a changing architectural need is the move to an E-government paradigm. With this change, many of the architecture tools and directions have and remained to be been re-visited to address this need.

USDA began its enterprise architecture initiative in September 1996. The USDA Information Systems Technology Architecture was published in February 1997. The architecture was developed as part of USDA's IT Modernization Plan. Since that time, the architecture has been used successfully in the development of core business processes for each mission area for their Y2K business continuity plans, establishment of the applications baseline for the Y2K initiative, development of the proposed enterprise telecommunications

network, and creation of the baseline architecture for use by the Service Center Initiative and the Common Computing Environment. In addition, the architecture processes have been integrated with the CPIC process to ensure architectural compliance.

Currently, the February 1997 version is being expanded and updated to address recommendations of the independent verification and validation, align USDA's architecture approach and model with the Federal architecture model, and broaden the architecture to include current industry best practices. We have also developed architecture management processes to guide future architecture development efforts. The draft ISTA Management Framework includes on-going processes that guide agencies regarding selecting business processes for improvement projects, working together to define specific technologies, standards, products and configurations that will be common across USDA, and standardizing USDA information systems across USDA, where there are common requirements

Our FY 2000 architecture initiatives include publishing the USDA ISTA in both paper and electronic forms; continuing outreach to agencies regarding education and awareness of architecture principles, standards, and processes; implement the ISTA Management Framework, including establishing the groups who will oversee and operate specific architecture processes; and continue the efforts of the IT Asset Management Team to address enterprise licenses and consolidated buys.

STRENGTHENING IT MANAGEMENT

Mr. Skeen: What has been done by the CIO to improve and strengthen IT management during fiscal year 1999. What is planned for fiscal 2000? Please provide the performance indicators established and the time frames and milestones for completing the work.

Response: Substantial progress was made in FY 1999 to improve the corporate management of USDA's information technology resources through our ongoing efforts to utilize capital planning and investment controls, build our architecture, and implement other aspects of the Clinger-Cohen Act. The Capital Planning Investment and Control–CPIC–process is key to our capacity to strengthen the corporate management of the Department's IT resources. The goal of CPIC is to help agencies better plan for, acquire, and implement information systems to improve their operating performance. CPIC permits the Department to make more informed and intelligent investment decisions regarding capital acquisitions.

The Executive Information Technology Investment Review Board, which is chaired by the Deputy Secretary, reviews, monitors and approves the Department-wide information technology investments in support of USDA business objectives. In addition to the Deputy Secretary, the members of the EITIRB include the CIO, the Deputy CIO, the CFO, the Director of the Office of Budget and Program Analysis, the Inspector General, the General Counsel, and Under/Assistant Secretaries.

In FY 1999, for the first time, the EITIRB members asked the Deputy Under and Assistant Secretaries to form an EITIRB advisory working group to review USDA's major IT investment portfolio and make recommendations to EITIRB members. The working group has reviewed proposed IT investments based on Clinger-Cohen Act criteria, including support of mission, investment risk, expected return on investment, and for investments underway, actual performance versus planned performance.

For FY 2000 we planned to expand upon the policy guidance already issued for the Capital Planning *Select* phase and have recently issued guidance for the *Control* phase and the *Evaluate* phase of the process. OCIO is working directly

with each USDA agency to assist it with applying the policy and procedures to their major IT investments. We expect this process to be complete within two to four years. We plan to employ several measures in order to judge how well the agencies have adopted the policies and practices, including our continuing meetings with staff and management, the review of documents related to the agencies internal IT decision making process, and our review and oversight of individual IT investment documents that come before us for approval. The Secretary has also appointed an Administrative/Financial Systems Executive Committee, which is headed by the Chief Financial Officer, to focus specifically on strengthening the corporate management of the Department's administrative and financial systems, including accounting, budget execution, procurement, property, human resources, and travel. We are acutely aware that program managers, policy officials, members of Congress and other stakeholders need better and more timely information to support essential program management and financial decisions. Better information is also required for the Department to comply with the Government Performance and Results Act—GPRA—and other requirements. The Secretary has charged the CFO, the CIO, the Assistant Secretary for Administration, and other officials to establish Department-wide priorities on how to get this accomplished.

ORGANIZATION, STAFFING AND FUNCTION OF SSB

Mr. Skeen: The department has expressed disappointment that the Support Services Bureau (SSB) was not approved by the Congress in fiscal year 2000. If it had been approved, what would be the detailed organization components of the SSB, including staffing by division and function and object class type breakdown of expenditures?

Response: The Support Services Bureau--SSB will be the administrative management organization for the rural and county-based agencies. As such, it will have provide the full range of administrative functions to the serviced agencies. If approved, the SSB will function in partnership with the program agencies to ensure that high-quality, cost-effective customer service is achieved. Administrative support to customer agencies will be delivered through a comprehensive structure at both the headquarters national level and at the field level.

The SSB will operate five major business areas:

- Information Technology Service will function at dispersed geographical locations to assist its customers in planning, investment decisions, policy making, oversight business application support, and operations.
- Civil Rights will assist customers by providing leadership, direction, guidance, coordination, evaluation, and assistance in the development and implementation of civil rights programs and policies.
- Financial Management will support program and administrative managers in the full range of financial services. The Chief Financial Officer,will ensure that all regulatory and policy requirements are achieved, and that the SSB operates under comprehensive financial procedures and policies.
- Human Resources will support agencies with the full range of human resources functions, including hiring, placement, classification, training, employee relations, labor relations, ethics, and personnel systems support.
- Management Services will operate the full range of procurement and property --real and personal--service, and any support services such as mail and logistics support.

Overall FY 2002 staffing projections for the SSB are shown in the following table:

[The information follows:]

SSB 2002 STAFFING

Administrative Officers (states)	116
Civil Rights	164
Financial Management	756
Human Resources	473
Management Services	405
Information Technology	1,159
Total	3,073

The preliminary FY 2000 budget estimate for the SSB was $248 million based on the transfer of funding for 3,382 administrative positions. No total estimates have been made for FY 2001 or FY 2002. Additional details about the SSB are posted online at the Department's web site www.info.usda.gov/ssb.

COMPARISON OF SSB AND CURRENT ORGANIZATION

Mr. Skeen: Please provide a detailed comparison of current operations with proposed SSB-type operations illustrating state reductions and cost-savings and other pertinent information. What amounts will be used for IT personnel?

Response: The SSB organization will consolidate 44 separate administrative divisions into 10. It will consolidate 121 separate branches into 47. It will reduce the number of separate State support units from 150 into 50. It will reduce the number of supervisory positions that will be redirected to non-supervisory program delivery or administrative functions. And it will reduce the number of Information Technology staffs from three to one. These reductions in layers and redundancy will be far less costly than maintaining three separate administrative structures. In addition, these agencies presently operate administratively with different policies, guidelines, procedures, and systems. The SSB will create a single set of policies, guidelines, procedures and systems.

With respect to cost savings, planned budget reductions have already reduced the number of currently held administrative positions identified for the SSB to approximately 3,400 by August 1999 - 300 positions lower than what had been projected in 1998. Using an average staff cost of $60,000, these reductions will result in $18 million in annualized administrative cost reductions in one year.

Improvements in administrative processes that are now in the pilot stage also point to significant potential savings. For example, a reengineered performance appraisal process in Florida saves about 83 percent of staff time, or $104,000. Overall savings from the Combined Administrative Management System--CAMS, which is being developed to automate functions such as training, appraisal, and other personnel actions, are now some $7.925 million per year.

Approximately 1100 employees in FY 2002 would be devoted to Information Technology. About one-fifth of those employees would be in the Washington, D.C. area, with the remainder in major development and support centers in Kansas City, St. Louis, and Ft. Collins, Colorado. Other FTE would be assigned to state Administrative Support Units. Information technology functions that are currently dispersed among three agencies, but planned for consolidation in the SSB, include information technology management, hardware and software support, network administration, telecommunications, and support for information technology acquisition. While currently the three agencies

have 23 divisions and 84 branches devoted to information technology, the SSB would streamline this function into three divisions with 16 branches.

Further information about the planned structure, operations, and functions of the SSB are available on the USDA web site at www.info.usda.gov/ssb.

SSB PERFORMANCE MEASURES

Mr. Skeen: Please provide examples of specific performance measurements that would be used for the SSB.

Response: Specific, quantifiable, performance measures will be developed when the SSB is formed. They will be based on how well the SSB achieves the results that have been identified by the Secretary. These include: reducing redundant administrative activities, simplifying procedures, and reducing costs; the extent to which savings that accrue from these changes are used to support and improve services to clients and help to protect the basic program functions that serve our customers; and the extent to which the SSB supports the personnel in the field to deliver USDA's programs in the most effective and efficient way possible.

SHARING TELECOMMUNICATIONS WITH DEPARTMENT OF INTERIOR

Mr. Skeen: Has USDA increased sharing of telecommunications resources, including voice, data, video, and radio equipment and services with the Department of Interior (DOI) during Fiscal Year 1999?

Response: In accordance with the 1998 Memorandum of Agreement between USDA and DOI, we are continuing to optimize and consolidate telecommunication resources. Where it is cost effective, we have been sharing telephone systems, data networks, and radio systems. The following are some examples of our efforts in FY 1999 to increase sharing of telecommunications.

FTS 2001 activities--During Fiscal year 1999, the Forest Service--FS and the Bureau of Land Management-BLM worked jointly on FTS2001 transition plans to see where there might be locations that could jointly transition and share voice and data resources. Sharing projects that included voice and data resources were started in the Pacific Northwest and in Northern California. The FS and BLM have installed shared communications lines and have eliminated two high capacity data lines in Portland, showing savings of $300/mo. The FS and BLM are currently in the middle of FTS2001 transition and expect additional savings in the future.

Colorado activities--Colorado continues to be a test site for FS and BLM for sharing activities that are not limited to telecommunications. In many of those locations we are sharing local area networks, phone systems, data circuits and more. FS and the BLM are jointly building a shared radio system in southwest Colorado. Once initial testing is satisfactorily accomplished, the shared system will be expanded to include the entire southern half of Colorado. Other participants, to a lesser degree, are the Fish and Wildlife Service and the Animal and Plant Health Inspection Service. The initial installation is programmed to be completed by July 2000.

Montana activities--The FS and BLM are also developing a shared radio system in southeastern Montana. Initially, the system includes two sites with only FS and BLM; however, other Federal agencies in the area are showing an interest. The Federal Law Enforcement Wireless Users Group and the Public Safety Wireless Network have offered to sponsor a third site that will include FS, BLM, several other Federal agencies, and the State of Montana. The system will develop into a full statewide shared radio system.

USDA COST SAVINGS FROM SHARING TELECOMMUNICATIONS WITH USDOI

Mr. Skeen: What total annual savings have been achieved by sharing these services?

Response: Our best opportunities to optimize and consolidate telecommunications resources usually occur in conjunction with other service changes, such as Y2K upgrades, FTS2001 transition, and upgrades and office moves. For this reason, it is difficult to isolate the savings achieved solely from sharing. We continue to estimate that savings are in the range of $4 million per year Department wide.

USDA PROGRAMS DELIVERED THROUGH THE INTERNET

Mr. Skeen: Please update the Committee on USDA programs being delivered through the Internet?

Response: USDA agencies have a number of E-government related initiatives in progress. For example:

The Natural Resources Conservation Service--NRCS PLANTs website provides a single source of standardized information about plants in the US and its territories.

The Rural Development agencies provide data over their web sites about all of their housing, infrastructure and job creating programs, as well as links to other sites of interest to the rural development community.

Visitors to the web site of the Risk Management Agency--RMA, which manages Federal crop insurance, can access and search county actuarial tables online, by State or crop. There is also an education site to assist producers and agribusiness in understanding their risk exposure and responsibility.

Forest Service --FS, is participating in a one-stop recreation site with seven other Federal agencies. The site - www.recreation.gov is part of the Vice-President's Access America initiative that was established to provide a single source of information about recreation on federal lands. Citizens can now reserve campground sites via the Internet. FS is also piloting a clearinghouse on the Internet for distributing information related to Forest Plan updates. The clearinghouse application allows the public to view information generated from the FS' Geographical Information System--GIS and relate their comments on the plan to specific locations on a GIS map.

The Agricultural Research Service--ARS web sites provide Internet access to extensive resources for scientists, regulators, farmers and many other customers. ARS laboratories use the Internet to provide information about their missions, research programs, results, and analyses. Technical and semi-technical publications produced in-house are published electronically; and customers may now subscribe to the Agricultural Research magazine online. ARS also delivers a daily E-mail feed. An interactive web site for middle school students, Science for Kids showcases ARS research results in ways that demonstrate the importance of agriculture in people's everyday lives and help students understand and appreciate the benefits of agricultural research.

The National Agricultural Library--NAL is also providing increased electronic access to its unparalleled storehouse of agriculture related information and to improve the services it provides. NAL maintains the Agriculture Online Access bibliographic database of more than 3 million citations to the literature of agriculture and related physical and social science subjects. NAL is also working in partnership with land-grant universities and other institutions through the establishment of the Agriculture Network Information Center-AGNIC-that serves as a major focal point on the Internet for access to quality information, subject area experts,

and other resources. Funding is needed for new technology to improve search systems that operate across multiple institutions and to expand the scope of these initiatives.

The Department's main home page-www.usda.gov-has also recently been redesigned to provide visitors with information about critical Departmental issues and Secretarial initiatives, regardless of which agency or mission area they relate to. The homepage provides links to pages developed and maintained by USDA's agencies. However, one major concern, which again reflects the Department's stove piped nature, is that customers cannot easily look up information about USDA based on the subject of interest. As the pages are currently displayed, most information is organized by agency. A farmer who wants to know about a specific commodity, for example, would have to know which agencies -and there could be several- are most likely to have the information, and pursue it separately. Our E-government vision includes eventually providing customers a "portal," a main web site, similar to major private sector sites such as Yahoo.com, that will be organized by subjects, so that visitors can find the information they want regardless of which agencies possess it.

Increasingly, USDA agencies are working with State and local partners, and other agencies, to develop applications that utilize the Internet to actually conduct E-business. Agencies are trying to meet the demands of their customers by moving beyond simply providing the public access to information via the Internet to implementing more advanced applications to conduct secure transactions online. Processes, from applying for grants to procuring products and services, are being web enabled. For example:

The Food and Nutrition Service, which is in the forefront of E-government through its highly successful Electronic Benefits Transfer-EBT initiative, has plans to use the Internet to share information with its state partners; provide authorized users online access to information to help reduce fraud; and collect information directly from retailers who support the WIC program. FNS has also begun planning for an extranet environment that will allow entry to only users who have direct business with FNS. FNS currently uses an Electronic Data Interchange -- EDI system in its food distribution division that enables customers to process some 80 percent of the orders for the school lunch program. Of course, all of these applications are being developed with security and privacy as key components.

CSREES is a participant in the Inter-Agency Electronic Grants Committee in the development of standard processes, standard Federal data sets, and the design of a "portal" to Federal grants activities known as the Federal Commons. The portal will allow citizens and institutions to track the status of federal grant proposals online throughout the entire grants life cycle. When it is completed, constituents will be able to apply for grants electronically as well as receive award notices online. This kind of interagency initiative is key to government's ability to provide citizens with the kind of common interfaces to government they are demanding; however these projects are expensive and they depend upon means being found to support interagency funding that have yet to be developed. CSREES has actually been using electronic mail to send acknowledgment of proposal receipts for the past year, reducing turn around time by weeks from the normal paper intensive process. However, much more work must be done before citizens can actually submit their proposals online.

The Farm Services Agency has already implemented an award winning E-business application - the Electronic Bid Entry System - that automates the bid entry portion of USDA's procurement of commodities that are exported under foreign food aid programs. With this system, bids for some $1.2 billion in food for farm aid can be opened and contracts can be awarded in two hours. Plus, up to the minute market prices improve competition, so that more people can be fed

for each dollar in aid. More recently, FSA has developed a system which allows steamship lines to use the Internet to input bid data. Yet another E-business application allows FSA to issue payment statements to vendors via E-mail, with estimated savings to vendors of almost $200,000 per year as a result.

In 1997, USDA's Agricultural Marketing Service --AMS became the first Federal agency to use the Internet in the rule-making process by posting proposed rules for the National Organic Program, which sets standards for organic produce, for comment on its web site. As a result, the agency reported receiving over five times the usual number of comments on the proposed rule. AMS is now focused on educating employees and managers about potential E-business opportunities; establishing a viable Internet infrastructure which is 80 percent complete; providing adequate security for that infrastructure; training staff; and providing training to secure expert web building support to all AMS users.

Rural Development --RD agencies are developing web-based applications to allow more efficient operation of multi-family housing programs. Over 10,000 changes to tenant certifications, such as changes in income, etc, are received each month from borrowers. RD plans to enable those borrowers to transmit this information electronically or to enter data directly via a web page. Borrower and lender changes for RD and FSA guaranteed programs are now accepted via Intranet, and all RD community program reporting is now available through the web.

Departmental Administration is also developing E-business in the area of procurement. Our FY 2001 IT portfolio includes piloting an Integrated Acquisition System --IAS -- that would allow the Department to electronically post requirements and receive vendor responses while also automating support of other purchasing and contracting activities. The IAS will interface with the Department's Foundation Financial Information System --FFIS-- and complement the efforts of our redesigned purchase card management program. This key e-business initiative would allow USDA to procure much of the $3.5 billion annually in products and services using modern automated procurement tools; greatly streamlining the current paper intensive process; and allow the Department to eventually phase out legacy systems and their attendant costs.

PUBLIC RESPONSE TO INTERNET SERVICES

Mr. Skeen: What has been the public response to the services?

Response: The public is increasingly taking advantage of the vast amounts of information that USDA agencies are providing online. For example, over 57,000 users per month access the NRCS's PLANTS website. The Rural Development agencies web sites were viewed by almost 1 million citizens in 1999. As noted above, some 1,500 stakeholders, including media outlets, commodity groups, educators, and others have signed up for weekly E-mail feeds from the Agricultural Research Service. In addition, when the Agricultural Marketing Service used the Internet in the rule-making process, some 250,000 citizens participated, which is more than five times the "normal" participation rate.

ASSESSING INTERNET BENEFITS AND SERVICES

Mr. Skeen: Are you able to quantify the benefits and services provided in any way?

Response: The Department has not conducted any overall studies of yet to quantify the benefits and services now being provided to the public over the Internet. However, a key aspect of the corporate-wide E-government strategy we

hope to develop is the capacity to access and quantify the impact as more and more online applications are developed and deployed.

SECURITY OF E-BUSINESS TRANSACTIONS AND MISSION CRITICAL IT SYSTEMS

Mr. Skeen: Please update the Committee on the steps the department has taken to ensure the security of e-business transactions and safeguards mission critical to IT systems and data in fiscal year 1999 and plans for fiscal years 2000 and 2001.

Response: In FY 1999 the Department recognized the need for a cyber security program. The FY 2000 budget of $500,000 will be used to fund the salaries of Associate CIO for cyber security and initiating the various security programs. The FY 2001 budget requests $6.6 million to fund a multi-year USDA-wide cyber security program, headed by the Associate CIO for Cyber-Security, which is designed to 1) provide an overall corporate cyber security strategy, and 2) augment existing Departmental and cyber security activities and coordinate, complement, and strengthen existing agency efforts in the computer systems security arena.

PLANS TO DEVELOP OR SUPPORT ELECTRONIC-BASED SERVICES AND PROGRAM DELIVERY

Mr. Skeen: Please update the Committee on USDA plans to develop or support, IT related or otherwise, electronic-based services and program delivery.

Response: USDA agencies have a number of E-government related initiatives in progress. Most are at the initial stages where agencies are using the Internet to provide the public electronic access to information about the Department's programs and services, market information, as well as breaking news. However, increasingly, USDA agencies are working with State and local partners, and other agencies, to develop applications that utilize the Internet to conduct transactions on-line. Agencies are trying to meet the demands of their customers by moving beyond simply providing the public access to information via the Internet to implementing more advanced applications to conduct secure transactions online.

The Department's current approach is to let a thousand flowers bloom. However, we quickly need to develop a corporate-wide approach and strategy to these initiatives to ensure that we maximize the use of agency resources. The funding that the Department has requested for FY 2001 will enable us to develop a coordinated strategy and ensure that crosscutting issues that affect all USDA customers and employees - such as authentication, security, online forms, privacy, and others are addressed.

PLANS TO USE CONTRACTOR SUPPORT IN 2000 AND 2001

Mr. Skeen: What are your plans for the use of contractor support in FY 2000 and 2001? Will any Federal jobs be eliminated and replaced with outside contracts?

Response: In the cases where OCIO uses contractor support, it will be to supplement a lack of staff or to acquire a specific skill set. There will be no Federal jobs eliminated as result of the hiring of outside contractors.

BREAKOUT OF OBJECT CLASS 25.0, OTHER SERVICES

Mr. Skeen: Please provide a detailed breakdown of the items included in object class 25.0, Other Services for fiscal years 1999, 2000 and 2001.

Response: [The information follows:]

ITEMS IN BOC 2500
--Dollars in Thousands--

Activity	FY 1999	FY 2000	FY 2001
Program Management	1,770	600	600
BPR	8,192	12,314	18,850
LAN/WAN/Voice	10,432	3,500	0
Base Data Acquisition	15,050	23,550	23,550
Common Computing Environment (CCE)	1,707	4,500	7,000
TOTAL	37,151	44,464	50,000

FY 1999, 2000, 2001 OBJECT CLASS 31.0, EQUIPMENT BREAKDOWN

Mr. Skeen: Please provide a detailed breakdown of the items included in object class 31.0, Equipment for fiscal years 1999, 2000, and 2001.

Response: [The information follows:]

ITEMS IN BOC 3100, EQUIPMENT
-Dollars in Thousands-

Activity	FY 1999	FY 2000	FY 2001
Program Management	45	50	50
BPR	1,812	1,000	1,000
LAN/WAN/Voice	3,343	500	0
Base Data Acquisition	0	0	0
Common Computing Environment	37,445	27,861	85,075
TOTAL	42,645	29,411	86,125

The program management amount represents minor investments necessary to conduct day-to-day activities. The BPR represents necessary acquisitions to equip the pilot sites and integration center. The LAN/WAN/Voice represents all equipment acquisitions necessary for connectivity in all LAN/WAN/Voice approved sites. The CCE represents the acquisition of workstations and servers in support of BPR and Year 2000 upgrades.

WORKSTATIONS BY AGENCY

Mr. Skeen: Please provide a table showing by agency the number of individual workstations installed through fiscal year 1999 and those supported by fiscal year 2000 and 2001 funding estimates.

Response: I will provide that table for the record.
[The information follows:]

Agency	FY 1998	FY 1999	FY 2000	FY 2001
FSA	9,629	3,797	400	600
NRCS	4,742	3,655	1,350	2,650
Rural Development	2,094	5,138	200	250
Totals	16,465	12,590	1,950	3,500

PURCHASE OF WORKSTATIONS COMPLETED

Mr. Skeen: When will the purchase of workstations be complete?

Response: Based on current funding estimates, all of the initial CCE workstations will be purchased by the end of fiscal year 2002.

AGENCIES BEHIND SCHEDULE FOR WORKSTATIONS

Mr. Skeen: Are any agencies significantly behind schedule?

Response: All three Service Center agencies need to make some additional workstation purchases. Having bought about 29,000 units, we need to buy about 10,000 during FY 2001 and FY 2002. Because of fund availability, NRCS has the furthest to go. To date, they have acquired about 8,500 units of a total need of about 14,323, so they are about 60% complete. In contrast, FSA and RD are about 83% complete.

Mr. Skeen: If so, what are USDA CIO plans to improve the situation?

Response: The CIO will continue to work with the three agencies, especially NRCS, to provide contract vehicles so that the agencies can complete these purchases as soon as funds are available.

STATUS OF MODERNIZATION PLAN INITIATIVE

Mr. Skeen: Please describe the status, in quantitative terms, of the following initiatives that support the Service Center Modernization Plan: consolidation of current NRCS, FSA, and Rural Development field offices; communication that fosters understanding and commitment to customers; integrated source of customer, land, and program information; open and integrated information management systems; delivery of customer benefits for all applicable programs, regardless of the number of partner agencies present; and performance measurement to support continuous improvement.

Response: To date, we have NRCS, FSA, and Rural Development field offices in 2,679 co-located sites--down from 3,727 sites in fiscal year 1995. Through the change management training initiative, we have trained over 25,000 employees in the field and headquarters to improve understanding and commitment to customers.

The Service Center data management team developed data models for an integrated source of customer, land, and program information. We are already using an integrated Office Information Profile system to capture all office locations of the county-based agencies. In addition, we are piloting the Service Center Information Management System--SCIMS--that will provide foundation core customer and land data and integrate the two together for use by all programs. SCIMS will allow state and headquarters to electronically obtain information on customer activities and trends; and creates the capability for members of the public to access and update their own information online.

Through the Common Computing Environment, we have nearly completed the deployment of over 29,000 workstations that provide the base for open and integrated information management systems. Through the Business Process Reengineering project, we are piloting 9 projects that will improve the delivery of customer benefits for all applicable programs, regardless of the number of partner agencies present. One example is the kiosks being piloted in all nine pilot sites. The kiosk is a user-friendly, interactive device that delivers services to customers for both Rural Development and the Farm Service Agency, providing a lending presence where there was none before. The pre-qualification module of the kiosk system that will allow users--customers and partners--to complete loan application pre-qualification. It is excellent

for outreach and partnering, including Extension Service information. We have developed an Annual Performance Plan for FY 2000 and 2001 and generated an Annual Performance Report for fiscal year 1999 that details the Service Center initiative's performance measurements to support continuous improvement.

STRATEGIC OFFICE LOCATION PLANS

Mr. Skeen: Please describe the strategic office location plans of USDA.

Response: A strategic analysis began in late December 1999 to determine if some of the CCE server technology can be located in core IT centers, tied to other offices via telecommunications, rather than having the servers in every office. The Modernization Plan calls for completion of this analysis in June 2000. To date, our analysis has raised concerns about the current telecommunications capabilities in rural areas and the trade off costs of increasing that capacity to support a core IT center concept.

We have contracted with Mitretek Corp. to examine possible telecommunications technology solutions that could improve telecommunications between offices. Conclusions we draw from the contractor report and further performance modeling will lead to the next steps of the analysis where we will need to consider factors related to program delivery, staffing, and physical location.

PLANS FOR 2000 ADP PRIORITIES

Mr. Skeen: Late last year the USDA asked the county-based agencies to submit their plans for fiscal year 2000 ADP priorities. Please share with the Committee the ADP decisions made for each agency and impacts on fiscal year 2001 budget plans.

Response: The CIO asked each Service Center agency to submit their specific technology spending plans for FY 2000. The objective was to identify opportunities to reduce spending on "legacy systems" and direct as much of our limited investment funds towards the common computing environment as we could. Additionally, we looked for any duplication or areas that should be coordinated between two or more of the agencies.

The analysis found that available technology funding to the three agencies is becoming more constrained as overall agency budgets become tighter. The need to maintain experienced program staff to serve increasing customer demands, even as we try to modernize our service delivery, continues to draw away funds needed for modernization. In total, planned technology spending for FY 2000 is nearly $30 million or 9% less than FY 1999 actual spending. Most of this decrease--$26 million--is in NRCS. Within the smaller total spending, agencies are directing resources to support the Service Center modernization and the in-house conversion of existing applications to the new common computing environment.

Our review did find some opportunities to better coordinate agency IT activities with Service Center Business Process Reengineering activities and to better posture current investments to support moving toward the future environment. As a result of the review, a total of $15,996,000 in planned agency application development and hardware/software investments will be under the umbrella of the Service Center modernization, where they can be fully coordinated. FY 2001 budgets were not addressed and there are no direct impacts resulting from this analysis on future needs.

SERVICE CENTER IMPLEMENTATION TEAM CONTRACTS

Mr. Skeen: Please provide a listing of contracts the Service Center Implementation Team approved in fiscal years 1999 and 2000. Include in the listing, the names of the contractor, the purpose of the contracts, and the fiscal year and cumulative contract costs.

Response: [The information follows:]

Fiscal Year 2000 Contracts as of April 7, 2000

Contractor	Description	Activity	Costs to Date
PeopleSoft, Inc.	Annual Maintenance Fee	BPR - CAMS	$420,627.00
Unisys Corp.	CAMS Development	BPR - CAMS	607,520.00
Soza Ltd.	Technical & Engineering	BPR - Data Management	125,644.12
SAIC	Technical & Engineering	BPR - Data Management	122,800.00
Unisys Corp.	Resource Data Gateway	BPR - Res. Data Gateway & Electronic Access	314,640.00
Soza Ltd.	Contract support	BPR - IO Lab	569,637.26
Worldwide Technology, Inc	Servers	BPR- Electronic Access & CAMS	93,400.21
ACS-Govt. Solutions Group	Contract support	BPR - Toolkit	119,860.16
Synergetics, Inc.	Contract support	BPR - Toolkit	192,383.84
ASAP Software	CAMS Software	CCE - CAMS	48,755.19
NSR	Natl. Help Desk Support	CCE - Help Desk	100,524.00
American Mgt. Systems	Contract support	CCE - Technical Arc.	535,636.02
SES	Software	CCE - Technical Arc.	34,800.00
KPMG	Collocation Assessment	Project Management	15,000.00
Soza Ltd.	SCMI Program Mgt. Support	Project Management	257,207.44
Soza Ltd.	Project Mgt. Support	Project Management	1,050,629.00
Unisys Corp.	Database Administration OIP	Project Management	100,000.00
Subtotal by Activity ----		Project Management	1,422,836.44
		BPR	2,566,512.59
		CCE	719,715.21
		Total	$4,709,064.24

Fiscal Year 1999 Contracts

Contractor	Description	Activity	Fiscal Year 1999
RST Service	Project Mgt. Support	Project Management	$41,760.00
Soza Ltd.	Project Mgt. Support	Training and PMO	1,187,200.00
Soza Ltd.	Technical Support	BPR	4,465,000.00
Soza Ltd.	CCE	CCE	1,071,939.42
American Mgmt Systems	CCE	Technical Architecture	1,356,000.00
Intelligent Decisions, Inc.	CCE	Workstations	26,205,907.00
Com Tech, Inc.	CCE	Printers	5,944,416.00
Native American Sys, Inc.	CCE	Printers	615,700.00
IBM	CCE	Communications software	1,150,625.00
	Help Desk Support	CCE	59,326.68
Oracle Corp.	Technical Support	Customer Service	11,328.00
PeopleSoft/Unisys Corp.	CAMS Development	CAMS	3,750,000.00
IBM Corp.	LAN/WAN/Voice	LAN/WAN/Voice	6,770,443.58
CCOPS	LAN/WAN/Voice	LAN/WAN/Voice	2,395,060.32
Open Market	LAN/WAN/Voice	LAN/WAN/Voice	108,938.49
EDS	LAN/WAN/Voice	LAN/WAN/Voice	272,511.24
Video & Telecom. Inc.	LAN/WAN/Voice	LAN/WAN/Voice	283,790.00
En-Net Services	LAN/WAN/Voice	LAN/WAN/Voice	759,918.51
Subtotal by Activity	----	Project Management	1,228,960.00
		BPR	8,215,000.00
		CCE	36,415,242.10
		LAN/WAN/Voice	10,590,662.14
		Total	$56,449,864.24

COST OF SCI CUSTOMER TRAINING

Mr. Skeen: All FSA, NRCS and Rural Development employees were required to take a three-day training course entitled, "Working Together for Customers." Please provide the costs of this training, separated by curriculum costs and employee costs--including salaries, benefits, and travel expenses.

Response: The total, direct cost through fiscal year 1999 for the training initiative was $4.7 million. This cost includes $1,000,000 for training licenses in fiscal year 1997. The remaining direct cost balance covers all travel and miscellaneous expenses for the facilitators/coordinators, and trainees. The estimated salaries and benefits cost for these employees is $10,420,000.

NUMBER OF EMPLOYEES TRAINED

Mr. Skeen: How many employees received this training and how many more are expected to receive the training?

Response: To date, approximately 25,000 employees from service centers and headquarters have been trained. An additional 200 field employees and 1,200 headquarters employees are expected to receive training for completion of the program.

COURSE EVALUATION

Mr. Skeen: What kind of course evaluations did you receive on this training?

Response: At the end of each training session, participants are asked to fill out an evaluation questionnaire. The evaluations were generally good. Employees especially liked the fact that employees from all three agencies were mixed into the classes and received the same training.

OTHER TRAINING PLANS

Mr. Skeen: Please share with the Committee your plans for additional training, including other courses, in fiscal year 2000 and 2001.

Response: In fiscal years 2000 and 2001, the training initiative will be focused on reengineered business processes and maximizing use of the new common computing environment.

CONFERENCE CALLING EXPENSES

Mr. Skeen: We note that the plan includes $8.9 million for conference calling expenses. What were the fiscal year 1999 actual expenses for conference calling?

Response: The actual fiscal year 1999 expenses incurred by the Service Center agencies for conference calling were approximately $4.5 million.

OCIO INFLUENCE ON USDA AGENCIES IT EXPENDITURES

Mr. Skeen: Please explain how the Office of the Chief Information Officer (OCIO) influences information technology expenditures at the agency level if the Office of the Chief Information Officer does not own the investment funding? How do you ensure that there is a common platform for information systems development?

Response: The Office of the Chief Information Officer--OCIO has several management processes in place which allows us to influence information technology--IT expenditures at the agency level. These include a moratorium on IT acquisitions, a robust Capital Planning and Investment Control-CPIC process, the development of the USDA Information Systems Technology Architecture and technical standards, and use of an executive board to oversee IT investments--the Executive Information Technology Investment Review Board--EITIRB.

The USDA established a moratorium on IT acquisitions in November, 1996. This moratorium has allowed us to focus attention on development of an IT architecture and, later, to accomplish our Year 2000 objectives.

On March 14, 2000, OCIO issued a revision of the IT acquisition moratorium to rescind the $25,000 threshold and return to the original threshold of $250,000, but also requiring waiver submissions to include plans which address information security requirements. OCIO will require formal waivers for special activities as part of the information acquisition approval process: 1. telecommunications acquisitions, with a zero dollar threshold, for agencies which have not met the Telecommunications Network Stabilization and Migration Program requirements; and 2. software or hardware for major systems within the functional areas of the Department's Corporate Administrative and Financial Systems Portfolio. The focus of the moratorium has evolved to support our needs.

The OCIO has established a Capital Planning and Investment Control process, which includes an annual IT budget review process, helps agencies better plan for, acquire, and implement information systems to improve their operating performance. This process culminates in recommendations to our EITIRB.

The Chief Information Officer is the Executive Secretariat of EITIRB, which is chaired by the Deputy Secretary and is responsible for the review, monitor, and approval of new IT investments. The scope of these IT investments encompass all investments involving information technology and information resources as defined in the Clinger-Cohen Act, including equipment, IRM services, information or application system design, development and maintenance, regardless of whether such work is performed by government employees or contracted out.

The EITIRB also evaluates existing projects and operational systems to create a USDA IT investment portfolio which best supports the Department's missions and program delivery processes. The Board uses a standard set of criteria, developed by the OCIO, and approved by the Board, to assemble this portfolio and evaluate agency and department-wide IT initiatives. Criteria include a consideration of Departmental or Government-wide impact, visibility, cost, risk, architecture and standards.

ENSURING COMMON PLATFORM DEVELOPMENT

Mr. Skeen: How do you ensure that there is a common platform for information systems development?

Response: USDA does not use a common platform for information systems development. Instead, USDA focuses on the use of open systems standards to ensure interoperability of information systems and data sharing as required by several National Institute of Standards and Technology -NIST-- standards. Some USDA agencies have begun implementing data warehouse initiatives that employ message brokers which facilitate the sharing of information among disparate systems.

BASIS FOR COMMON COUNTY BASED SYSTEM

Mr. Skeen: Do you have a basis for a common system for county-based offices?

Response: A common approach to automation and information systems for the county-based offices has been established and was published in December 1999 in the Common Computing Environment Information Technology Architecture. This document describes the vision and plan for implementation of common workstations and server computing systems for the Service Centers. The Technical Architecture is expected to evolve as additional business process reengineering is completed so that the computer systems available to the agencies can adapt and support the full scope of business requirements. Also, the architecture will be revised to reflect changes in the information technology available in the marketplace that can be used to support the business needs of the Service Center agencies.

Mr. Skeen: When do you expect to have one?

Response: A common approach to automation and information systems for the county-based offices has been established and was published in December 1999 in the Common Computing Environment Information Technology Architecture.

Mr. Skeen: What do county-based employees see when they log on to their computers in the morning?

Response: County-based employees who are using one of the over 29,000 workstations that were purchased by the CCE see a standard Microsoft Windows NT desktop when they log on to their computers. All of these workstations have been delivered with a single set of common applications that can be used by employees of any of the three agencies. Also, each user has an individual account on the workstation that is linked to the specific applications that they need to use dependent upon the agency they work for. For example, FSA and RD employees are provided an icon to use the NFC Time and Attendance application that these agencies use for their payroll. NRCS employees are provided an icon for the TCAS application, which that agency uses for its payroll. At the same time, employees of all three agencies are provided with icons on their desktop to access all of the common commercial software such as Microsoft Office and Netscape as well as the Purchase Card Management System that is used by all three agencies for credit card purchasing.

IMPROVEMENTS THROUGH REALIGNMENT

Mr. Skeen: How could improvements to products and services offered at the county-based office be made if the three contributing agencies and those responsible for service center implementation were aligned more clearly for responsibility, accountability, and authority?

Response: The Service Center Modernization Executive reports directly to the heads of the three partner agencies as they operate under the structure of the Food and Agriculture Council. The FAC and the Management Review Board, which consists of the partner agency deputy administrators for management, is responsible for all aspects of the modernization initiative. However, our administrative structures could be better aligned to improve and free-up funds for program delivery, for example the Support Services Bureau, if approved, will help reduce administrative overhead, and improve service delivery by consolidating redundant functions into a single administrative structure. A consolidated IT organization is especially important to effectively manage and maintain the modernized IT infrastructure, which is one of the keys to improving programs and services.

REORGANIZING CORE BUSINESS PROCESSES

Mr. Skeen: Have the county-based offices been reorganized by core business process, such as "providing conservation assistance" and "providing financial assistance" to improve the delivery products and services to your customers. If so, please provide specific examples for the record.

Response: The Department did not agree with the recommendation made in the Price Waterhouse Coopers County-Based Agency Study, October 1998, in this regard. No action was taken to implement this recommendation.

SUPPORT FOR CONSOLIDATIONS AND REENGINEERING

Mr. Skeen: Have the contributing agencies been supportive of consolidating and reengineering cross-agency processes?

Response: The agencies are supportive, but reductions in appropriations and personnel over the last few years have limited the agencies ability to proceed rapidly with consolidating and reengineering cross-agency processes.

CROSS TRAINING OF COUNTY STAFFS

Mr. Skeen: Have the county-based staff been cross-trained to meet the broad range of the needs of customers at the Service Center? Are there plans in place to do this?

Response: We have provided broad cross-training to field staffs within the change management training initiative. We have also provided some basic written materials to make them more familiar with the programs of all three agencies. Our future plans are to provide more training and material and the technology needed so that the Service Center offices are fully linked together, thereby providing access to all programs at each Service Center.

MANAGING STATE AND FEDERAL EMPLOYEES

Mr. Skeen: Does having two different types of employee and human resource systems - state and federal - make things difficult?

Response: Yes, directing and maintaining two different types of employee and human resource systems - state and federal - make things difficult. To improve field operations and decision-making the Civil Rights Action Team recommended that we federalize all personnel involved at the county level. We plan to submit proposed legislation to Federalize these employees.

Mr. Skeen: Are there common workload systems in place?

Response: No.

Mr. Skeen: To what extent have you been able to implement the recommendations of the 1998 county-based study?

Response: The 1998 study by Price Waterhouse-Coopers made a number of recommendations which have been addressed in our Service Center Modernization Plan and elsewhere. These include work on business process reengineering and the common computing environment, Administration Convergence, work measurement systems, and other steps. The Service Center Modernization Plan of the USDA County-based Agencies was published in November 1999 and represents the current strategic plan for modernization. While the plan draws on previous studies, it reflects the strategic thinking of agency and departmental policy officials at this time. The plan is a strategic as well as tactical road map to modern and efficient program delivery in the 21st century. The plan establishes the benchmark started with the County Office Streamlining Plan following the President's signing of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994. The plan also articulates our vision for future Service Center operations. When fully implemented, USDA will deliver a modern infrastructure, which provides our customers and front-line employees with user-friendly reengineered business processes supported by state-of-the-art technology. The plan focuses on the core business of the partner agencies and the needs of our customers. It also responds to important recommendations from internal and external reviews of our modernization efforts by the Office of the Chief Information Officer, the Office of Management and Budget, and the General Accounting Office.

Mr. Skeen: What are the major areas or reasons hindering implementation?

Response: Progress on implementation has been restrained by resource limitations especially for information technology and other aspects of Service

Center Modernization as well as heavy program delivery demands on the county-based agencies which have made it difficult to reallocate resources to modernization. Therefore, the budget again requests funding for modernization as well as proposals to authorize additional CCC funding for information technology. We are also disappointed that the plans for greater administrative efficiencies through formation of a Support Service Bureau were hindered by last years appropriations language. One of the administrative improvements recommended by the 1998 study was the federalization of county office employees of FSA so the Department is proposing legislation to convert these employees to the same personnel system as other employees, while retaining the important programmatic roles of the FSA county committees. While the Department has not fully accepted some of the other organizational recommendations of the 1998 contractor's study, many of the key recommendations are being addressed with some deliberate progress. The November 1999 Service Center Modernization Plan contains most of the key elements.

Mr. Skeen: For changes that have been made - what data capturing and reporting mechanisms are in place to measure the benefits of these changes and their outcomes?

Response: Through systematic business process reengineering initiatives, we measure the benefits of changes for each new project or program as it is implemented. Reports will be available at the time projects are deployed.

CENTRALIZED TELECOMMUNICATIONS AND REDUCED COSTS

Mr. Skeen: Is it your determination that operational costs could be greatly reduced by implementing a centralized telecommunications management system? If so, what progress has the Office of Chief Information Officer made in either implementing a centralized system and/or reducing operational costs?

Response: Yes, the Office of Chief Information Officer-OCIO has determined that a centrally managed USDA Universal Telecommunications Network--enterprise-wide backbone--should be developed and utilized. This approach will reduce operational costs, increase support through extended coverage, and provide a security layer that is representative to the information maintained within USDA.

Progress to-date includes: 1. Development of a strategy related to USDA's strategic plan. 2. Development of a budget proposal for carrying out such a strategy over two years. 3. Coordination of proposal within USDA agencies through their CIO offices. 4. Submission of proposal to the USDA Executive Information Technology Investment Review Board-EITIRB for FY2001/FY2002 capital planning process. 5. Presentation of proposal to EITIRB working sub-committee--consisting of Deputy Under-Secretaries--for consideration. 6. Prepared an OMB Exhibit 300-B for Enterprise Network and 7. Preparation for the submission of Working Capital Fund Operating Budget for FY 2001/2002 is being finalized.

LAN/WAN/VOICE REFRESHMENT

Mr. Skeen: Now that the Department has nearly completed the project phase of the LAN/WAN/Voice technology installation at the Service Centers, what are the plans for technology refreshment within the Service Centers with respect to LAN/WAN/Voice?

Response: The LAN/WAN/Voice installations themselves do not need a refresh

except for normal updates on associated telecommunication software as needed. We have been upgrading the circuits that go to the offices as the need for more bandwidth arises. When we started the project in 1996, there was less need to support Internet and other applications that demanded larger circuits and we did not want to pay the cost of the larger circuits until we had the need. Over the past two years, the need has increased as projected and we are now upgrading to the bigger circuits. In the future, as we move to more Internet usage and electronic filing, we will need even larger circuit capabilities. We are now looking at options for providing that capacity at the least cost.

BREAKOUT OF $1.3 BILLION REQUEST

Mr. Skeen: Please submit for the record a breakout of the $1.3 billion request for fiscal year 2001 into the following areas: salaries/benefits; travel/transportation; hardware/software procurement; contractor service; telecommunications; and other infrastructure.

Response: Consistent with revised reporting guidance of the Office of Management and Budget, USDA does not collect this information in these categories. Based on the most recent data for obligations available, we can give you percentage estimates related to the following categories:

Intra-governmental payments - 35%: Payments of all information technology services to states and local governments, as well as between agencies, and within executive branch agencies and the judiciary.

Personnel - 23%: Salaries and benefits for government personnel who perform information technology related functions 51% or more of their time.

Support Services - 19%: Commercial services, including maintenance, used in support of equipment, software, or services as described below.

Equipment - 11%: Equipment or interconnected systems used to store, control, display, transmit, or receive data or information.

Services - 7%: Includes teleprocessing, local batch processing, electronic mail, voice mail, centrex, cellular telephones, facsimile, and packet switching of data.

Software - 3%: Includes application programs, commercial-off-the-shelf software (such as word processing), databases, sets or systems of programs, software documentation, and leases.

Supplies - 2%: Consumable items designed specifically for use with equipment, software, services, or support services.

OTHER INFRASTRUCTURE ITEMS

Mr. Skeen: What items are included in 'other infrastructure'?

Response: There is no category formally labeled 'other infrastructure'. Detailed information about actual or estimated expenditures is available for equipment; software; services; support services; personnel; supplies, intra-governmental payments; and intra-governmental collections. These categories are used to collect information from USDA agencies and are available for both development, modernization, and enhancement--new work or steady state--ongoing operations.

CCE OBJECT CLASS

Mr. Skeen: Provide an object class table for the $75 million request for common computing environment.

Response: The President's budget includes all of the $75 million under object class 31.0. However, we now believe that about $1.5 million may need to be spent for object class 25.0, other services, for architectural maintenance, testing, and support.

EXPECTED RETURN ON INVESTMENT

Mr. Skeen: What is the expected return on investment for the common computing environment?

Response: The Return on Investment-ROI-analysis included in the Service Center Modernization Plan shows a 40 percent annual return on investments when customer benefits are included. When considering only benefits to USDA operations, the return on investment is 34 percent. These figures have been updated from the original 1997 analysis to reflect the current status of the deployment of CCE components and reengineered processes and applications. The analysis includes the impacts of delays due to the lack of funding assumed in the original plan. The ROI estimates are based on measures of productivity and efficiency gains in pilot sites and using reengineered business applications such as the CAMS human resources application.

WHY CCE UNDER THE OCIO

Mr. Skeen: The fiscal year 2000 appropriations act provided $12.6 million to the Office of the Secretary. Why is the common computing environment requested under the chief information officer?

Response: The $75 million requested for CCE is requested under my office as part of the Secretary's effort to strengthen the management and timeliness of the technology component of the Service Center Modernization Initiative. The funds will be used for hardware and software investments that benefit all three partner agencies. Having the funds under the CIO will provide for one accountable officer for their use and reporting and should facilitate decisions and implementation. This concept follows the FY 2000 congressional action, which appropriated $12.6 million under the Office of the Secretary's account for the CCE. The Secretary felt that since the USDA CIO is the highest IT authority in the Department, then the custody of the CCE funding should rest with that individual.

STRENGTHENING MANAGEMENT CONTROLS

Mr. Skeen: What is being done to strengthen management controls to ensure that the funds for common computer environment are spent for the purpose for which they are intended?

Response: In addition to placing the FY 2000 CCE appropriation of $12.6 million and the proposed $75 million FY 2001 CCE funding under the CIO, the Secretary has recently decided to expand the role of the CIO in the SCMI to include responsibility for the development and coordination of the information technology component of the modernization initiative. The current SCMI technology modernization manager will now report to the CIO for the technology aspects of the work. Additionally, the CIO will allocate staff resources and put into place appropriate management mechanisms to provide more structured and effective project management support and facilitate day-to-day decisions. While the CIO will continue to work with the National FAC and fully coordinate with other aspects of modernization, the CIO will be the final authority on

all technology issues and decisions and will be the accountable officer for implementing the CCE.

AVOIDING STOVEPIPES

Mr. Skeen: How can the common computing environment be maintained so that the county-based agencies don't create stovepipes in the future?

Response: In our view, the only way to successfully maintain and operate the shared CCE that we plan to put in place is by consolidating the three separate IT organizations of the Service Center agencies into one integrated staff. Otherwise, it is just a matter of time before the stovepipes begin to form and we no longer will have a "common" environment. That is why the Secretary is asking Congress to remove the restrictive FY 2000 appropriations language that prevents us from moving forward with the SSB.

CCE PLANNED PURCHASES

Mr. Skeen: How much of the $75 million request for common computing environment will go to procurement for each of the following items: network/communications servers; application servers; GIS servers; public access servers; printers; digital cameras; and portable data accessories?

Response: The following table shows the planned investment of the $75 million for CCE components and project operations in fiscal year 2001:
[The information follows:]

CCE Fiscal Year 2001 Investments	Estimated Costs
Technical Architecture Maintenance & CCE Project Operations	$1,500,000
Network/Communications Servers	33,315,000
Application Servers (includes GIS and public access servers)	15,000,000
Workstation/Server Software	7,000,000
Enterprise GIS Software	5,000,000
Relational Database	2,640,000
Peripheral Equipment (includes digital cameras and portable data accessories)	2,895,000
Printers	5,150,000
Training	$2,500,000
Total	$75,000,000

PORTABLE DATA ACCESSORIES

Mr. Skeen: What is included in portable data accessories?

Response: Portable data accessories are pieces of equipment to allow Service Center employees to use automated technologies to collect information and provide services to USDA customers outside of the office. This is intended to provide mobile computing capabilities for county-based employees that are integrated with office computing systems. These devices include portable data recorders, portable handheld computers, Global Positioning Systems, digital cameras, and cellular phones. This is an area where the technology is developing rapidly, so this list could expand, as new products become

available in the marketplace that have applicability to Service Center operations.

PRIORITY ORDER OF CCE ITEMS

Mr. Skeen: Please place each of the following items in a priority order for the continued development of the common computing environment: network/communications servers; application servers; GIS servers; public access servers; printers; digital cameras; and portable data accessories.

Response: The current implementation strategy for the CCE is designed to provide capabilities across the various components of the full planned infrastructure in order to support priorities for the reengineered and ongoing business activities of the Service Center agencies. To that purpose, investments are planned across the range of the items listed in the question to meet these established business priorities as described in the Service Center Modernization Plan. The respective priorities for these items as addressed in the implementation strategy is shown in the following table:
[The information follows:]

CCE Component	Priority
Network/Communications Servers	1
Public Access Servers	2
Application Servers	3
GIS Servers (includes GIS software)	4
Portable Data Accessories	5
Digital Cameras	6
Printers	7

CONNECTING LEGACY DATA TO WORKSTATIONS

Mr. Skeen: What do you mean that in fiscal years 2000 and 2001 you will connect legacy system data to the new workstations?

Response: This objective is specifically targeted to the FSA legacy IBM System 36 computer systems and the data that they currently manage. These computer systems are not currently capable of communicating directly with the over 29,000 CCE workstations that were purchased in fiscal years 1998 and 1999. Several technical solutions have been identified and evaluated to provide that connectivity, but a final decision on the appropriate solution has yet to be made. A technical evaluation is currently underway that is being sponsored by the CIO's office which will lead to a decision by June of this year. The expectation is that the solution will be implemented during the last part of fiscal year 2000 and into fiscal year 2001. At the end of that time, the FSA legacy applications and data would be accessible from the CCE workstations.

OBJECT CLASS FOR INFORMATION SECURITY INITIATIVE

Mr. Skeen: Provide an object class table for the $6.6Million request for the information security initiative.

Response: I will provide that information for the record. The initiative supports salaries, benefits, and operating costs for twelve additional staff years, as well as contract services and equipment.
[The information follows.]

USDA CYBER SECURITY PROGRAM

FY 2001 Classification by Objects		
Personnel Compensation:		
11	Total Personnel compensation	$875,000
12	Personnel benefits	292,000
	Total personnel comp. & benefits	1,167,000
Other Objects:		
21	Travel	58,000
23.3	Communications, utilities, and misc. charges	12,000
25.2	Other services	3,404,000
25.3	Purchase of goods and services from Government Accounts	1,944,000
26	Supplies and materials	2,000
31	Equipment	47,000
	Total Other Objects	5,467,000
Total direct obligations		6,634,000

ALLOCATION OF INFORMATION SECURITY TO SIX AREAS

Mr. Skeen: Please provide for the record how the $6.6 million, if approved, would be allocated to the six major areas, i.e., promote awareness and training, strengthen cyber-security policies, establish corporate/strengthen risk management, collaborate in designing security architecture, best practices, and incident recognition and response.

Response: The $6.6 million would be allocated as follows:

1. Promote Awareness and Training: $1.2 million
2. Strengthen Cyber Security Policies: $ 500,000
3. Establish Corporate and Agency Risk Management Programs: $1.3 million
4. Collaborate in Designing a USDA Information and Telecommunications Security Architecture: $2.3 million
5. Provide "Best Practice" Assistance: $300,000
6. Strengthen Incident Recognition, Reporting, and Response: $1 million

PROTECTING USDA FROM HACKER ATTACKS

Mr. Skeen: There has been significant media coverage regarding Internet hackers attacking major web sites. What is the Office of the Chief Information Officer doing to protect USDA computers from similar attacks?

Response: The Department has done the following:

- Advised agency CIOs, data security officers, system administrators and network administrators to reexamine their security configurations and vulnerabilities.
- Provided the Federal Computer Incident Response Capability-FEDCIRC advisories on Internet attacks to all data security administrators, system administrators and network administrators.
- Provided the tools for detection of hostile code.
- Provided the tools for detection of Denial of Service code.
- Actively set intrusion traps.
- Worked directly on investigating incidents to limit penetrations, gather evidence and disseminate information.
- Installed additional firewalls.
- Hardened our computer platforms.
- Worked with agency CIOs and their staff to provide detailed instructions on detection of intrusions.
- Provided FEDCIRC addressees and advised all security administrators to review FEDCIRC for additional advisories and/ or tools.
- Provided intrusion response advice to agencies.
- Provided detailed descriptions of intruders' signatures to all agencies.
- Requested all agencies to review computer systems for signatures of incidents and to report anything not explained by authorized activity.
- Engaged a contractor to assist in vulnerability assessment, response posture and strengthening of our security posture.
- Established a task force comprised of Departmental and agency experts to develop additional security policies and controls.
- Blocked TELNET and FTP access from Internet addresses that attackers were using to attempt access to Department and agency systems.

PRIORITY OF SECURITY INCREASE ITEMS

Mr. Skeen: Which of these 6 items is the most important to address first?

Response: All 6 programs are important. The most important is the Corporate and Agency Risk Management Program followed very closely by the Incident Recognition, Reporting, and Response program.

OBJECT CLASS TABLE FOR E-GOVERNMENT INITIATIVE

Mr. Skeen: Provide an object class table for the $2 million request to develop and implement a corporate approach before e-government can be fully implemented.

Response: I will provide that information for the record. The initiative supports salaries, benefits, and operating costs for three existing, unfunded staff years, as well as amounts for contract support and equipment.
[The information follows.]

E-COMMERCE & INFORMATION MANAGEMENT AND COLLECTION

FY 2001 Classification by Objects		
Personnel Compensation:		
11	Total Personnel compensation	$240,000
12	Personnel benefits	53,000
	Total personnel comp. & benefits	293,000
Other Objects:		
21	Travel	4,000
23.3	Communications, utilities, and misc. charges	9,000
24	Printing and reproduction	2,000
25.2	Other services	1,484,000
25.3	Purchase of goods and services from Government Accounts	4,000
26	Supplies and materials	2,000
31	Equipment	202,000
	Total Other Objects	1,707,000
Total direct obligations		2,000,000

DOWNSIZING THE WORKFORCE

Mr. Skeen: According to your witness statement, workforce levels have fallen dramatically since 1993. How many of this 10,100 decrease is attributable to the federal government downsizing initiated by the administration in 1993?

Response: As you state, staffing at the Service Centers for the county-based agencies: Farm Service Agency, Natural Resources Conservation Service and the Rural Development mission area has decreased by 10,100 staff years or 22 percent since 1993. The Administration's streamlining plan called for a reduction of nearly 6,600 staff years in the county-based agencies from 1993 to 1999. However, staffing reductions have exceeded the original plan by 35% or another 3,500 staff years. These additional staff reductions reflect the reduced funding levels within which these agencies have had to operate over the years. Our key objective in streamlining was to re-engineer these offices and the Department overall in such a way that it is leaner and more efficient while improving the level of service provided to the public. However, we have always made it clear that any downsizing in the county-based agencies' staffing must be accompanied by a corresponding investment in the information technology infrastructure and reengineering business processes. Unfortunately, while the staff reductions have occurred, the full investment to update the aging, obsolete information infrastructure and the business processes has not kept pace. Fewer staff and the outdated information technology infrastructure have prevented the county-based agencies from gaining the efficiencies needed to respond to cyclical disaster workloads. That is why we ask that the Congress build on its $12.6 million investment in

FY 2000 for the Common Computing Environment, a critical component of the Service Center Modernization Initiative, and fund the FY 2001 President's budget request of $75 million, and allow us to implement the SSB.

HOW CCE WILL IMPROVE SERVICES

Mr. Skeen: How will the common computing environment technology help the county-based agencies maintain or improve services to customers even at the lower staffing levels?

Response: The technology that is being provided by the CCE will enable the implementation of reengineered and streamlined business processes that will improve the efficiency and quality of Service Center operations. These efficiencies are essential for the county-based agencies to maintain or improve services to customers with reduced staffs. For example, the current method for managing agency directives is a paper-based system that requires staff at each office and for each agency to manually file and update directives documents. With an automated system built on the CCE technology, these directives can be updated once at a central location and immediately be accessed by county-based USDA employees at all locations. This will allow those employees to spend more time servicing customers and provide up-to-date information on policies and procedures that will improve that service. In some cases, Internet access will allow some customers to "self-service," taking less time in the traditional office environment.

In addition, Geographic Information Systems -GIS-technology, an integral component of the CCE, was estimated in the ROI analysis to provide over 35 percent of the benefits to be realized by Service Center Modernization. This technology will improve services to customers by automating the management of farm-field boundary information, which is critical to the calculation of payments and determinations of eligibility for USDA programs. Instead of having to manually measure land area, the GIS technology will allow county-based employees to accurately calculate those areas essentially instantaneously. Also, the current farm-field boundary information must be manually transferred each time that aerial photographs for a county are updated. The capabilities of the GIS technology will eliminate the need for this manual process, as the farm-field boundary information is managed separately and will readily be available for use with new photography. Our pilot testing is showing dramatic labor savings of as much as 85 percent for some activities when the GIS technology is introduced. Again, this will allow county-based employees to spend more of their time servicing customers even with our currently reduced staffs.

PROGRESS IN BUSINESS PROCESS REENGINEERING

Mr. Skeen: Provide for the record the "significant progress" the service center initiative has made in reengineering business processes.

Response: In fiscal year 1999, we gained momentum in the development of reengineered business processes. We are currently deploying the Combined Administrative Management System--CAMS Project. We completed CAMS pilot testing in July 1999. A business case and a deployment plan was submitted in August 1999 and approved by the USDA OCIO and OMB. Deployment plans were implemented in September 1999 to provide CAMS Phase I to fifteen states during the initial phase of deployment. With adequate funding, CAMS will be deployed to all remaining states by FY 2001.

By the end of FY 1999, eight projects had entered the pilot test phase of development: Integrated Office Information System, Geographic Information

System--GIS--Data Acquisition Integration and Delivery, GIS Training, Service Center Information Management System-SCIMS, Customer Service Toolkit, Wetlands, Multi-Family Housing Phase I, and the Conservation Area Reserve Assessment Analysis. Another seven projects were scheduled to begin pilot testing during the first half of FY 2000: Demographics and Business Analysis, Lending, Outreach, Conservation Reserve Program, Mobile Outreach, Land Use and Easements, and the SCIMS. In addition, 4 projects started in FY 1999 have not matured to pilot test: Disaster, Electronic Access, Risk and Productivity, and the Directives and Travel projects.

ROLE OF INTERNET APPLICATIONS IN SCMI

Mr. Skeen: Will the county-based technology infrastructure modernization efforts continue to be focused on hardware and software, or do you anticipate that internet-based applications will be assuming a greater role?

Response: Part of the business process reengineering effort is to develop and provide services through internet-based applications. Selected examples are:

Resource Data Gateway - a centralized, web-based method to find and request Geographical Information System--GIS information from sources within the USDA, other government entities, and commercial concerns;

Service Center Information Management System-SCIMS--an application to provide core customer and land data and integrate the two together for use by all programs, and customers in Internet applications;

Electronic Access - to define standards for web-based applications and establish a common infrastructure to eventually allow customers to download, fill out, and file applications over the Internet.

Information technology investments in software and hardware provide the much needed infrastructure that would allow the field offices to use these and other reengineered processes. Many of these processes would be Internet based and, with full deployment of CCE, allow customers to access information and apply for programs over the Internet.

CESSATION OF FSA SYSTEMS SUPPORT

Mr. Skeen: Please expand on the statement that the FSA will soon face a crisis, as the manufacturer will cease to support the principal operating system for its field delivery systems on March 31. What are the reasons that this will occur?

Response: The vendor, IBM, has announced that it will not continue to support the operating system of the A/36 computer. IBM no longer wanted to expend resources on supporting a very old system that many organizations no longer use. While the loss of support for this operating system might well be a termed a crisis, we do not yet know the degree of risk it poses. If the operating system were to malfunction, FSA operations would be disrupted until a contractor could repair it. However, repairs would not be part of any existing maintenance agreements and would therefore result in significant unanticipated expenses.

However, two factors are helping us until FSA houses its operations under the common computing environment operating system. This particular operating system has been in use for many years and seems to be stable. While not a guarantee against future problems, this stability is encouraging. More importantly, we have hired a contractor to perform an Independent Validation and Verification--IV&V--study to conclusively recommend the best connectivity

solution for FSA. As a part of that review, the contractor will explicitly evaluate the degree of risk related to the unsupported operating system and recommend ways to mitigate or reduce the risk. We expect to make a decision on a connectivity solution in June.

Beyond the crisis, which may be associated with the operating system, the more immediate and significant crisis is the program delivery burden placed on the field office employees and the related loss of service for ranchers and farmers who rely on our programs. The computers currently running field delivery programs are themselves old and are subject to various failures at an increasing rate. These computers isolate FSA from its Service Center partner agencies and other USDA, federal or state agencies. In addition, they are unable to support public access needed for E-commerce and are not capable of functioning in the common computing environment.

COST BREAKOUT OF LEGACY SYSTEMS

Mr. Skeen: For the record, please provide a table that includes a breakout, by agency, of the $160 million in personnel and other costs to keep the legacy systems operational.

Response: [The information follows:]

Fiscal Year 2000 Legacy System Operations
($ in Millions)

Farm Service Agency	$107.0
Natural Resources Conservation Service	10.7
Rural Development	42.7
TOTAL	$160.4

SCMI AGENCIES POLICIES

Mr. Skeen: Do each of the three county-based agencies develop different policies for information technology, travel, personnel management, procurement and accounting? Please provide specific examples.

Response: Yes, the three agencies do develop separate policies on administrative issues. Examples are: delegation of authority regarding what grade level and types of positions can be established at different organization levels, security policies, and authorized procurement authorities. Where we have reengineered a process, such as the CAMS - human resources project, agencies are working closer together to develop consistent policies. Our proposal to establish one administrative organization - the SSB - would result in a molding together of these Service Center agencies' policy units into one, with the same policies for all agencies. In the interim, the Secretary and the Deputy Secretary have directed the NFAC to make recommendations on how to implement common administrative policies.

SCMI ADMINISTRATIVE FUNDING

Mr. Skeen: Provide a table for the record that shows, for each county-based agency, funding for administrative functions for fiscal years 1999-2001. I believe your testimony indicated there were 44 separate administrative functions.

Response: There are 44 separate administrative divisions in the county-based agencies, which would be reduced to 10 under the SSB. The following table provides funding in millions of dollars for administrative positions for FY 1998 - 2001 for the three county-based agencies. Information for FY 2001 has been requested from the county-based agencies and will be forwarded to the Committee separately.

[The information follows:]

Year	NRCS	RD	FSA	Total
FY 1998	$52.1	$68.7	$123	$243.8
FY 1999	$54.0	$66.5	$124.8	$245.5
FY 2000	$52.1	$69.4	$122.6	$244.3

FSA funding includes administrative support to FAS, RMA, FNS, and AMS through reimbursable agreements. Also, the incremental funding increases are due to pay raises; the number of FTE has continued to decline during this time period.

PLANS FOR CCE 2001 REQUEST

Mr. Skeen: Please tell the Committee your plans for using the $75 million requested for the Common Computing Environment (CCE) in fiscal year 2001. Please provide quantitative data and more specific explanations than provided in the formal budget request.

Response: The following table shows the planned use of the $75 million in fiscal year 2001 for furthering the implementation of the CCE:

[The information follows:]

CCE Fiscal Year 2001 Investments	Estimated Costs
Technical Architecture Maintenance & CCE Project Operations	$1,500,000
Network/Communications Servers	33,315,000
Application Servers (includes GIS and public access servers)	15,000,000
Workstation/Server Software	7,000,000
Enterprise GIS Software	5,000,000
Relational Database	2,640,000
Peripheral Equipment (includes digital cameras and portable data accessories)	2,895,000
Printers	5,150,000
Training	2,500,000
Total	$75,000,000

Each of the investments shown in the above table are described in the following sections:

- Technical Architecture Maintenance & CCE Project Operations-Ongoing support for maintaining the CCE Technical Architecture is needed to evaluate new products and technologies that are introduced in the marketplace. As the technology changes and new products are released, an assessment of the application to Service Center business activities will be made and candidate products or improvements will be incorporated into the Technical Architecture. The funding shown will be used for support services to assist in the maintenance of the architecture and for the acquisition of candidate

solutions to be tested and evaluated for implementation. Also, operations for the project including pilot site maintenance along with acquisition and deployment activities will also need to be supported as long as the project is active.

- Network/Communications Servers - Network servers provide communications and connectivity of the Service Center workstations to the local and wide area networks. Network services that will be provided by these servers include security and access control, electronic mail, printer and peripheral access, file storage and backup, and the management of local data for all employees within the Service Center. These servers also provide the mechanism for remote system management and configuration of the desktop and portable workstations. With the over 29,000 workstations that have already been deployed, these servers are critical for the continued effective operational support and management of this CCE investment. An analysis is underway to determine if a smaller number of network servers can be used to support these functions in all offices via telecommunications as part of the IT Investment Center concept. The final location, numbers, and costs for these servers will be determined as a result of this analysis.
- Application Servers-Servers are needed to support the commercial and custom applications that will be implemented as part of the reengineered business of the Service Center agencies. These servers will be located in Service Centers, state, and national levels as appropriate to deliver data and applications. The final location and configuration of these servers will be dependent on the performance requirements for the applications and the telecommunications facilities between offices. Evaluations of the current telecommunications network and applications architecture are underway as part of the analysis of the proposed IT Investment Centers. At the present time, it appears that basic application services will be required in most offices. However, it is believed that the application server requirements can be provided by expanding the function of the network servers or by utilizing one of the larger CCE workstations that have already been deployed. The cost estimates shown in this plan are based on a requirement to provide a full sized application server in all offices, with final costs expected to be reduced when the solution is determined.
- Workstation/Server Software-A range of commercial software for workstations and servers is needed to realize the full capabilities of these CCE components. CCE computers have a basic operating system and office automation software that will need some updating to keep current changing technology. Additional software to provide electronic messaging, groupware, document management, project management, security, and other key functions will be acquired for use on the workstation and server components of the CCE. Finally, a full complement of software tools are needed to manage the CCE environment, both workstations and servers, which address asset management, data backup and recovery, remote system administration, automated software distribution, and remote diagnostic tools.
- Enterprise GIS Software-A large percentage of the benefits for modernizing the USDA Service Centers have been attributed to the introduction of Geographic Information Systems--GIS technology to enable the management of information on a spatial basis. In order to realize these benefits, a full complement of GIS software components will be acquired for all organizational levels of the Service Center agencies. In addition, the purchase of this software will provide the capability to make use of the significant investment that has been made by these agencies for the acquisition of spatial data.

- Relational Database-One or more relational database solutions will be selected to facilitate data management for the various servers being implemented at the Service Centers and at the State and National levels. Relational database product capabilities will be matched with the needs for data processing and management at each organizational level and appropriate solutions implemented with the funding levels shown. In addition to the basic relational database software, tools are included to provide data warehousing and data mining capabilities for improving the management and access to data compiled by the Service Center agencies.
- Peripheral Equipment-Peripheral devices including scanners, digital cameras, Global Positioning Systems, and other input and output equipment are an integral part of the CCE to increase the capabilities of Service Center employees to provide products to their customers. Where appropriate, these devices will be managed and shared at each office to provide access for all employees as needed. In addition, lower volume but higher capability devices--such as large format plotters--will be provided in specific offices such as "IT Investment Centers" where they can be shared over the telecommunications network.
- Printers-The printers purchased in fiscal year 1999 provided an initial capability for all offices to provide improved quality products to their customers. Additional printers are included in this plan to augment this capability and assure that all employees have adequate access to these output devices.
- Training-Effective training of users and the IT support staffs is essential to ensure that the full capabilities of the CCE are achieved and can be supported across the Service Center agencies. Initial training was provided with the deployment of the CCE workstations and printers acquired in fiscal years 1998 and 1999. As additional CCE components are implemented, training on the application of those technologies to carry out daily operations and meet business needs must also be provided. In addition, it is important to provide specialized training for the support of the CCE components as they are deployed to enable the USDA IT support staff to manage and operate those components.

ACCOMPLISHMENTS WITH 2000 CCE FUNDS

Mr. Skeen: What have you been able to accomplish with the $12.6 million provided in the fiscal year 2000 appropriations?

Response: The $12.6 million has not been made available at this point for investment in the CCE implementation. If Congress releases the funds, current plans are to use this funding as follows:

- $7.0 million will be used for the first installment of network servers. When we fully complete the network server component in FY 2002 our employees will have access to fully functional electronic mail and the Internet, as well as the ability to share files and printers. These servers will also provide security and access controls, and the capability for our networks to be administered remotely and reduce the overall costs of monitoring and maintaining our computers.
- $3.0 million to help fund a solution for connecting the legacy FSA System 36 servers to the new CCE workstations. Several potential solutions are being evaluated. The estimated cost shown in this investment plan is for

the initial start up costs to implement the selected solution. However, we will not know the total amount until a solution is selected.

- $1.0 million to acquire the initial hardware and software infrastructure improvements to support public electronic access to Service Center programs and information. When fully implemented, electronic access will allow farmers, ranchers, and other rural customers to access their records and conduct business with the Department electronically. Providing our customers electronic access will require hardware and software to create the Internet based applications, enhance computer system security, and protect the privacy of our customers.
- $1.6 million will be used to continue planning and operations for the project, including pilot site maintenance; acquisition and deployment activities; and also evaluating IT products to ensure that USDA is getting the best value. As the technology rapidly changes and new products are released, an assessment of their application to Service Center business activities will be made and candidate products for improvements will be tested and incorporated into the Technical Architecture.

ALTERNATIVE FUNDING LEVEL OF ACCOMPLISHMENT

Mr. Skeen: Your budget for the CCE envisions using the $75 million in direct appropriations and $62.4 million from agency base-budgets. Some of the agencies say that they may not be able to contribute the proposed funding without severely hampering services or causing employee reductions and furloughs. What would you be able to accomplish if you only received $75 million and not the $137 million you've planned?

Response: Most of the $75 million would be used in hardware and software investments. These investments provide the enabling technology that would allow for the delivery of reengineered business processes as they become available. A small amount of the $75 million would be allocated to continue a limited amount of business process reengineering projects that are near completion. Our experience with the pilot sites has shown us that simply providing the new tools with Internet access and common office automation programs is providing significant efficiencies to the field staff and allowing them to improve the way they do business. The infrastructure is necessary to support the full implementation of initial BPR projects and would be in place so that new ones could be implemented immediately.

CONNECTION COSTS

Mr. Skeen: How much will it cost for servers and related hardware and software to connect the workstations in the county-based agencies?

Response: The current estimates for the cost of servers and related hardware and software to fully connect the CCE workstations in the county-based agencies is $55 million. This will provide network and communications servers as well as the software tools necessary to manage the servers and workstations. This estimate is based on current pricing, and may be less through volume discounts that may be achieved in the procurement of these items.

TIMELINE FOR SCMI

Mr. Skeen: Please provide a timeline for the Service Center Modernization Initiative's technical infrastructure needed to enable producers to file program applications and conduct interactive business online?

Response: The initial public access infrastructure is one of our highest priorities and will be funded from the $12.6 million appropriated in the FY 2000 for CCE. We should have it in place late this year. This should provide some interim improvements in availability of information and forms for customers. Pilot electronic access applications are planned for mid FY 2001. Full implementation of electronic access will be achieved as we complete the installation of the CCE at the county office level in FY 2002.

NUMBER OF EMPLOYEES WORKING ON WEBSITES

Mr. Skeen: In recent months, USDA's websites have been upgraded to make information more readily accessible. How many people, by agency, work on USDA's websites? What do you estimate to be the USDA annual costs for upgrading and maintaining these websites?

Response: The Department has not conducted a detailed assessment of the resources, including staffing, that agencies are now devoting to operating and maintaining their web sites. However, as we have noted, USDA's agencies currently maintain scores of web servers located across the country. For example, FSA maintains about 10 web servers, located at the agency's technology center in Kansas City. These servers support all of the agency's web services. In addition to the national website, some FSA state offices have also developed their own web sites. If the state has not created a site, default information is available on the national site.

Unlike FSA, NRCS's websites and servers are decentralized: the national site is comprised of about thirty servers located around the country. In addition, each of the fifty state offices run their own websites, with servers located in each individual state office.

RD's Internet website is supported by less than five servers, which are administered out of Washington, D.C.

Each agency in the Department has a webmaster who is responsible for overall management and oversight of the site. Responsibilities include establishing design and content guidelines for the website, defining and maintaining the website structure and associated links, and assisting content providers, who are located across the Department at headquarters and in the field, in the creation of web pages.

More detailed information about the resources currently being devoted to operating and maintaining the Department's websites will be shared with the Committee as soon as an assessment is conducted. The Department's E-government strategy, which we hope Congress will support in our budget request, would include establishing the capacity to monitor, and hopefully leverage where appropriate, all of the resources USDA agencies are currently devoting to web based initiatives.

STATE OFFICE COLLOCATION COSTS

Mr. Skeen: Please provide by agency and state, the number of employees, estimated relocation costs, and other miscellaneous expenses anticipated with the recently announced State Office co-location efforts.

Response: The following chart contains the requested data. The employee counts include the staffing levels by agency as of April, 1999--the last time they were verified for the co-location analysis; and, the estimated number of employee relocations anticipated when State Offices move to different cities. The relocation estimate is based on 33 percent of the employee population choosing to relocate. This factor was used during the analysis based on recent USDA reorganization experiences and on discussions with the Office of Personnel Management and the Department of the Army regarding their recent experiences with organizations relocating.

[The information follows:]

USDA State Office Co-location
(All Dollars in Thousands)

State	MFAC Recommended Location	One Time Move (Cost)	One Time Reloc (Cost)	Total Move/ Reloc (Cost)	Staffing and Location by Agency (as of April 1999)	No. of Employees to be Relocated
	Target Year FY 2000					
AK	Palmer (GSA lease)	($10.8)	($64.0)	($74.8)	RD (24), FSA (4) Palmer, NRCS (6) Anchorage.	NRCS - 2
AZ	Phoenix (GSA lease)	($240.0)		($240.0)	RD (34), FSA (13), NRCS (40) Phoenix, in separate locations.	0
CT	Storrs (GSA lease)	($25.0)		($25.0)	FSA (6) Windsor, NRCS (32) Storrs	0
IA	Des Moines (Fed. Bldg.)	($52.5)		($52.5)	RD (32), NRCS (64) in Fed. Bldg.; FSA (32) in other space, Des Moines	0
IL	Champaign (commercial)	($15.0)	($340.0)	($355.0)	RD (30), NRCS (50) in separate locations, Champaign,; FSA (31), RMA (20) Springfield	FSA - 10, RMA - 7
MS	Jackson (GSA lease)	($68.0)		($68.0)	RD/FSA/NRCS (#74) - RD, NRCS in the Fed. Bldg. FSA in other space, Jackson	0
NH	Durham (GSA lease)	($5.0)		($5.0)	NRCS (20) Durham; FSA (6) Concord	0
NE	Lincoln (Fed. Bldg.)	($515.0)		($515.0)	RD/NRCS/FSA (132) - RD, NRCS in Fed. Bldg. FSA in other space, Lincoln	0
OR	Portland-CBA (GSA lease)	($30.0)		($30.0)	RD (45), NRCS (65) in same Portland location; FSA (17) - Tualalin (Metro Portland)	0
PR	Hato Rey (GSA lease)	($115.6)		($115.6)	RD (30), NRCS (19) - Hato Rey (Metro San Juan); FSA (15) - Santurce (Metro San Juan).	0
TN	Nashville (GSA lease)	($179.2)		($179.2)	RD (61) - in GSA leased space; FSA (96), NRCS (58) - in Federal Bldg. Nashville	0
VT	Burlington (GSA lease)	($16.5)		($16.5)	FSA (11) Burlington; NRCS (16) - Winooski (Burlington suburb); RD (7) Montpelier.	0
WY	Casper (Fed. Bldg.)	($25.0)		($25.0)	RD (20), NRCS (45) in Fed. Bldg.; FSA (14) in other space, Casper	0
	Subtotal FY 2000	($1,297.6)	($404.0)	($1,701.6)		

USDA State Office Co-location

(All Dollars in Thousands)

State	NFAC Recommended Location	One Time Move (Cost)	One Time Reloc (Cost)	Total Move/ Reloc (Cost)	Staffing and Location by Agency (as of April 1999)	No. of Employees to be Relocated
	Target Year FY 2001					
ND	Bismarck (GSA lease)	($64.2)	($300.0)	($384.2)	RD (30), NRCS (46) Bismarck; FSA (29) - Fargo	FSA - 10
NJ	Trenton (GSA lease)	($42.0)	($814.9)	($856.9)	RD (38) - Mt. Holly; FSA (17) - Bordentown; NRCS (34) - Somerset	RD - 13, FSA - 4, NRCS - 12
NV	Reno (Fed. Bldg.)	($65.0)	($192.0)	($257.0)	FSA (8), NRCS (33) in separate locations, Reno; RD (18) Carson City	RD - 6
WA	Spokane (commercial)	($20.0)	($192.0)	($212.0)	FSA (27), NRCS (46) Spokane; RD (17) - Olympia	RD - 6
WI	Madison (commercial)	($41.2)	($344.7)	($385.9)	FSA (32), NRCS (43) Madison; RD (41) Stevens Point	RD - 14
	Subtotal 2001	($232.4)	($1,843.6)	($2,076.0)		

QUESTIONS SUBMITTED BY MISS KAPTUR

REPLACEMENT OF COMPUTERS IN LAST 10 YEARS

Ms. Kaptur: Certainly computers have had to be replaced over the past decade. Didn't anyone plan for an integrated replacement plan that would standardize platforms and software?

Response: Over the past decade, the Service Center agencies purchased replacement computers on an individual basis as needs arose. Each agency had its own plan and criteria for the configuration of these machines, but there was not a common approach to the purchase of these computers prior to the establishment of the Common Computing Environment Project. This was also a reflection of the legacy environments that had been established by the individual agencies to support their business needs. FSA had implemented an IBM System 36 server-based system that relied on dumb terminals for each user, and did not have a large inventory of personal computers. NRCS built their systems using a Unix based server system with basic PC's and dumb terminals for users. Rural Development also built their applications using Unix servers with PC's acting as terminals for user access.

The Info Share Program established common contracts in Fiscal Year 1994 that provided the first common personal computers for the partner agencies. However, no large-scale acquisitions were conducted under these contracts as agencies ordered from the contracts as needs and funding dictated. There were emergency purchases completed by the three agencies in FY 1996 to address critical business needs, but these also were directed at supporting the individual legacy applications. FSA purchased upgrades to its System 36 servers to replace outdated systems in all their field offices, NRCS acquired Unix based servers to support its Field Office Computing System-FOCS, and Rural Development purchased Windows workstations to implement the Dedicated Loan Origination System-DLOS.

The intent of these purchases was to allow business activities to be conducted while Business Process Reengineering was being initiated. The Common Computing Environment Project in Fiscal Year 1997 goal was finally established to build a common integrated plan for the acquisition of standardized platforms and software. The Fiscal Year 1998 and 1999 acquisitions of over 29,000 new personal computers replaced dumb terminals and aged personal computers that were still in use across the Service Center agencies. This was the first major acquisition of personal computers by the agencies during the decade.

The new personal computers are completely interoperable and interchangeable. Each is loaded with an identical core load of basic office automation software and program applications. Any Agency employee can use any machine. Investments planned during FY 2000 and 2002 will complete the personal computer replacement and will replace all of the other "stove pipe" server technology with a fully integrated CCE for these agencies.

CCE-CURRENT PLAN

Ms. Kaptur: Given the record of the past decade, can you understand why so many people wonder whether or not the plan before us today is a legitimate plan? As an illustration, it is particularly interesting to me to receive a letter of transmittal from Secretary Glickman dated within the last two weeks that is a cover letter for a CCE proposal that has the date "November 19, 1999" printed on every page. Is the November plan the current one, or has it been updated in some fashion?

Response: The Service Center Modernization Plan of the USDA County-Based Agencies of November 19, 1999 is indeed the current long-range, strategic

plan. The plan was used within the Executive Branch to guide the formulation of the Administration's Fiscal Year 2001 Budget now before Congress and timing of the formal transmittal to Congress reflects the need to maintain confidentiality of information being used in the budget process while the budget is being prepared. It should be noted that it is our general, overall plan for the initiative. Many sub-plans for specific parts of the initiative, such as CCE, BPR, etc., also exists but tend to be more dynamic in terms of changes due to funding or other reasons.

FSA LEGACY SYSTEMS

Ms. Kaptur: For the benefit of an integrated record, I want to repeat here some of the questions I presented to the Farm Service Agency. Your budget requests $35 million per year to operate and maintain FSA legacy systems, and this would continue until CCE is in place. Are there any technologies being used within USDA that are available for the interim period.

Response: Essentially, the FSA systems for field delivery are tied to IBM A/36 computers using a form of the programming language, COBOL, which only runs on the A/36. Some Farm Loan Program-FLP applications are an exception. These applications were originally developed for other, now obsolete, equipment. Since these FLP applications were not dependent on the data and applications resident on the A/36, they were rewritten or are being rewritten, to run on the current common computing environment PC's which have been distributed to the field.

The FSA program delivery applications on the A/36 computers, which are comprehensive and therefore enormously large, can only be rewritten and migrated to the common computing environment over a period of years. While the migration is taking place, FSA will have to continue to deliver its program. The $35 million is to maintain and operate the existing or legacy" applications until the migration to the common computing environment is being completed. As the migration progresses, some funds will be shifted from legacy applications to the operation and maintenance of the new applications operating under the common computing environment.

NEED TO CHANGE LEGACY SOFTWARE AND HARDWARE

Ms. Kaptur: The Service Center Initiative included $75 million for CCE. The program includes re-engineered business processes to ease migration from legacy systems. Does this migration demonstrate a need to change the hardware or software of the legacy systems?

Response: The reengineering of the business processes of the Service Center agencies is being done to modernize and improve the delivery of services and programs to USDA customers. The CCE is the enabling technology that will support these reengineered processes where automation is required in order to implement the new processes. The migration from legacy systems requires new hardware and software to facilitate the sharing of common processes and information needed to realize the vision of Service Center modernization. Current old, "stove piped" technology systems can not share data or support modern business delivery such as use of the Internet.

COMMON SECURITY ENVIRONMENT

Ms. Kaptur: We spoke with the Inspector General about security for the new computer system. Will there be a common security environment for the Department by making sure that the security protocols are share by all USDA

computers?

Response: The Common Computing Environment Project has been working to establish common security provisions for all computer systems that will be implemented by the Service Center agencies. Building on work completed by the LAN/WAN/Voice Telecommunications Project, a Security Plan is nearly complete. The Security Plan will provide the foundation to address basic security provisions for all systems. When implemented with the deployment of CCE components, these capabilities will assure that basic protection and security are provided to all offices and on all systems. Specific applications that require additional special security provisions -for example PKI encryption-- will build on the basic capabilities that are provided with the CCE. In addition, the 29,000 CCE workstations that are being deployed at this time were delivered with basic security provisions to protect their operation and any data stored on the systems. These provisions include Windows NT password management, virus protection, high-level-128-bit--encryption for secure Internet transactions, and an automated training module that is being used by all employees to complete security awareness training requirements.

FSA, RD, NRCS AND OTHER LEGACY SYSTEMS

Ms. Kaptur: Do FSA, Rural Development, NRCS, or other agencies operate other legacy systems?

Response: All three of the Service Center agencies operate their own legacy systems on a variety of computer systems. FSA has a large inventory of legacy systems that are supported by IBM System 36 computers, as well as some legacy systems that run on twelve year old AT&T 3B2 computers. NRCS continues to support the Field Office Computing System-FOCS in many offices running on Unix servers. Rural Development also supports legacy systems running on AT&T 3B2 computers to carry out some of their business activities. Common applications that implement reengineered business processes for all the agencies are being developed and have been deployed at pilot sites across the country. All three agencies are currently developing new applications that are targeted to the CCE platform to address agency specific business requirements.

OIG RECOMMENDATIONS ON NASS INFORMATION SECURITY

Ms. Kaptur: You pointed to the needs of the National Agricultural Statistics Service for information security. Again, going to the issue of preparation and responsiveness, I notice that you said that there was a 1998 risk assessment conducted by Lockheed Martin. You said these recommendations were consistent with the findings of a 1996 report. This testimony gives the impression that nothing was done for about three years. Can you explain why the OIG's recommendations were not acted upon for so long?

Response: All material weaknesses in the OIG report have been mitigated. For example, a software product was procured to encrypt the transmission of speculative data in 1995. Transmission of data was moved to a private network under FTS2000, firewalls were established and other security measures were taken in 1998 & 1999. Some recommendations dealing with encryption of all NASS data were studied and found to be cost prohibitive at the time, thus delaying some of the actions. The Lockheed Martin risk analysis performed in 1998 also recommended encrypting additional data transmissions. Based upon the increased threat and increased security requirement from other agencies, NASS is working to move to a higher level of security.

NAL DATA WAREHOUSE

Ms. Kaptur: You talked about data being stored at the National Agricultural Library. Yesterday we were hearing from GIPSA about the need to store information about biotechnology. Isn't there some central warehouse of information for USDA, and wouldn't the National Agricultural Library or a contract with a university be the logical place for this information?

Response: There is not currently a "central warehouse of information" for USDA. In fact, establishing such a warehouse could make critical data more vulnerable to cyber-attacks and destruction. Today, data can be stored at several locations. However, we need to ensure that it is readily and easily accessible via the Internet--or in the case of internal data Intranets--and is secure.

This is the approach being taken by the National Agricultural Library, which is working in conjunction with universities to improve online access to data whether it is stored at NAL or on campus. The Agricultural Research Service and other USDA agencies are also using this approach, having established a partnership with Cornell University which is directly linked to the NASS

website. The USDA Economics and Statistics System contains, which is stored at Cornell University, contains nearly 300 reports and data sets from USDA's economics agencies which cover U.S. and international agriculture and related topics.

Our vision for a USDA "portal" would also make the massive amounts of data USDA agencies collect and store more accessible to customers by organizing data by subjects and areas of interest, rather than by USDA agencies, providing search capability, along with links from USDA's main web site to the specific sites at the agency level where information is actually stored and maintained.

NEED FOR USDA SUPERCOMPUTER

Ms. Kaptur: Other research agencies are frequently talking about the need for supercomputers. NIST, EPA, NASA and other agencies all have them, or may already be in the process of moving on to the next generation platform. Do you have similar plans or needs within USDA? If so, how do you plan to proceed?

Response: To my knowledge there is not currently any significant interest in supercomputers at USDA. Certainly no agency has identified the need for supercomputers as expressed in their IT spending requests. Some agencies, such as the Agricultural Research Service, do use computer modeling applications, however, they are not at the level of complexity that would require a supercomputer.

INTEGRATING EBT & USDA ELIGIBILITY PROGRAMS

Ms. Kaptur: You referenced the use of Electronic Benefits Transfer - EBT - by the Food and Nutrition Service. I know that there is a desire to have both Food Stamp and WIC awarded with the use of EBT. How have these efforts been integrated with other eligibility monitoring programs of USDA?

Response: The objective of an integrated benefit delivery environment is to enhance and improve client access to benefits, and the delivery of Federal and State public assistance programs. The majority of State agencies have developed their EBT contracts with the flexibility necessary to integrate a host of federal and State benefit programs: State administered programs such as Food Stamp, WIC, and Temporary Assistance for Needy Families; Federal cash benefit programs such as Social Security Income--SSI, and Child Support; State specific General Assistance cash programs.

Historically, States continue to capitalize upon the existing and growing point-of-sale--POS and automated teller machine--ATM infrastructure. Efficient and effective uses of public and private resources will sustain this process by increasing the automation level that supports benefit delivery and payment, reconciliation and report generation, and automating and/or eliminating specific functions that are paper-based or labor intensive.

We will continue our efforts to encourage development of flexible procurement instruments to support the integration of federal and State benefit delivery programs.

ATM ACCEPTANCE BY FARMERS MARKETS

Ms. Kaptur: Both last week and yesterday we heard about the desirability of WIC EBT in farmers' markets. While I don't deny the value of this advancement, I would like to ask you if you know of the level of ATM acceptance in farmers' markets? My impression would be that if we can seed EBT acceptance in grocery stores in the same systems that accept ATMs,

certainly a similar parallel can exist in farmers markets, making the electronic systems more attractive to the retailers who are trying to increase all sales.

Response: FNS has been particularly interested in the area of Food Stamp EBT acceptance at farmers' markets. We view farmers' markets as an important outlet for our recipients to obtain nutritious fresh fruits and vegetables. The challenge is that EBT, as well as commercial debit cards, require electricity and phone access in order to conduct on-line transactions. Many farmers' markets do not have such access and, therefore, can conduct EBT transactions only through a manual paper process that is more time consuming and risky than the market vendors would like. For this reason, FNS has been working with States to test alternative ways to bring the farmers' markets into EBT. Some States have tested a voucher-like system that seems to work well. We are also hoping to have an opportunity to test alternative technologies such as cellular-based point-of-sale devices or stored-value cards in the future. Technology continues to be enhanced and we are hopeful that cost-effective solutions are not too far away.

WIC PURCHASES VIA PRICELINE.COM

Ms. Kaptur: Local newspapers and television ads here in Washington are touting the ability of people to use priceline.com for the purchase of groceries at local supermarkets. Do you know whether or not food stamp users or WIC participants are able to purchase eligible items through priceline.com or other similar vendors around the country using their benefits? Certainly these limited-resource people could take maximum advantage of discount pricing.

Response: Services such as priceline.com are recent developments in the retail marketing/pricing of food and these options are currently being reviewed to determine their feasibility. Currently however, priceline.com does not allow the use of debit cards over the Internet. Therefore, States using electronic benefit transfer--EBT systems to deliver food stamp benefits would not be able to use the food stamp EBT cards for this service. Indeed, to our knowledge the Internet as a whole does not yet support debit card transactions due to security concerns.

In the WIC Program, a food instrument--usually a check or voucher--is used to purchase WIC foods. Since the charges for any foods identified and priced through services such as priceline.com are charged directly on the consumer's credit or bankcard, WIC participants would be unable to use their WIC food instruments to purchase the discounted foods. State agencies are, however, currently using other successful methods to control costs, including competitive vendor pricing and rebates on infant formula and other foods.

A barrier for both Food Stamp and WIC participants is the lack of access to Internet services that would allow for the use of these on-line discount programs. Additionally, the retailers offering such a service are limited, which may disadvantage smaller retailers. We will continue to explore options for price discounts, rebates, or other cost saving initiatives to allow benefits to reach as many individuals as possible. We will also monitor developments like priceline.com to see where and how our recipients might be able to benefit from these initiatives in the future.

FASTER VENDOR SIGN-UP THRU THE INTERNET

Ms. Kaptur: FSA has e-business applications. My office has spent a great deal of time trying to learn how to get sellers in my area on the solicitation

list for USDA commodity purchases for international programs and others. But the process I hear about seems to take months. Given what you suggest you can do with Internet usage, don't you have a faster way to sign up these vendors for solicitation eligibility?

Response: The Farm Service Agency (FSA), Commodity Operations (CO) has implemented several electronic initiatives to more efficiently provide information to sellers and potential sellers. For example, the CO Internet website (http://www.fsa.usda.gov/daco) contains commodity announcements, invitations, award information, as well as information regarding warehouse and transportation opportunities. Small transportation vendors can actually sign up online. Links to information for the potential seller are also provided. These links include " How to Sell Commodities to the Commodity Credit Corporation, a User's Guide", the Small Business Administration--SBA, and the Office of Small and Disadvantaged Business Utilization--OSDBU. Questions and comments can be e-mailed to KCCO from this website.

The process of vendor approval, with the normal times required for each step, is as follows:

1. A potential new vendor typically telephones FSA, which provides information on commodities, specifications, bags, pack sizes, location, and how the process works, including the use of lowest landed cost awards, FAS vessel, and intermodal. The Total Quality System Audit program is described as well as how the electric bids are submitted. Other questions are posed and answered. (Time one day)
2. A descriptive letter is mailed out, detailing the entire process. Also mailed is the Announcement for the relevant commodities, a sample Invitation, and the form SF129. (Time two days)
3. Vendors return the completed SF129, and a capability (pre-award) survey is requested and paid for by FSA. (Time two to three weeks)
4. The survey is conducted by the applicable Defense Contract Management Area Operations office, which evaluates for technical, production, financial, transportation, and packaging capability, and recommends whether or not the prospective vendor meets qualifications. (Time approximately four weeks)
5. The vendor requests and pays for a sanitation inspection conducted by the USDA Federal Grain Inspection Service. (Time about one-two weeks)
6. If the vendor qualifies and elects to submit a bid, it takes approximately 10 days to program FSA's automated bid evaluation system to consider their bid.

Total time is approximately 8 to 10 weeks.

The number of requests coming to the agency for vendor solicitation eligibility is quite small, normally no more than four to six each month. Information technology is being used, but not to the extent that we would envision, especially as more and more business is conducted over the Internet. FSA's requirements and the current process are exhaustive; however, they are designed to grant eligibility only to those vendors who can actually support the sales they might make to the agency. The products procured by the agency are used in human feeding programs either in this country or abroad and are critical in their requirements as to quality, quantity, and the timeliness of shipment. A contract default can prove to be expensive not only to the image of the agency as a reliable supplier, but potentially in terms of human life. While repurchase is an option to cover for a defaulting party there is no way to make up the lead time that it takes to get the products in place for consumption.

The whole question of fiscal responsibility is one of the more difficult to measure, but it is critical as a large commitment gone wrong can ultimately result in a corporate bankruptcy. The factor that can delay the evaluation of

eligibility the most is often the preaward survey used to make some preliminary analysis of these factors. The agency is moving in the direction of having those surveys performed by an in-house audit staff, which may reduce the preaward time element. It will also continue to explore how the information technology can be used to improve the current process.

PROFILE OF AVERAGE USDA WEB USER

Ms. Kaptur: You talk about the digital divide and what USDA is doing to expand computer availability. Can you give us a profile of the average USDA web-user from out in the countryside?

Response: At present, we cannot. Some agencies have started to capture information on which web pages are visited most often and which Internet Service Providers the visitors use to log on. We also know from reviewing many of the E-mail messages which are submitted to the web master for the Department's main web page that visitors include a variety of individuals and organizations reflective of the Department's broad missions.

For example, visitors include: foreign companies and individuals searching for information about products imported by the U.S. and import regulations; agricultural firms who have requested information to link their website to USDA's site; organizations and individuals requesting information on poultry and other commodities; students, from elementary to graduate levels, conducting research on various agriculture related issues; persons interested in the Food Guide Pyramid; rural businesses seeking financial help; persons seeking job vacancy announcements; persons seeking information on meat product recall notices; persons inquiring about soil survey results; Forest Service regulations; etc.

We are acutely aware that in order to maximize the use of our Internet resources, the Department must begin to capture and utilize the kinds of information you have referred to. Analyzing information about our customers, to know whom we are serving, and to ensure that we are adequately meeting their needs, will be an essential aspect of our corporate E-government strategy. As the above information indicates, we know now that the Department's websites are being used by practically everyone, adults and children, individuals and organizations, foreign and domestic.

INTEGRATING PAPER AND COMPUTER SYSTEMS

Ms. Kaptur: What are you doing to integrate your paper and computer based systems? Certainly this is something that agency personnel will have to do because you cannot discriminate against people based upon the method of communication they might be using.

Response: The Department is acutely aware of the need to ensure that those customers who do not have access to computers and the Internet are not left behind. Indeed, a critical challenge is to implement E-government initiatives while at the same time maintaining more traditional processes and methods of communication for those customers who still require traditional access. This "dual" solution will be more costly. However, until the digital divide is closed, USDA and other agencies cannot operate any other way.

RANK OF USDA IN COMPUTER USE

Ms. Kaptur: Do you believe USDA is on par, worse, or better than other federal agencies at integrating the use of this technology with the needs of program participants?

Response: USDA is better than some and worse than others. With respect to the Internet, USDA agencies make tremendous amounts of information available to the public via web sites. For example, the Internet accessible PLANTS data base sponsored by the NRCS receives some 57,000 customer visits each month. Agencies are also exploring ways to conduct transactions with the public online. Online applications are also available for USDA employees who can now monitor their Thrift Savings Accounts and obtain other information online from the National Finance Center. The Food and Nutrition Service is also a leader with respect to using new technologies, especially as demonstrated in the Electronics Benefits Transfer Program.

Even so, the Department's decentralized structure, and diverse missions, presents significant challenges to rapidly modernizing information technology that other, more corporately managed and less diverse agencies, do not face. At the same time, tight budgets create a situation where civilian agencies do not readily have the resources necessary to rapidly adapt and deploy new technologies while also maintaining costly legacy systems which are critical to serving customers today. With the requested funding, the Service Center Modernization Initiative will greatly enhance the way USDA uses the Internet to serve farmers and other rural citizens.

CONCERNS OF USDA PARTNERS IN ADMINISTRATIVE CONVERGENCE

Ms. Kaptur: What concerns have USDA's conservation partners raised with respect to the Department's field service center, administrative convergence or modernization initiatives? Have these concerns been resolved?

Response: The concerns center around three major aspects of the initiative - office consolidations and co-locations, the consolidation of administrative support into one support structure, and the opportunity to provide direct input into the Department's decision making process. The National Association for Conservation Districts--NACD has expressed concerns that the office consolidations have resulted in a decoupling of over 200 conservation districts from their NRCS partners, have increased costs and increased travel time for some customers. They also believe that the consolidation of administrative functions may not achieve savings and may adversely impact the individual agency's ability to deliver programs. We have had several meetings with the NACD to explain that although creation of the Service Centers meant some moves for NRCS out of Conservation District space, co-locating the county-based agencies is important for the broader clientele of the Service Center agencies. Also, the Department has no intention of lessening its cooperative work with its Conservation partners. We are committed to work with them regarding their concerns and ensuring that these important partners are afforded every appropriate opportunity to be a part of this initiative.

ROLE OF CONSERVATION PARTNERS

Ms. Kaptur: What role do USDA's conservation partners have in the Department's decision making process on these matters?

Response: Both the NACD and the National Association of State Departments of Agriculture have an open invitation to attend the meetings of the NFAC and participate in discussions concerning the Service Center initiative. They also meet separately from time to time with the Secretary and others to provide input. The conservation partners are also represented at State FAC and local FAC meetings where most of the office locations and design issues are discussed and decisions made. In all cases, they hold non-voting seats at

the table, but are afforded plenty of opportunity to express concerns or raise issues.

IMPACT OF FIELD OFFICE CLOSURES

Ms. Kaptur: What impact has the closing of field offices had on the delivery of conservation services?

Response: The closing of field offices has not negatively impacted the delivery of conservation services, because our services. Our services delivered by professional conservationists who work directly with landowners on the land and service centers are situated to improve access to assistance for customers. However, where a center is not easily accessible, NRCS utilizes innovative service approaches such as mobile offices and non-traditional hours of operation. Additional strategies have been developed to maintain one-on-one conservation assistance delivery and to increase field staff time available to assist customers.

IMPACT OF DECOUPLING ON NRCS

Ms. Kaptur: The establishment of USDA field service centers resulted in over 250 conservation districts being de-coupled from NRCS. What impact has this had on NRCS's operating costs and on coordination with state and local government in conservation initiatives?

Response: Some NRCS operating costs have increased due to the de-coupling of over 250 conservation districts. In some cases, NRCS incurred costs for new space that was once provided at no cost by the district, and for additional travel required between the service center and district office. These costs will be more than offset by efficiencies to be gained at a consolidated office in terms of items such as shared space, conference rooms, and equipment. The challenge for coordination with state and conservation district partners is greater in these areas and now requires somewhat more effort to maintain than in situations where we are co-located.

EVALUATION OF OPEN OFFICE SPACE

Ms. Kaptur: We have received reports of open-space offices that cost a lot to design and maintain. We have also been told that the new open space offices have resulted in higher rental costs and deterioration in communication, coordination and cooperation among partner agencies. What has been done to evaluate and respond to these concerns?

Response: Concerns about office space have been brought to the attention of USDA officials in numerous ways. Recently, they were brought to the attention of the NRCS Chief and Chairman of the National Food Agriculture Council--(NFAC) during a meeting with representatives of the county-based agency employee unions and associations. The NRCS Chief has asked the deputies for management to look into these concerns and report back to the NFAC with appropriate recommendations.

TOTAL COST OF ADMINISTRATIVE CONVERGENCE

Ms. Kaptur: Based on the proposed Support Services Bureau plan, what is the projected total cost to implement administrative convergence?

Response: Budget availability will determine the number of administrative staff that can be funded by each agency and transferred to the SSB. Under no circumstances would it be greater than current administrative costs for NRCS, FSA, or RD. Preliminary estimates indicate that total start up costs would be $2.7 million. These start-up costs include relocation, training, and travel costs, and would be quickly offset by savings from reductions in redundant activities.

PROJECTED SSB OPERATING COSTS AND NET SAVINGS

Ms. Kaptur: What are the projected operating costs and net savings for the next three years from SSB?

Response: When the final plans for the SSB were being developed, the preliminary FY 2000 budget estimate for the SSB was $248 million, based on the transfer of funding for 3,382 FTEs. However, consistent with the Secretary's goal to reduce staff devoted to administrative activities, the projected staff years for the SSB were estimated to be 3,073 by the end of FY 2002. These reductions in staff, over the number projected for FY 2000, would equate to additional savings of $18 million over two years. Additional savings would be gained as the SSB staff streamlined administrative activities. The savings would be used to offset the startup costs and directly support program activities.

REENGINEERING FIELD SERVICE AGENCIES

Ms. Kaptur: What investments have been made to date to re-engineer the administrative systems of NRCS, FSA, and RD?

Response: Since inception, we have invested $6,170,000 in Combined Administrative Management Systems and $750,000 in an Office Information Profile System.

REENGINEERING MANAGEMENT SYSTEMS NOW IN USE

Ms. Kaptur: What management systems have been reengineered and are currently being used by the field service agencies?

Response: We have fully developed two management systems: the Combined Administrative Management System--CAMS--and the Office Information Profile System--OIP. OIP is fully functional and is currently being used as the main source of information for all office locations and strategic planning of office openings, closures, and co-locations. CAMS deployment should be complete by the end of FY 2001 if funds are available as planned.

SUFFICIENT FUNDS TO COMPLETE CCE

Ms. Kaptur: Would the $75 million requested this year be sufficient to complete development and implementation of the common computing environment for the service centers, or would further appropriations be needed for this purpose in FY 2002?

Response: The $75 million requested for CCE funding in FY 2001 is expected to be supplemented by an additional contribution of $16.2 million from the Service Center agencies' budgets. If this funding were provided, an additional investment of the same amount may be required in FY 2002 to complete the implementation of the CCE.

Ms. Kaptur: If more would be needed, how much more?

Response: Currently, we estimate an additional appropriation of $75 million and a contribution of $16.2 million from the Service Center agencies would fully fund the remaining needs for completing the CCE during FY 2002. However, this estimate will be evaluated as we progress and the IT marketplace changes.

OVERALL SERVICE CENTER IT BUDGET

Ms. Kaptur: I'd like to better understand the overall budget picture for the service centers. Can you give us a total figure for the amount needed for information technology at the service centers, including on-going operation and maintenance costs as well as the costs of implementing the CCE? How much of that need would be met from the budgets of the three county-based agencies? In essence, what I'm asking is what we would still need to do for IT within the FSA, NRCS and Rural Development budgets, even if we are able to provide all or some of the $75 million requested for the common computing environment.

Response: We will provide a table showing the CCE cost, other modernization costs, and other costs for information technology, by agency. Our assumption is for level IT spending from the three agencies and relief from the FSA ADP cap as proposed in the President's Budget. Within the total for "other operations and maintenance", the three agencies will be spending an increased percentage for migration of existing applications to the CCE environment and for support of CCE technology as it is installed and becomes operational.
[The information follows:]

SERVICE CENTER AGENCY INFORMATION TECHNOLOGY SPENDING - FY 2001 ESTIMATE.
(Dollars In Millions)

Agency	CCE	Other Direct Service Centers Modernization Costs	Other Operations& Maintenance	Total Spending
FSA	$5.7	$13.7	$124.8	$144.2
NRCS	7.0	29.0	46.5	82.5
RD	3.5	3.5	59.5	66.5
OCIO-CCE	75.0	- -	- -	75.0
Total	91.2	46.2	230.8*	368.2

* Includes personnel costs, operations costs such as telephone and data services, legacy system support, and migration costs of individual agency applications to the CCE technology.

FY 2000 CCE APPROPRIATION

Ms. Kaptur: The FY 2000 Appropriations Act provided $12.6 million for development and implementation of the common computing environment. How is that appropriation being used?

Response: The $12.6 million has not been made available at this point for investment in the CCE implementation. If Congress releases the funds, current plans are to use this funding as follows:

- $7.0 million will be used for the first installment of network servers. When we fully complete the network server component in FY 2002 our employees will have access to fully functional electronic mail and the Internet, as well as the ability to share files and printers. These servers will also provide security and access controls, and the capability for our networks to be administered remotely and reduce the overall costs of monitoring and maintaining our computers.

- $3.0 million to help fund a solution for connecting the legacy FSA System 36 servers to the new CCE workstations. Several potential solutions are being evaluated. The estimated cost shown in this investment plan is for the initial start up costs to implement the selected solution. However, we will not know the total amount until a solution is selected.

- $1.0 million to acquire the initial hardware and software infrastructure improvements to support public electronic access to Service Center programs and information. When fully implemented, electronic access will allow farmers, ranchers, and other rural customers to access their records and conduct business with the Department electronically. Providing our customers electronic access will require hardware and software to create the Internet based applications, enhance computer system security, and protect the privacy of our customers.

- $1.6 million will be used to continue planning and operations for the project, including pilot site maintenance; acquisition and deployment activities; and also evaluating IT products to ensure that USDA is getting the best value. As the technology rapidly changes and new products are released, an assessment of their application to Service Center business activities will be made and candidate products for improvements will be tested and incorporated into the Technical Architecture.

FSA LEGACY SYSTEMS REPLACEMENT BY CCE

Ms. Kaptur: The supplemental appropriations bill reported out of committee last week includes about $38 million for information technology at the Farm Service Agency. I understand one of the reasons this additional amount is needed is that FSA's so-called "legacy" systems are old and expensive to maintain. Would some of the new hardware and software to be acquired as part of the common computing environment replace some or all of those old FSA systems? If not, what are the Department's plans for replacing those systems?

Response: FSA currently spends about $35 million per year operating and maintaining its "legacy" A/36 computers. These computers were a sound investment, which have served America's ranchers and farmers well over the years, but are unable to meet today's program requirements. These machines were designed before the Internet and before databases were common in mid-range computers. As a result, the data on these computers are isolated. They are not directly available to the Service Center partner agencies, other USDA, Federal or state agencies and they are not available to the public. As a result, these computers will not support E-commerce and are not capable of otherwise taking advantage to the common computing environment investments already made and those to be made soon.

As an interim measure to move FSA and its applications and data into the common computing environment, the data and applications currently on the "legacy" machines will be housed in an "environment" which can continue uninterrupted program delivery. At the same time, FSA will rewrite these

applications, replacing them as the new ones are completed. During this period, FSA data will be available to the Service Center partner agencies, other USDA, federal or state agencies and the public. During this interim, these applications will support E-commerce and will be take advantage to the common computing environment investments available. When the migration is completed, a period of about 4 years, the interim environment would no longer be needed. These redesigned applications will be capable of running in the full-scale common computing environment which is being developed and deployed.

STATUS OF ELECTRONIC FILING

Ms. Kaptur: How far are you from the point at which farmers and ranchers will be able to file applications and submit information to USDA electronically?

Response: At this point we are very limited in our ability to do business with our producers electronically. Currently they can get on our Web pages and download information and application forms, but cannot submit them to us electronically. They are able to fill out the forms and then bring them to us or mail or fax them to our office.

Moving forward to provide full electronic access to our programs and services is one of our top priorities. Our primary obstacles are: 1. many of our forms need to be redesigned to a user friendly format with all of the help tools necessary for our customers to use them and 2. our current technology infrastructure is outdated and can not support full electronic access. We now have an Electronic Access Initiative underway that will provide for staged rollout of infrastructure improvements, security and privacy protocol, etc., to support this effort. Also, agencies are working to redesign forms and instructions so that some interim improvements in this area can be made. We plan to use part of the $12.6 million appropriated by the Congress in FY 2000 for CCE to acquire the public access Web farm infrastructure needed to support electronic access. This should be in place in September/October of this year. We also expect to pilot several electronic access applications by mid 2001 and to provide full electronic access when the basic CCE infrastructure is installed at the county office level by the end of FY 2002.

USE OF GIS TECHNOLOGY

Ms. Kaptur: How much use is the Department making of GIS technology to organize and present data and makes it available to the public?

Response: Several of the Department's agencies utilize GIS technology. The largest users are the Forest Service and the Natural Resources Conservation Service. GIS technology is also a cornerstone technology that is being implemented for all the county-based agencies under the Common Computing Environment component of the Service Center Modernization initiative. In fact, well over one third of the anticipated business improvements and efficiencies projected for the modernization effort result from the introduction of the GIS technology.

Several Business Process Reengineering-BPR projects develop and rely on geospatial data and will provide that data to Service Center customers and the general public. The primary BPRs that will implement GIS include the Service Center Customer Service Toolkit, The Service Center Information Management System-SCIMS, and the Resource Data Gateway.

The Customer Service Toolkit project will give the service center remote computing capability. A major part of the project is using GIS technology to create conservation planning, site-specific resource analysis, and contract

support tools. These applications will meet the USDA service center agencies' and their partners' need to conduct resource analysis and planning processes and provide map products and decision alternatives to customers.

SCIMS provides the foundation for improved customer service and land management by the Service Center through the implementation of a shared customer and land information environment. It enables customers to be serviced anytime - anywhere. This also allows state and headquarter entities to get information on customer activities and trends directly and immediately. It sets the groundwork for the public to access and update their information online

The Resource Data Gateway will provide easy access and delivery of geospatial data to Service Centers, internal and external customers, including the public. The Gateway is a One Stop Shopping web site that strives to deliver data to anyone, anywhere, anytime.

Besides the major applications listed above, more GIS applications are planned that provide support for animal feeding operations and collaborative applications with Agriculture Research Service.

Ms. Kaptur: Does any part of the Department's FY 2001 budget provide for further development of GIS applications and technologies?

Response: The FY 2001 budget supports continued development of GIS based applications as well as continued acquisition of base data, such as orthoimagery, digitized soils, and digitized land unit information, and the initial acquisition of GIS software licenses and initial application servers to run GIS. The server and software funding is part of the $75 million requested for CCE, while the funds for applications development are included in agency budgets supporting the business process reengineering initiatives.

[The justifications of the budget estimates follow:]

2001 Congressional Explanatory Notes

OFFICE OF THE CHIEF INFORMATION OFFICER

Purpose Statement

The Clinger-Cohen Act of 1996 required the establishment of a Chief Information Officer (CIO) for major Federal agencies. To meet the intent of the law and to provide a Departmental focus for information resources management issues, Secretary's Memorandum 1030-30, dated August 8, 1996, established the Office of the Chief Information Officer (OCIO). OCIO provides Departmentwide policy leadership, guidance, and coordination to the Department's information management and information technology investment activities in support of USDA program delivery. The Office provides long-range planning guidance, reviews all major technology investments to ensure they are economical and effective, coordinates interagency Information Resources Management (IRM) projects, and promotes information exchange and technical interoperability.

OCIO also provides telecommunications and automated data processing (ADP) services to USDA agencies through the Telecommunications Services and Operations, and the National Information Technology Center with locations in Ft. Collins, Colorado, Kansas City, Missouri, and Washington, D.C. Direct ADP services are provided to the Office of the Secretary, Office of the General Counsel, Office of Communications, the Office of Chief Financial Officer, and Executive Operations. OCIO provides oversight and guidance to the Service Center modernization initiatives under the National Food and Agriculture Council, including implementation of the Common Computing Environment among the partner agencies: the Farm Service Agency, Natural Resources Conservation Service, and the Rural Development mission area agencies.

As of September 30, 1999, there were 262 employees which included 250 full-time permanent and 12 other than full-time permanent employees under the Office of the Chief Information Officer. These employees were located as follows:

Location	Full-time permanent	Other than PFT
Washington, D.C.	74	6
Field Units	176	6
Total	250	12

Office of the Inspector General Reports
#23099-1-FM OCIO Security over Data Transmission in the Department Needs Improvement.
#50099-3-HQ Review of the Year 2000 Day One Strategies.
#50099-17-FM Review of Year 2000 Conversion Project.
#50099-24-FM Security over USDA Information Technology Resources.
#88099-1-FM USDA FY98 NITC General Controls Review.
#OCIO-97-01 Year 2000 Remediation.

General Accounting Office Reports
AIMD-95-97 USDA Telecommunications: Missed Opportunities to Save Millions.
AIMD-95-203 USDA Telecommunications: Better Management and Network Planning Could Save Millions.
AIMD-96-59 USDA Telecommunications: More Effort Needed to Address Telephone Abuse and Fraud.
AIMD-97-67 Telecommunications: More Effort Needed by U.S. Department of the Interior and the USDA Forest Service to Achieve Savings.
AIMD-98-131 USDA Telecommunications: Strong Leadership Needed to Resolve Management Weaknesses, Achieve Savings.
AIMD-98-168 USDA Service Centers: Multibillion Dollar Effort to Modernize Processes and Technology Faces Significant Risks.

AIMD-99-178 YEAR 2000 Computing Crisis USDA Needs to Accelerate Time Frames for Completing Contingency Planning.
AIMD-99-284 "YEAR 2000 COMPUTING CHALLENGE: Readiness of USDA High-Impact Programs Improving, But More Action Is Needed."

OFFICE OF THE CHIEF INFORMATION OFFICER

Available Funds and Staff Years
1999 Actual and Estimated 2000 and 2001

Item	1999 Actual Amount	1999 Actual Staff Years	2000 Estimated Amount	2000 Estimated Staff Years	2001 Estimated Amount	2001 Estimated Staff Years
Direct Appropriation....	$5,551,000	50	$6,046,000	71	$14,680,000	83
Year 2000 Compliance	52,703,420	--	4,400,000	--	--	--
Total, Appropriated	58,254,420	50	10,446,000	71	14,680,000	83
Obligations under Other USDA appropriations:						
Reimbursements: Telecomm., Ordering & Billing.....	29,358	--	--	--	--	--
Service Center (SCI) Oversight.....	221,978	2	250,000	2	350,000	2
NTIA Spectrum Management.....	660,954	--	684,000	--	710,000	--
Management Support Services Provided to WCF Activities.....	267,650	1	368,000	3	383,000	3
Subtotal, Reimb.....	1,179,940	3	1,302,000	5	1,443,000	5
Working Capital Fund:						
Information Technology.....	61,528,000	202	61,797,000	199	63,056,000	199
Capital Equipment.....	10,717,000	--	9,647,000	--	7,775,000	--
Subtotal, WCF.....	72,245,000	202	71,444,000	199	70,831,000	199
Total, Other USDA Appropriations.....	73,424,940	205	72,746,000	204	72,274,000	204
Total, Office of the Chief Information Officer.....	131,679,360	255	83,192,000	275	86,954,000	287

OFFICE OF THE CHIEF INFORMATION OFFICER

Permanent Positions by Grade and Staff Year Summary
1999 Actual and Estimated 2000 and 2001

	1999			2000			2001		
Grade	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES-6	1	0	1	1	0	1	1	0	1
ES-5	2	0	2	3	0	3	3	0	3
ES 4	1	0	1	1	0	1	1	0	1
ES-1	0	1	1	0	1	1	0	1	1
GS-15	6	7	13	7	6	13	9	6	15
GS-14	28	18	46	25	22	47	29	22	51
GS-13	21	57	78	18	53	71	21	52	73
GS-12	3	63	66	7	63	70	4	65	69
GS-11	10	12	22	16	7	23	18	7	25
GS-10	4	0	4	2	0	2	2	0	2
GS-9	1	8	9	2	7	9	1	7	8
GS-8	1	11	12	0	14	14	0	14	14
GS-7	3	7	10	3	7	10	3	8	11
GS-6	2	1	3	1	2	3	1	2	3
GS-5	1	2	3	1	1	2	1	1	2
GS-4	1	0	1	1	0	1	1	0	1
Other Graded Positions ...	0	0	0	4	0	4	7	0	7
Total, Permanent Positions	85	187	272	92	183	275	102	185	287
Unfilled Positions end-of-year ..	-11	-11	-22	–	–	–	–	–	–
Total, Permanent Full Time Employment, end-of-year ..	74	176	250	92	183	275	102	185	287
Staff Year Ceiling	77	178	255	92	183	275	102	185	287

OFFICE OF THE CHIEF INFORMATION OFFICER

Classification by Objects
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$3,475,966	$4,153,000	$5,268,000
11 Total personnel compensation	3,475,966	4,153,000	5,268,000
12 Personnel benefits	610,041	819,000	1,164,000
13 Payments to former personnel	544	--	--
Total personnel comp. & benefits	4,086,551	4,972,000	6,432,000
Other Objects:			
21 Travel	40,776	27,000	89,000
22 Transportation of things	2,096	2,000	2,000
23.3 Communications, utilities, and misc. charges	169,914	153,000	174,000
24 Printing and reproduction	25,241	36,000	38,000
25.2 Other services	164,723	77,000	4,965,000
25.3 Purchases of goods and services from Government Accounts	857,182	700,000	2,648,000
26 Supplies and materials	74,539	50,000	54,000
31 Equipment	121,230	29,000	278,000
42 Insurance claims and indemnities	8,501	--	--
Total other objects	1,464,202	1,074,000	8,248,000
Total direct obligations	5,550,753	6,046,000	14,680,000
Position Data:			
Average Salary, ES positions	$110,377	$132,843	$138,024
Average Salary, GS positions	$73,685	$57,338	$63,183
Average Grade, GS positions	14.3	12.5	13.1

OFFICE OF THE CHIEF INFORMATION OFFICER

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Chief Information Officer

For necessary expenses of the Office of the Chief Information Officer, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $10,000 is for employment under 5 U.S.C. 3109, [$6,051,000] $14,680,000.

OFFICE OF THE CHIEF INFORMATION OFFICER

Appropriations Act, 2000	$6,051,000
Budget Estimate, 2001	14,680,000
Increase in Appropriation	+8,629,000

Adjustments in 2000:		
Appropriations Act, 2000	$6,051,000	
Rescission under P. L. 106-113 a/	-5,000	
Adjusted base for 2000		6,046,000
Budget Estimate, 2001		14,680,000
Increase over adjusted 2000		+8,634,000

a/ The amount is rescinded pursuant to Section 301 of the Emergency Supplemental Appropriations part of the Omnibus Appropriations Act, FY 2000 (P. L. 106-113) enacted November 29, 1999.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2000 Estimated	Program Changes	2001 Estimated
Office of the Chief Information Officer. . . .	$6,046,000	+$8,634,000	$14,680,000

OFFICE OF CHIEF INFORMATION OFFICER

Project Statement
(On basis of appropriation)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Office of the Chief Information Officer.....	$5,550,753	50	$6,046,000	71	+$8,634,000	$14,680,000	83
Unobligated Balance.....	247	--	--	--	--	--	--
Total available or estimate.....	5,551,000	50	6,046,000	71	+8,634,000 (1)	14,680,000	83
Rescission.....	--	--	+5,000	--			
Total, Appropriation.	5,551,000	50	6,051,000	71			

Justification of Increases and Decreases

(1) An increase of $8,634,000 for the Office of the Chief Information Officer ($6,046,000 available in 2000) consisting of:

(a) An increase of $6,634,000 and 12 staff years for expanding the USDA Cyber Security Program consisting of:

1. An increase of $1,392,000 and 12 staff years to support the Central Cyber Security Program Office.

In FY 2000, Congress appropriated $500,000 to support USDA's Cyber Security activities. With this funding, the OCIO will hire a Senior Executive to provide leadership and serve as the key management focal point in establishing and managing a comprehensive Cyber Security Program Office for the Department. The office will begin to set up the security structure; promote awareness of the importance of information security among USDA personnel; establish a risk management program; initiate procedures to hold enterprise and program managers accountable; establish a compliance program; and provide "best practice" advice and assistance to USDA agencies to remediate identified cyber security lapses. OCIO expects to begin, but not fully address, these activities in FY 2000.

In FY 2001, the Cyber Security Program Office will build on the previous year's work. The number and scope of on-site compliance reviews, which require significant staff resources, will be aggressively increased to ensure established policies are implemented, adhered to, and effectively monitored. Technical expertise will be required to continue the design and implementation of a Department-wide information security architecture (including encryption, authentication, non-repudiation, etc.) that will enable USDA staff and customers to securely do business online. At the same time, the office will continue to strengthen USDA's information risk management, awareness, training, and intrusion detection and response programs. To accomplish this goal in FY 2001, this office will require 12 additional FTEs -- thereby fully developing and implementing a comprehensive program to ensure that cyber security "best practices" are implemented at USDA.

2. An increase of $1,280,000 to strengthen a USDA Information Risk Management Program that includes risk assessments to determine the vulnerability of USDA's information assets and implement measures to mitigate identified risks. Implementing an intrusion detection system and an incident response capability are two essential risk mitigation components of the program.

Contract support is required to develop a state-of-the-art risk assessment methodology, issue guidance, conduct training, and work directly with OCIO and the agencies to conduct risk assessments. Agencies will be responsible for conducting and funding agency risk assessments and providing the results of those risk assessments to the Central Cyber Security Program Office. Risk assessments and subsequent data analyses will form the basis for the decision-making process required to protect USDA's critical cyber infrastructure, identified under Presidential Decision Directive (PDD) 63.

Program and information technology officials will work together to ensure accountability needed for short-term risk/threat identification and long-term mitigation. Contract support will be required for analyzing and synthesizing the results of the agency risk assessments from a Departmental perspective, including cost-benefit analysis and developing risk mitigation strategies.

In FY 2001, USDA will implement the first phase of an intrusion detection and response system. This funding estimate will enable the Cyber Security Program Office to address only immediate vulnerabilities arising from the Department's evaluation of initial agency risk assessments. At the same time, contractor expertise is required to assist in exploring requirements, developing procedures necessary to effectively share information, and conduct the training necessary to provide USDA with a rudimentary Internal Incident Response Capability.

Fulfillment of these requirements provides additional support of the functions mandated by PDD 63.

3. An increase of $2,325,000 for contract support in defining and beginning implementation of a USDA Information and Telecommunications Security Architecture to ensure the protection of USDA's vast information resources.

Both Federal and industry organizations are moving quickly toward an electronic World Wide Web-enabled mode of doing business. While USDA has begun implementing Web-based systems, the Department has not adequately addressed the security risks inherent in deploying this technology. To support current and future delivery of services over the Internet, USDA must develop a comprehensive electronic security strategy and architecture. This will require assessing, deploying, and maintaining new and maturing cyber security technologies such as Public Key Infrastructure (PKI), virtual private networks (VPNs), and other enhanced encryption and authentication products.

PKI technology is now recognized as a critical tool to securing sensitive information flows. The benefits of PKI include authentication, enabling a recipient to prove the identity of a person sending information; data integrity to ensure data has not been modified in transit; confidentiality to safeguard the information content; and non-repudiation, whereby a sender cannot deny sending information. As current multi-million dollar PKI initiatives throughout the Federal government and private sector show, implementing an authentication infrastructure within an organization requires centralized planning and management to develop a centralized management system (certificate authority), design policies and procedures, and make available required software and training.

Web-enabling USDA service delivery will also demand a high-performance and reliable enterprise telecommunications network. To meet these expectations in FY 2001, the Department will expand its network to include all major state offices. Significant contract support will be required to securely expand the enterprise telecommunications network.

The Department must also transition from analog to digital technology; replace two existing OCIO analog Secure Telephone Unit Third Generation (STU III) units with the digital Secure Terminal Equipment (STE); provide the necessary training for use of the digital equipment; and purchase up to two additional units for OCIO to meet secure messaging requirements arising from critical infrastructure responsibilities. The National Security Agency requires the old STU III systems within OCIO to be phased out and replaced with the digital STE.

4. An increase of $1,200,000 for contract support to design and implement a USDA Information Security Awareness and Training Program, and support the necessary technical training and education requirements for USDA employees.

Federal agencies are required by OMB Circular A-130 to provide security awareness training on an annual basis to all users of computer equipment. Although some USDA agencies have fulfilled the annual security awareness requirements, there is no consistency across the Department in what training is provided. To comply with mandated requirements, USDA must develop a uniform and comprehensive security awareness program and conduct a Department-wide communication effort specifically designed to educate all employees about the security risks facing the Department, and their responsibilities in mitigating these risks and protecting USDA's information resources. The campaign will include formal training, incorporating classroom instruction, interactive CD-ROM, and Web-based electronic presentations. Additional materials, such as printed posters, tip cards, and videotapes will also be developed and utilized.

During FY 2001, security awareness and training will include every user of information technology. Contract support will be required for developing curriculum and training materials, as well as conducting specific specialized training sessions. In addition, a broad cyber security awareness program will focus on incorporating appropriate policies and procedures into the daily operation of the Department, while meeting regulatory requirements.

Also during FY 2001, USDA will assemble and train a cadre of security specialists to a basic level of security certification. In turn, these certified specialists will train other managers and collaborate on Department-wide security strategies. This capability will assure the Department that in-house expertise is available to fulfill the requirements of security policy and guidance, and ensure the safety and integrity of the Department's security assets.

5. An increase of $437,000 to develop a Software Import Control and Licensing Program for USDA.

Contractor expertise is required to assist in developing a Department-wide computer software import and licensing program that includes the identification of a workable management structure, policies, procedures, and training necessary to comply with Executive Order (E.O.) 13103, Computer Software Piracy, issued in September 1998. In March 1999, the CIO Council provided draft implementing guidelines for the E.O. which demonstrate the complexity of the issues surrounding software piracy and the management structure that must be established to adequately protect and monitor software licensing and use. Although USDA previously issued interim policy related to the protection of copyrighted software, the new E.O. and the implementing guidelines go far beyond what current resources in OCIO can develop and manage.

Funding of $437,000 is needed to obtain contract support for developing a comprehensive software import and licensing plan; developing the framework and guidance for assessing existing software; conducting the assessment; developing an initial baseline; determining the extent and gaps of existing licenses and deficiencies in existing policies and procedures; issuing software use and management policies; developing an employee training program; developing and maintaining adequate record keeping systems; and developing a compliance strategy.

The funding increase to implement a USDA Cyber Security Program fulfills STRATEGIC PLAN GOAL 2: Develop Department-wide information and technical infrastructures that will improve service delivery through more effective information systems and data management.

(b) An increase of $2,000,000 to cover operating expenses and support E-Government, and Information Management and Information Collection Initiatives.

This funding increase is required to facilitate USDA's implementation of E-Government and E-Commerce initiatives, provide leadership to meet the requirements of the Government Paperwork Elimination Act, reduce information collection activities on the public, and modernize the information management functions of the Department. OCIO will manage the Privacy and Freedom of Information Acts (FOIA), including E-FOIA, for the Department, as the CIO has been named USDA's Privacy Policy Official. Contractor support, automated and Web-enabled tools will be required to establish, modernize, and support these functions.

1. An increase of $1,297,000 is requested for contractor support and operating expenses required to support the E-Government/commerce initiatives of the Department.

As industry continues to deliver more services electronically to its customers, likewise the Federal Government is expected, and will be required, to make its programs and services more accessible to its customers. To this end, USDA, is being challenged to provide improved customer service based on rapidly changing, Internet-based, business models.

At the same time, USDA is struggling to attract and retain the highly skilled information technology professionals necessary to make the USDA E-Government vision a reality. Like many private sector organizations, the Department is increasingly required to look to outside contractors for qualified technical staff. With this contractor assistance, OCIO will provide the leadership necessary to re-evaluate USDA program delivery mechanisms, and infuse electronic commerce and electronic data interchange technologies into its business processes. Where appropriate, OCIO will promote, investigate, and invest in Web-based service delivery and information collection.

2. An increase of $210,000 for contractor support is needed to support the Government Paperwork Elimination Act (GPEA).

GPEA will transform how Federal agencies interact with the public. GPEA established deadlines for online application submissions for Federal programs and benefits. It also requires the Federal Government to set standards for online forms and enable the use of electronic signatures. USDA will use the funding increase for contractor support to develop an enterprise approach for addressing the requirements of GPEA.

3. An increase of $208,000 for contractor support for USDA's Data Management Program to ensure that USDA data is shareable and reusable.

Data warehousing and data mining are two tools that help organize data and improve analyses. Several USDA agencies have begun pilot projects using data warehousing techniques. OCIO must work with the agencies to establish standard approaches for collecting and organizing both programmatic and administrative data. These approaches will eliminate duplicate efforts and maximize the use and benefit USDA obtains from its data collection activities. Contractor support will be required to assist OCIO in analyzing agency efforts, and provide "best practice" recommendations and assistance to these inter-agency activities.

4. An increase of $285,000 for contractor support for the newly aligned purposes of the Departmental Privacy Act (PA) and the Freedom of Information Act (FOIA) -- under the function of the Privacy Policy Official.

Contractor support is required to integrate Departmental PA, FOIA, and E-FOIA policy, under the Privacy Policy Official. This increase also includes the creation of a Web-enabled system to support these functions.

These requests fulfill FY 2001 ANNUAL PERFORMANCE PLAN GOAL 2: Develop Department-wide information and technical infrastructures that will improve service delivery through more effective Information systems and data management.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1999 Actual and Estimated, 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.	$5,550,753	50	$6,046 ,000	71	$14,680,000	83
Unobligated balance...	247	--	--	--	--	--
Total, Available or Estimate...	5,551,000	50	6,046,000	71	14,680,000	83

OFFICE OF THE CHIEF INFORMATION OFFICER
YEAR 2000 COMPLIANCE

Title III of P. L. 105-277, The Omnibus Appropriations Act of 1999 provided the President emergency supplement 1999 funds for the conversion of Federal Information Technology Systems to meet Year 2000

requirements. These multiyear funds are available until 2001. The OMB received a plan from USDA for an aggressive program of remediation activities to address Year 2000 conversion and embedded chip problems. These funds support remediation needs for additional systems and end-to-end testing, independent verification and validation, telecommunications, and business continuity (contingency) planning. During fiscal years 1999 and 2000, OMB transferred $52,703,420 to a central account under the Office of Chief Information Officer for this work. A total of $46,199,297 of these funds were obligated under the OCIO during fiscal year 1999 to ensure the uninterrupted delivery of USDA programs and services. The unobligated balance of $6,504,123 carried over to fiscal year 2000, plus another $4,400,000 transferred from OMB in fiscal year 2000 provide an availability of $10,904,123 for obligation in fiscal year 2000 for these activities.

YEAR 2000 COMPLIANCE
Project Statement
(On basis of appropriation)

	1999 Actual		2000 Estimated		Increase	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	or Decrease	Amount	Staff Years
Year 2000 Compliance	52,703,420	--	4,400,000	--	-4,400,000	--	--
Total, Available.....	52,703,420	--	4,400,000	--	-4,400,000	--	--
Less: Transfer from other appropriation.....	-52,703,420	--	-4,400,000	--	+4,400,000	--	--
Total, Appropriation.....	--	--	--	--	--	--	--

Project Statement
(On basis of available funds)

	1999 Actual		2000 Estimated		Increase	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	or Decrease	Amount	Staff Years
Year 2000 Compliance.....	46.199,297	--	10,904,123	--	-10,904,123	--	--
Start of year: Unobligated Balance.....	--	--	-6,504,123	--	+6,504,123	--	--
End of year: Unobligated Balance.....	+6,504,123	--	--	--	--	--	--
Total, Appropriation.....	52,703,420	--	4,400,000	--	-4,400,000	--	--

YEAR 2000 COMPLIANCE
Classification by Objects

	1999	2000
Personnel Compensation:		
Washington, D.C.	$326,216	$342,331
11 Total personnel compensation	326,216	342,331
12 Personnel benefits	44,098	46,276
Total pers. comp. & benefits	370,314	388,607
Other Objects:		
21 Travel	78,123	--
22 Transportation of things	883	--
23.3 Communications, utilities, and misc. services	87,449	461,000
25.2 Other Services	20,901,268	4,218,516
25.3 Purchases of goods and services from Government accounts	854,611	4,593,000
26 Supplies and materials	2,920,329	--
31 Equipment	19,423,984	1,243,000
32 Land and structures	413,136	--
41 Grants, subsidies, contributions	1,147,417	--
43 Interest and penalties	1,783	--
Total other objects	45,828,983	10,515,516
Total direct obligations	46,199,297	10,904,123

Status of Year 2000 Conversion and Remediation

The Department of Agriculture requested additional supplemental funding for Year 2000 work planned for fiscal year 1999, available through fiscal year 2001. These funds support Remediation activities in our program to address Year 2000 computer and embedded chip problems and ensure the uninterrupted delivery of USDA programs and services. The USDA emergency supplemental appropriation of $57,103,420 for fiscal years 1999 and 2000 has been targeted to a wide spectrum of Year 2000 compliance expenditures, including business continuity and contingency planning ($3,190,000); systems remediation ($5,144,000); independent validation and verification ($6,851,800); vulnerable building and embedded chip remediation, scientific and laboratory equipment upgrades ($10,254,505); hardware upgrades and replacements ($14,957,750); software upgrades and replacements ($4,341,550); telecommunication system remediation ($6,859,450); outreach ($1,217,000); technical assistance to States ($2,241,495); and program management ($2,045,870). Funding continues to be focused on any necessary remediation in preparation for the leap year rollover from February 28 - March 1, 2000.

Progress throughout the Department was reported in detail in the November 1999 quarterly report to OMB. As of October 1, 1999, all of the Department's 344 mission critical systems were Year 2000 compliant. Also, the non-critical systems are now compliant. These systems, which support some $55 billion annually in USDA programs, have all been remediated, tested, and deployed. Achieving 100 percent compliance on the systems that support USDA programs did not mean that conversion work ceased. Attention was paid to Day 1 strategies, to modifying and testing contingency plans, conducting independent verification and validation studies, and continuing work with our state partners to ensure these programs are not interrupted.

YEAR 2000 COMPLIANCE

Agency	FY 1999 Funds	FY 2000 Funds	Total Funds
Animal & Plant Health Inspection Service	$1,857,977	$98,023	$1,956,000
Agricultural Research Service	5,069,681	1,954,319	7,024,000
Cooperative State Research, Education, & Extension Service	865,169	76,831	942,000
Departmental Administration	1,536,109	235,173	1,771,282
Farm Service Agency	1,014,897	160,103	1,175,000
Food & Nutrition Service	3,251,287	548,713	3,800,000
Food Safety and Inspection Service	2,438,739	628,261	3,067,000
Forest Service	6,119,440	1,305,560	7,425,000
Foreign Agricultural Service	1,691,011	--	1,691,011
Grain Inspection, Packers and Stockyard Admin.	278,596	13,404	292,000
National Agricultural Statistics Service	98,800	26,200	125,000
Natural Resources Conservation Service	3,288,902	373,548	3,662,450
Office of Budget and Program Analysis	150,000	--	150,000
Office of Communications	209,999	130,001	340,000
Office of the Chief Information Officer	7,343,775	5,351,482	12,695,257
Office of the Inspector General	1,523,591	1,409	1,525,000
Risk Management Agency	962,420	--	962,420
Rural Development (Mission area)	8,498,904	1,096	8,500,000
Total, Year 2000 Conversion	46,199,297	10,904,123	57,103,420

OFFICE OF THE CHIEF INFORMATION OFFICER

STATUS OF PROGRAM

Current activities, progress, and current programs under each of the Office of the Chief Information Officer's strategic goals are outlined below:

GOAL 1: Ensure decisions regarding the selection and deployment of information technology are based on USDA business needs.

Current Activities:

Capital Planning and Investment Control: Ensuring that IT decisions meet core business needs requires the engagement of the USDA community, beginning with the most senior program officials. Through its capital planning and investment control program, OCIO ensures that Department IT investments deliver a substantial business benefit to agencies and a positive return on the investment for taxpayers. The CPIC Program has established a process for the Department for selecting, managing and evaluating the results for all major investments in information technology. This process helps select investments which are based on applicable General Accounting Office and Office of Management and Budget (OMB) guidance. The selection process incorporates OMB's "Raines Rules," and assesses investments based on their ability to meet mission needs, their cost/benefit/return profile, and the risks of the investment.

IT Acquisition Moratorium: A supplemental activity to CPIC is the IT acquisition moratorium. Under the moratorium, significant investments (over $25,000) are reviewed for conformity with the USDA architecture, elimination of telecommunications duplication, Y2K activity, security concerns, and need for additional CPIC documentation.

Examples of Recent Progress:

Capital Planning and Investment Control: The Department has been a leader in the development and use of the Information Technology Investment Portfolio System (I-TIPS) which was jointly developed by USDA and the Department of Energy, and financed in part by IT Innovation Funds. USDA is now using I-TIPS to manage information about its entire IT investment portfolio, totaling about $1.2 billion annually. The system supports USDA's implementation of the CPIC process.

OCIO began a new process for review of major IT investments in FY 1999. (Major investments are designated based on their size, scope, or strategic importance to USDA.) This process involves specific scoring criteria which address mission, risk, return, and performance. Using this process and the associated criteria, Deputy Under and Assistant Secretaries from each mission area will score and prioritize investments and make recommendations to the Executive Information Technology Investment Review Board.

IT Acquisition Moratorium: During 1999, 249 IT acquisition moratorium waivers were reviewed. Most were approved with the end result being that much emphasis was directed at attaining Y2K compliance. Waiver approvals also required sharing of telecommunications resources at collocated office sites.

GOAL 2: Develop Department-wide information and technical infrastructure that will improve service delivery through more effective information systems and data management.

Current Activities:

Year 2000 Compliance Program: Although 100% of the USDA mission critical systems are compliant as of October 1, 1999, USDA is upgrading or replacing recently discovered non-compliant telecommunications and scientific/laboratory equipment with embedded chips. This work is expected to be completed by December 31, 1999. Additionally, an independent verification and validation of more than 55 million lines of software code in Departmental priority systems is nearing completion. The code has been validated, corrections have been made, and USDA is currently revalidating the changes to the code. USDA is also in the process of testing and refining business continuity and contingency plans, with a specific emphasis on Day 1 strategies for the rollover from 1999 to 2000. As part of this effort, USDA is implementing a network based system to support Department-wide communications and coordination of information during the Year 2000 transition.

Service Center Implementation Oversight: Over the last few years, USDA has been working to streamline and modernize the delivery of programs through the county-based delivery systems of the Farm Service Agency, the Natural Resources Conservation Service and the Rural Development mission areas. A major part of this effort is analyzing and reengineering business processes and implementing a shared information system environment that will facilitate data sharing and electronic access to USDA programs for customers. Departmental oversight and guidance provides staff analysis related to project plans and proposals, proposed procurements and other documents, implements reviews at major milestones with the agencies, conducts independent verification and validations and issues reports on the status of this effort. The oversight effort focuses on ensuring that business process reengineering results drive technology solutions, that the technical solutions will support the business requirements and that the Service Center solutions are consistent with the Department IT architecture.

Telecommunications and Information Systems Security Policy: Protection of information assets and maintaining the availability, integrity, and confidentiality of USDA information technology systems and telecommunications resources are vital in meeting USDA's program delivery requirements. Networks and information technology resources are becoming increasingly vulnerable to illegal and malicious penetration by internal and external sources. Because of the extent of damages that can occur in a short period of time, we are ensuring that the plans, policies, and procedures are centrally developed and managed to address the greatest challenges of today's cyber-based information infrastructure. OCIO is developing an agency Information Security Policy Compliance Self-Assessment Tool, Guidelines and Checklist. The purpose of this tool is to begin the initial process of developing the security compliance program outlined in "An Action Plan to Strengthen USDA Information Security." OCIO is also focusing on strengthening the annual information security planning process, developing an Internet and Electronic Mail Security policy, increasing security awareness, and addressing the requirements of Executive Order 13103 on Software Piracy.

Centralized Cyber Security Office: To meet the mandated requirements of the President's Commission on Critical Infrastructure Protection (PCCIP), OCIO developed a plan to protect USDA's critical infrastructures and put the processes/mechanisms in place to implement the plan and update the plan on a 2-year cycle. At the request of the Secretary, OCIO conducted an analysis of USDA cyber security programs during the summer of 1999. In August, OCIO published its findings and recommendations in its "Action Plan to Strengthen USDA Information Security." This plan covers the requirements of Presidential Decision Directive (PDD) 63, as well as the broader aspects of information system security. A security increase for PDD 63, which resulted from the PCCIP, was requested in FY 2000 and $500,000 for Information Security was appropriated for FY 2000. The $500,000 for information security will be used to establish an initial Central Cyber Security Program Office as called for in the action plan. An Associate Chief Information Officer for Cyber Security

will provide the leadership and serve as the key management focal point in establishing a comprehensive cyber security program for the Department and will manage the activities necessary to ensure the effectiveness of the program.

Information Systems Technical Architecture: The Clinger-Cohen Act of 1996 requires Executive Agencies to develop an information technology architecture. Specifically, the Act states that the CIO is responsible for "...developing, maintaining, and facilitating the implementation of a sound and integrated information technology architecture for the executive agency." OMB subsequently issued implementing guidance in Memorandum 97-16 titled, "Development, Maintenance, and Implementation of Agency Information Technology Architectures" dated June 18, 1997. The implementation of an enterprise architecture is critical to furthering the alignment and infusion of technology investments with USDA's business direction and to implement best practices for the department. The USDA Information Systems Technology Architecture was published in February 1997. The architecture was developed as part of USDA's IT Modernization Plan. The February 1997 version is being expanded and updated to address recommendations of the Independent Validation and Verification, align USDA's architecture approach and model with the Federal architecture model, and broaden the architecture to include current industry best practices. USDA has continued its architecture efforts and has integrated its architecture processes with its Capital Planning and Investment Control Process.

e-Government: USDA is implementing e-Government and e-Commerce initiatives by providing leadership to meet the requirements of the Government Paperwork Elimination Act, reducing the information collection activities by the public, and modernizing the information management functions of the Department. OCIO manages the Privacy Act for the Department. The CIO has been named the Privacy Policy Official.

Examples of Recent Progress:

Year 2000 Compliance Program: As of October 1, 1999, all 343 of USDA's mission critical computer systems are Year 2000 compliant. Areas where USDA conducted remediation work include: hardware and software upgrades or replacement, system renovation, embedded and scientific systems remediation, end-to-end testing of system interfaces, independent verifications and validation of remediation activities, telecommunications, business continuity, outreach, and contingency planning. USDA designated several programs as "high impact'. These programs affect health and safety, have a financial impact on individuals, or an economic impact on markets. The programs include those in food and nutrition; food safety; fire and aviation management; rural development and farm service; animal and plant health; payroll and Thrift Savings Plan processing. All mission areas have developed and submitted a Business Continuity and Contingency Plan (BCCP) that assure delivery of programs and services. Testing of local BCCPs is complete.

Service Center Implementation Oversight: FY 1999 was a critical year for the Service Center Initiative. Most of the technical architecture studies and evaluations were either completed or were near completion. Several Business Process Reengineering (BPR) projects went into active piloting and one project, the first administrative BPR project, a human resource system, moved into national deployment. In addition, the Service Center telecommunications system (LAN/WAN/Voice) was essentially completed with 90% of the Service Centers installed. The first basic components of the Common Computing Environment -- nearly 30,000 fully interoperable and interchangeable workstations and nearly 7,000 shareable printers -- were acquired and deployment begun. Many of these workstations were acquired to address Y2K problems. The oversight staff conducted critical reviews of each of these major Service Center activities, including bringing in outside contractors to validate and verify technical work in the areas of the selection of a Geographic Information Systems software and testing of solutions to connect the Farm Service Agency legacy systems, until they are replaced, to the new workstations and the network. Regular progress reviews were conducted to identify and resolve problems and ensure that all pertinent legislative, regulatory and policy requirements

were met. The oversight function also provided extensive facilitation assistance to move the initiative forward and provided extensive briefings and information to Departmental, Office of Management and Budget, General Accounting Office and Congressional staff to ensure that all interested parties were kept current regarding this initiative.

Telecommunications and Information Systems Security Policy: During 1999, OCIO re-issued the revised and more comprehensive Departmental Regulation (DR) 3300-1, Telecommunications and Internet Services and Use. This document reflects new laws and revised Federal regulations, new telecommunications technologies, changes in USDA telecommunications management, and authorizes the limited personal use of telecommunications resources. In addition, an interim policy on Incident Reporting was issued and implemented. During FY 1999, USDA again partnered with the National Security Agency and the National Institute of Standards and Technology to provide customized security training to USDA and other Federal attendees at the 22nd annual National Information Systems Security Conference. USDA continues to pursue partnership opportunities with external agencies in policy development and training efforts.

Centralized Cyber Security Office: In FY 1999, OCIO conducted a review of USDA's information security management program and developed an "Action Plan to Strengthen USDA Information Security." OCIO developed a USDA Cyber-Security Program New Investment Proposal as an initiative to the action plan. As part of USDA's Year 2000 compliance effort, OCIO identified mission critical systems and developed contingency and business continuity plans. OCIO submitted a plan for assessing USDA mission critical IT systems for vulnerabilities that might disrupt service, damage systems, or corrupt valuable information resources, as directed by PDD-63. A cyber-corps of key technical staff was also identified to rapidly detect, respond, and ultimately prevent unauthorized access to USDA information assets. Since the beginning of calendar year 1999, OCIO has recorded twenty-seven security incidents within the Department. Corrective actions were taken for all incidents, no significant damage occurred and no arrests were warranted. Fourteen incidents have been resolved and final reports issued.

e-Government: OCIO has been involved in the Service Center's Electronic Access to Information initiative. This initiative focuses on providing the infrastructure that will enable the Service Center Initiative agencies to migrate appropriate business processes and information to the World Wide Web. In addition, OCIO has also been working with the Senate and House staff regarding the impact on the Department of the 'Freedom to E-File Act'. This Act will required USDA to establish an electronic filing and retrieval system to enable the public to file all required paperwork electronically with the Department and to have access to public information on farm programs, quarterly trade, economic, and production reports, and other similar information. In general it requires that no later than 180 days after the date of enactment of this Act, that the Secretary of Agriculture, to the maximum extent practicable, establish an Internet-based system that enables agricultural producers to access all required forms. OCIO has also been working with USDA agencies to ensure that public use forms made accessible over the Internet have OMB clearance.

COMMON COMPUTING ENVIRONMENT/SERVICE CENTER MODERNIZATION

Purpose Statement

This section addresses the FY 2001 proposal to establish a new account – Common Computing Environment (CCE) – to fund Information Technology (IT) investments in support of the Department's Service Center Modernization Initiative (SCMI). It also includes comprehensive information describing funding for the overall initiative.

Since FY 1996, USDA has been planning and deploying an integrated information system to replace several old legacy IT systems. Investments in a new system are needed to provide timely, reliable service that is currently diminishing by the continued reliance on old technology, separate non-interconnected computer systems, and software applications that are not interchangeable. In addition, maintaining separate systems increases maintenance and operating costs, and consumes funds that could be used more productively elsewhere. Moving forward with an integrated IT approach under the framework of a CCE will enable USDA to take full advantage of opportunities to use technology to increase the productivity and efficiency of the USDA county-based agency workforce.

Initial SCMI efforts involved reducing the number of individual agency office locations and collocating offices to provide "one-stop service" and allow for sharing of office equipment. With this phase nearly completed, efforts are now focused on reengineering and modernizing business processes and providing modern integrated technology that will make USDA services more accessible and efficient. The Department has been able to make significant progress on these efforts and, with adequate funding, will be able to have the CCE in operation by the end of FY 2002. This means that all reengineered business processes will be supported by a CCE that enables full information sharing, and that enables customers to do their business with USDA from any location, including remote access over the internet.

The SCMI and its CCE component will continue to operate as a joint project of the Farm Service Agency, the Natural Resources Conservation Service, and the agencies of the Rural Development mission area and be managed by a subcommittee of the National Food and Agriculture Council. The USDA Chief Information Officer (CIO) will continue to provide oversight and approve all technology investments. The "Service Center Modernization Plan of the USDA County-Based Agencies" was published in November 1999.

The SCMI is supported by a combination of funding and personnel contributed by the service center agencies as well as central funding provided by the Congress for the capital investments to establish the CCE. In FY 2000, the Congress provided these central funds under the "Office of the Secretary" account. In FY 2001, it is proposed that a separate account be established for this purpose under the oversight of the CIO.

General Accounting Office Reports

AIMD 98-168, USDA Service Centers: Multibillion Dollar Effort to Modernize Processes and Technology Faces Significant Risks (August 1998)

RCED-99-34, USDA Administrative Streamlining is Expected to Continue through 2002 (December 1998)

OCG-99-2, Major Management Challenges and Program Risks: Department of Agriculture (January 1999)

COMMON COMPUTING ENVIRONMENT/SERVICE CENTER MODERNIZATION

Available Funds and Staff-Years
1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimate a/		2001 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation:	0		$12,600,000		$75,000,000	
Obligations under other USDA Appropriations:						
Commodity Credit Corporation	$12,171,000		200,000		0	
Farm Service Agency	11,461,000		19,200,000		19,400,000	
Natural Resources Conservation Service	36,617,000		36,000,000		36,000,000	
Rural Development	9,352,000		7,000,000		7,000,000	
Y2K Supplemental	11,708,000		0		0	
TOTAL, Available c/	$81,309,000	b/	$75,000,000	b/	$137,400,000	b/

a/ Direct appropriation provided as a "no-year" appropriation for the CCE under the "Office of the Secretary" account. Obligations under other appropriations for FY 2000 are preliminary estimates. Final amounts will reflect determination of minimum requirements for maintenance and operations of current information technology systems and final spending plans for other activities for the partner agencies.
b/ Staff years associated with the management of these funds are included within the totals for NRCS, FSA, and Rural Development.
c/ In addition, $2,880,000 was obligated in FY 1999 from InfoShare's FY 1996 no-year appropriation. Remaining FY 1996 funds may be available in support of SCMI activities in FY 2000 and FY 2001 as well.

CLASSIFICATION BY OBJECTS
1999 Actual and Estimated 2000 and 2001

		1999	2000	2001
Other Objects:				
21.0	Travel	1,061,000	750,000	750,000
22.0	Transportation	75,000	75,000	75,000
23.2	Comm., Utilities, and Miscellaneous	28,000	25,000	25,000
24.0	Printing	45,000	150,000	125,000
25.0	Other Services	37,151,000	44,464,000	50,000,000
26.0	Supplies and Materials	304,000	125,000	300,000
31.0	Equipment	42,645,000	29,411,000	86,125,000
TOTAL SCMI		$81,309,000	$75,000,000	$137,400,000

COMMON COMPUTING ENVIRONMENT/SERVICE CENTER MODERNIZATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Common Computing Environment

For necessary expenses to acquire a Common Computing Environment for the Natural Resources Conservation Service, and the Farm and Foreign Agricultural Service and Rural Development Mission Areas, $75,000,000, to remain available until expended, for the capital asset acquisition of shared information technology systems, including services as authorized by 7 U.S.C. 6915-16 and 40 U.S.C. 1421-28; Provided, that obligation of these funds shall be consistent with the Department of Agriculture Service Center Modernization Plan of the county-based Agencies, and shall be with the concurrence of the Department's Chief Information Officer.

The Department of Agriculture Reorganization Act of 1994 requires the Secretary of Agriculture to procure and use computer systems in a manner that enhances efficiency, productivity, and client services, and that promotes computer information sharing among agencies of the Department. In addition, the Clinger-Cohen Act of 1996 requires USDA to maximize the value of information technology acquisitions to improve the efficiency and effectiveness of USDA programs. Congress has also expressed a strong desire for and is considering additional legislation to require the county-based agencies to make more services available to the public electronically. Since its beginning in 1996, the USDA Service Center Modernization initiative has been working to restructure county field offices, modernize and integrate business approaches and replace the current, aging information systems with a modern Common Computing Environment (CCE) that optimizes information sharing, customer service, and staff efficiencies. The funds requested under this account would provide the essential capital investments that are needed to achieve the goal of a fully operational CCE in 2002 as set forth in the Modernization Plan. Economies of scale in the procurement and management of information technology systems present compelling arguments for coordinating information technology investments. Without these investments, the Department's ability to provide timely and efficient services will continue to erode and the costs of maintaining the separate, aging legacy systems will increase. Additional funds in the individual agency budgets will support the reengineering of business processes, investments in CCE, and data acquisition needed to maximize the benefits of this technology.

COMMON COMPUTING ENVIRONMENT

Appropriations Act, 2000	$12,600,000
Budget Estimate, 2001	75,000,000
Increase in Appropriation	+62,400,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2000 Estimate	Program Changes	2001 Estimate
Common Computing Environment (CCE)	0	$75,000,000	$75,000,000
OSEC – CCE	$12,600,000	-12,600,000	0
Total Available	12,600,000	62,400,000	75,000,000

Project Statement
(On basis of Available Funds)

Project	1999 Actual	2000 Estimate	Increase/ Decrease	2001 Estimate
Business Process Reengineering	$13,932	$22,650	0	$22,650
Integrated Technology:				
CCE	38,952	24,800	$66,400	91,200
LAN/WAN/Voice	13,375	4,000	-4,000	0
Base Data Acquisition	15,050	23,550	0	23,550
Total Available SCMI	81,309	75,000	+62,400	137,400

Staff years are in-kind contributions from the partner agencies participating in the Service Center initiative and are not included in this statement.

An increase of $62,400,000 for the Common Computing Environment ($12,600,000 available for FY 2000)

The Common Computing Environment (CCE) account funds the acquisition and deployment of information technology that will allow the reengineered business processes to be deployed in the service centers. The new system will integrate technology used by the business world, reduce paperwork burden on customers and employees, and take advantage of modern tools, such as the Internet, to provide information and services. The goal is to have the CCE in place and operational by the end of FY 2002.

The CCE is the basic technology infrastructure that will support the service center agencies. The technical architecture for the CCE is based on open, interoperable systems that will be able to respond to changing programs and administrative requirements. There is a heavy orientation towards Geographic Information Systems (GIS) since many business activities are associated with land and water characteristics. The CCE includes technology components such as individual workstations, network servers to fully connect agencies to the network, business application and GIS servers, public access servers, and various shared devices such as printers.

During FY 1998 and FY 1999, USDA began the procurement of initial components of the CCE. Nearly 30,000 individual workstations were acquired to provide a set of common office automation tools for service center employees. These workstations are completely interchangeable, with basic office applications used by all three agencies. They provide a common e-mail system and the ability to connect to the Internet. These computers were acquired under large-scale procurement contracts at prices highly favorable to the Department with financing from agency funds and the Y2K supplemental appropriation.

During FY 2000 and 2001, CCE funding will be used to complete the workstation procurements, resolve technical architecture issues, and begin deployment of the larger communications and applications servers. This new equipment will allow the deployment of new business processes, electronic access, centralized configuration management of the new system, and connectivity of FSA legacy data and programs to the new system.

The FY 2001 budget increase is essential for ensuring that the CCE is in place and operational in FY 2002. Without the increase, operational and maintenance costs for the old and increasingly unreliable legacy systems will continue to rise, and the benefits of reengineered and modernized business processes would not be achieved. Our ability to maintain program delivery and respond timely to natural and economic disasters will continue to deteriorate without the requested funding.

Description of Programs
(To be funded with available funds)

The direct appropriation of $75,000,000 requested for the Common Computing Environment, described on page 28-5, plus the continuation of $62,400,000 in spending from base agency budgets will provide for an overall program level for the SCMI of $137,400,000. This level of funding will enable the Department to continue business process reengineering and base data acquisition and to continue the acquisition of the new, integrated technology to support the delivery of county-based Agency programs and services as outlined in the Service Center Modernization Plan of November 1999.

A discussion of the FY 2001 Budget level for each of the three major components of the modernization initiative follows:

(a) A continued program level of $22,650,000 for Business Process Reengineering (BPR)

This item funds the very heart of the SCI initiative – analyzing the service center agencies' program and administrative business processes, streamlining these processes, integrating the processes with other like processes and identifying new and more efficient and effective ways of delivering programs. The current program delivery process is a series of "stove pipe" processes, operating out of a 1930s'/40s' office structure using 1980s' technology. Despite the best efforts of dedicated employees, the processes and technologies being used result in inefficient and costly services and an unacceptable burden on USDA customers.

The BPR component is using an interagency approach involving nearly 200 program personnel. Twenty specific BPR projects are now active, focusing on various aspects of customer management, program delivery, geospacial information, and administrative management. These projects cover the full range of activities from how to best manage customer information in a shared environment to how to improve a specific program area such as lending or the appeals process. These projects make the Service Center concept real by translating the vision into a set of specific changes that can be tested and implemented. The objective is to not just automate existing processes but rather to take full advantage of opportunities to streamline and integrate those processes as investments in new technology are made. Each of the new processes is tested in a "laboratory" environment at the Service Center Business Integration Center in Beltsville, Maryland. It is then taken to the field to one or more of the nine active pilot sites for validation of benefits and costs before being deployed nationally.

The BPR project designed to streamline the human resource administration in the service center agencies has completed all testing and piloting and is currently in deployment. BPRs involving the lending, community development, managing risk, conservation, and administrative business areas will complete testing and piloting in FY 2000 and move into national deployment in FY 2001. The Electronic Access Initiative BPR will be moving into development, piloting, and deployment in phases over the next two years.

(b) A program level of $91,200,000 for Integrated Technology (An increase of $62,400,000 over FY 2000)

This Integrated Technology component includes both a shared telecommunication network and a Common Computing Environment (CCE).

The shared telecommunications network, known as the LAN/WAN/Voice Project, is nearing completion and will be finished in FY 2000. This component provides integrated voice and data communications for the service centers and other agency offices. It is the "electronic railroad tracks" upon which future technology improvements under the CCE will run. The $4,000,000 in service center agency funding for this project in FY 2000, will be devoted to other technology investments under CCE in FY 2001. Agencies will provide the full support for maintenance of the network in 2001.

The CCE, as described on page 28-5, is the basic technology infrastructure that will support the service center agencies.

(c) A program level of $23,550,000 for Base Data Acquisition (the same level as in FY 2000)

This item funds the acquisition of digital orthophotography and the digitizing of soils, hydrology and other natural resource data as well as common land unit boundaries. This information is a necessary data component in order for the Service Center Agencies to move toward business processes utilizing Geographic Information Systems. These systems enable the automation of currently labor-intensive processes such as the design of conservation filter strips, the determination of wetlands and the calculation of crop acreage. Many of the Service Center activities utilize maps or aerial photography with hand drawing of boundaries, soils characteristics, easements, and crop patterns. The maps are photocopied and shared with other Agencies and customers. Having this information in a digitized format will allow Service Center employees to quickly present other conservation alternatives to customers, automate many calculations, improve accuracy, and deliver more professional products.

The Service Center Base Data Acquisition activity is carried out in cooperation with other departments and agencies. By the end of FY 2000, about 1,800 counties will have digital orthophotography over 1,000 counties will have digitized soils data and about 300 counties will have digitized common land unit data. The continuation of the FY 2000 level into FY 2001 will add 200 counties with orthophotography, 300 counties with digitized soils data, and 400 counties with common land unit data.

COMMON COMPUTING ENVIRONMENT/SERVICE CENTER MODERNIZATION

Status of Program

The Service Center Modernization Initiative (SCMI) is the cornerstone of the overall reorganization and modernization effort of the department. The ultimate objective of the SCMI is to create an environment of one-stop, quality service for customers of the Farm Service Agency, Natural Resources and Conservation Services and Rural Development. The SCMI began by collocating these county-based agencies' offices into about 2,500 service centers, reducing the number of field offices by one-third.

To meet its goals of one-stop, quality customer service, the SCMI is currently implementing five strategies as discussed below: Business Process Reengineering (BPR), Integrated Information Technology, Preparing for the Human Side of Change, Building Partnerships, and Improving Customer Satisfaction. These strategies are included in two major program groups: Business Process Reengineering (BPR) and Integrated Technology.

Goal 1: Develop seamless program delivery and customer outreach processes that improve the quality of customer service, deliver products and services at reduced cost, and reduce the burden on the USDA customer.

Current Activities:

The principal tool of change is the reengineering of service center processes. The SCMI has initiated the reengineering of approximately 60 percent of the Service Center business processes. The SCMI started with those processes that are expected to provide the greatest benefits, such as, customer time to obtain services, reductions in staff time to perform processes, and customer paperwork burden. Additionally, increases in customer satisfaction with USDA service and USDA presence in under-served communities are expected. The creation of an integrated data environment will provide significant opportunities to share information, reducing the time required to apply for and receive USDA benefits. The availability of information via the Internet will reduce the number of trips to and the amount of time spent at Service Centers.

During the summer of FY 1999, the BPR Team played the lead role in assisting agency leadership's development of the Service Center Modernization Plan, including an overall modernization vision and objectives and definition of core business areas with senior agency sponsors. These core business areas are lending, managing risk, conservation and environment, community development and outreach, administration and common business processes. SCMI plans to reengineer these business areas from end-to-end. This will lead to the reengineering design for the remaining 40% of the business processes by the end of the year 2004, as resources permit. Pilot tests of reengineered processes began in FY 1998 and will be conducted over the next several years to assess and measure their benefits before investments are made in deploying them. Nationwide deployment of BPR projects will begin in FY 2000 and continue as national deployment recommendations are approved. The reengineering process has provided valuable insight and important information for agency decisions on the common computing environment, training and cultural change, and enterprise data management.

Change management and training activities are oriented to near-term-improvements in customer service. Collocation of field offices and reengineering of business processes to achieve one-stop service represent major changes in the way USDA conducts business at the county level. The changes require training to prepare employees for the transition. The training consists of a comprehensive three-day course that provides instruction on coping with change, team building concepts, and customer service skills. This training for Service Center field employees was completed in 1999. Headquarters employees training began in FY 1999 and should be completed in FY 2000. Service Center, State office, and headquarters employees are scheduled to complete training by FY 2000.

Customer satisfaction with USDA program delivery and service quality will be tracked and assessed through annual surveys and the results will be used to assess the extent to which customer satisfaction has increased as a result of reengineering. A customer Feedback and Complaint System is currently in pilot testing in six states and is scheduled for nationwide deployment in FY 2000. This system includes a new process for handling customer service complaints based on guidelines established by the National Performance Review. The process will provide greater responsiveness to customer complaints and ensure customers are informed of the status of the complaints during the USDA review process. New customer feedback mechanisms will encourage customers to provide complaints, compliments, or suggestions regarding Service Center operations. The system will help ensure that USDA has greater access to customer service concerns and suggestions.

Selected Examples of Recent Progress:

In FY 1999, SCMI piloted the following Business Process Reengineering projects: Integrated Office Information System, Service Center Organizer, Customer Information Management, (these three projects have now been integrated into a single Service Center Information Management System project) Geographic Information System Training and Data Management, Customer Service Toolkit, Wetlands and Easements, Conservation Reserve Program, Lending and Outreach, Multi-Family Housing, Conservation Area Resource Assessment and Analysis and Combined Administrative Management System (CAMS).

Selected highlights of BPR accomplishments include:

Customer Service and Wetlands and Easements Toolkits that provide tremendous new capability supporting conservation planning and measurements were developed and deployed to pilot sites. Conservationists use the Toolkit at the customer sites, eliminating the need for multiple trips. Customer Service Toolkit has completed piloting, and is ready for national deployment.

The Conservation Reserve Program project provides automated forms and GIS that streamlines annual program sign-up.

Mobile vans that are specially designed and outfitted to reach out to the underserved population and deliver services were acquired. The two vans are outfitted with CCE technology.

Kiosks to provide lending and other program information to prospective borrowers and other customers were established. The kiosks will take USDA to the places where customers live and work.

A web-based application for Disaster Assistance (STORM) that will automate cumbersome reporting and decision making was developed and is being tested.

The Electronic Access project defines standards and policies for web-bsed applications and establishes a common infrastructure to allow the service center agencies to move business processes to the Internet.

The Combined Administrative Management System, which provides processing of key human resource activities, such as personnel actions, training management, and performance evaluations is being deployed nationally. During piloting, CAMS demonstrated a 156 percent return on investment.

Goal 2: Deploy a shared information technology system for USDA offices that will enable reengineered business processes that improve customer service, and reduce program delivery costs and customer burden.

Current Activities:

The enabling technology that is required for the integrated Service Centers includes modern data and voice communications systems (LAN/WAN/Voice), a Common Computing Environment (CCE), and an enterprise solution to Service Center data management..

CCE implementation builds on the initial investment in shared information technology represented by the completion of the LAN/WAN/VOICE project, and the approximately 30,000 - Y2K compliant - computers and workstations purchased during FY 1998 and 1999. The integrated data management infrastructure currently under development will: standardized collection, maintenance, access, and delivery media for customer information. In addition, it will provide a common user interface for all employees; enable interagency sharing of applicable customer information; and reduce redundancy in information collection. The integrated data management infrastructure will reduce customer burden and provide uniform shared administrative functions in a CCE environment.

The total CCE investment is planned in a phased approach, which began with an initial combined FY1998-1999 purchase of Y2K compliant lap and desktop computers. The FY 2000 estimated budget supports the deployment of network servers, initial public access services, and Geographic Information System application and data servers for approximately 500 field offices. This deployment will be followed in FY 2001 with any remaining employee workstations, additional public access services, expansion of the GIS data and application servers, additional application servers for other than GIS applications, peripheral equipment, and some initial portable computing capabilities. Among the benefits resulting from this initiative are: a single, standardized Service Center computer platform with required peripheral equipment; enhanced public access to information via the Internet; common office automation and administrative tools; and a common information technology support environment.

The Geographic Information System (GIS) Strategy (August 1998) provides for a phased acquisition of the required data. Over 34 percent of the calculated BPR savings come from GIS implementation. Orthoimagery is the initial priority because it provides the base map layer that other themes build upon, and will enable Service Centers to provide customers with high-quality and professional maps. Orthoimagery enables agencies to complete activities such as digitizing and maintaining the common land unit and soils themes. Orthoimagery provides a large secondary benefit to agency customers and others in private industry, as well as government agencies at the local, state and national level.

Addition of a common land unit theme to the orthoimagery base will enable service centers to have shared access to tract and field boundaries linked to customers and other tabular databases. This will allow automatic updates of producer records and eventually enable producers and their private service providers to have access to the same shared data warehouse. The common land unit enables the automatic tracking of crops grown by field and allows customers to report once instead of numerous times to numerous agencies.

Digital soil survey information enables automated analysis of soil properties and interpretations to support such things as housing development, flooding, CRP, wetland, erosion, water quality and yield determinations. With the ability to superimpose the results of these soils survey analysis data over the orthoimagery, soils information can be efficiently displayed to show the location of these analysis. This will also allow processes such as sampling designs for precision agriculture, creating site-specific

conservation plans based on sub-field soils delineation, and allow customers to better visualize alternatives. Digital soil survey also provides a large secondary benefit to agency customers, and government agencies at the local, state and national level. For example, many state and county governments use digital soils data for farm tax valuation and equalization.

The total investment required for GIS is currently estimated at $276.8 million through 2006. This includes the planned USDA investment of $199.8 million and investments by Federal, State, and local partners of $77 million. The average cost per county of the critical data themes is as follows: orthoimagery - $17,356; common land unit - $18,879; and soils - $23,878.

As a result of experiences learned and partnerships established during piloting, the acquisition, integration and delivery of the GIS data to Service Centers and training will be conducted through a coordinated service center agency partnership. This partnership has identified priority counties in each state that will work together to implement GIS.

Selected Examples of Recent Progress:

In FY 1998, SCMI acquired over 16,000 desktop laptop workstations that meet the standards of the Common Computing Environment (CCE). These computers were delivered, installed, and operated during FY 1999. At the end of FY 1999, an additional 12,000 workstations were purchased which will be installed and operational by February 2000. The Service Center agencies also acquired almost 7,000 printers that will be deployed with the workstations to improve the abilities of field staff to provide service to customer customers using the new CCE technology.

[Questions submitted for the record for the Office of Budget and Program Analysis follow:]

QUESTIONS SUBMITTED BY MR. SKEEN

Office of Budget and Program Analysis

BREAKOUT OF RESOURCES FOR OBPA'S RESPONSIBILITY

Mr. Skeen: Please update the table that appears on page 601 of last year's hearing record showing a breakout of resources for the areas of OBPA responsibility to include fiscal year 1999 actuals and fiscal year 2000 estimates.

[The information follows:]

U. S. DEPARTMENT OF AGRICULTURE--OFFICE OF BUDGET AND PROGRAM ANALYSIS
(Dollars in Thousands)

Key Areas	SY	FY 1999	SY	FY 2000	SY	FY 2001
Program review/policy analysis.....	24	$2,240	25	$2,502	25	$2,571
Budget preparation, presentation and execution.....	22	2,033	23	2,270	23	2,334
Legislative reporting and regulatory analysis.....	7	707	9	790	9	812
Administrative management.....	6	531	6	591	6	609
Automated systems.....	4	383	4	428	4	439
Total.....	63	$5,894	67	$6,581	67	$6,765

LEGISLATIVE PROPOSALS

Mr. Skeen: How many legislative proposals were sent to Congress in fiscal years 1999 and 2000? How many were enacted into law?

Response: The Department of Agriculture, excluding the Forest Service, sent 12 legislative proposals to the Congress during fiscal year 1999. To date, for fiscal year 2000 the Department has forwarded three legislative proposals to the Congress.

In fiscal year 1999 one legislative proposal, the Livestock Price Reporting Act of 1999, was enacted into law as part of the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, 2000, P. L. 106-78. For fiscal year 2000 to date no USDA legislative proposals have been enacted into law.

CODE OF FEDERAL REGULATIONS

Mr. Skeen: When will you complete work on the Code of Federal Regulations?

Response: Currently, the Department has completed over 80 percent of its review of the Code of Federal Regulations and continues to actively pursue the completion of this review. The Department is committed to ensuring that unnecessary regulations are eliminated and those which remain in the Code are improved and reinvented.

BUYOUTS

Mr. Skeen: What is the status of buyouts at the Department for fiscal year 2000 and what are your plans for 2001?

Response: There are no buyouts planned for fiscal year 2000. Since the authorization, Public Law 104-180, for buyouts for the Department expires at the end of fiscal year 2000, there are no planned buyouts for 2001.

USDA BUDGET SUMMARY

Mr. Skeen: What is the cost to print and distribute the USDA Budget Summary document?

Response: The total cost for 2001 USDA Budget Summary is approximately $14,600.

BUDGET RELATED LEGISLATIVE PROPOSALS

Mr. Skeen: Please list all the legislative proposals to be submitted in support of the fiscal year 2001 budget. Please indicate the costs of each and whether that cost is derived from mandatory or discretionary funding or from user fees.

[The information follows:]

AGENCY	PROPOSAL	BUDGET AUTHORITY (MILLIONS OF DOLLARS)
FY 2001 User Fee Proposals Which Impact Discretionary Spending		
Food Safety and Inspection Service	Salaries and Expenses. Charge fees for the full cost of providing Federal inspection of meat, poultry, and egg products. The user fees exclude Grants to States and Special Assistance to State Programs.	-$534
Animal and Plant Health Inspection Service	Salaries and Expenses. Establish user fees for costs for animal welfare inspections and issuance of biotechnology certificates.	-11
Grain Inspection, Packers and Stockyards Administration	Salaries and Expenses. Establish a fee for grain standardization and a licensing fee to cover the costs of administering the provisions of the Packers and Stockyards Act relating to meat packing and stockyards activities. This proposal would collect fees of $23 million, partially offset by $4 million in start-up costs.	-19

AGENCY	PROPOSAL	BUDGET AUTHORITY (MILLIONS OF DOLLARS)
FY 2001 Budget-Related Legislative Proposals for the Farm Safety Net Mandatory Spending		
Commodity Credit Corporation	Increase the CCC limit on computer expenditures by $70 million during 2001 and 2002.	$35
	Provide supplementary income assistance payments for the 2000 and 2001 crop years.	2,464
	Extend the Dairy Price Support Program through 2002.	150
	Expand the Conservation Reserve Program enrollment cap from 36.4 million acres to 40 million acres and fund the Conservation Reserve Program and Wetlands Reserve Program technical assistance.	75
	Establish a new cooperative development program to provide equity capital for new livestock cooperatives.	80
	Remove area-wide trigger on non-insured Crop Disaster Assistance.	110
Natural Resources Conservation Service	Conservation Security Program. Provide annual payments to farmers and ranchers who implement conservation practices such as nutrient management, grazing improvements and windbreaks.	600
	Environmental Quality Incentives Program. Increase CCC funding by $125 million in 2001 and by a total of $625 million for the period 2001 to 2005.	125
	Wetlands Reserve Program. Eliminate the current cap of 975,000 acres and provide for enrollment of 250,000 acres per year through 2005.	213
	Wildlife Habitat Incentives Program. Continue the program at $50 million per year over the period 2001 through 2005. The 1996 Farm Bill authorized $50 million for the program and these funds were fully exhausted in 1999.	50
	Farmland Protection Program. Authorize new funding for 2001 through 2005 at $65 million per year. The current funding authorization was reached in 1998.	65
Risk Management Agency	Provide for multi-year coverage, establish a livestock pilot program and expand risk management education.	910
Rural Development	Provide mandatory funding for Empowerment Zones and Enterprise Communities (EZ/EC). Authority for a second round of EZ/EC was included in the Tax Payer Relief Act of 1997. In 1999 and 2000 $15 million is discretionary funding was provided.	15

AGENCY	PROPOSAL	BUDGET AUTHORITY (MILLIONS OF DOLLARS)
FY 2001 Other Budget-Related Legislative Proposals Mandatory Spending		
Rural Housing Service	Section 538 Guaranteed Multi-Family Housing Loans. Eliminate the statutory requirement that 20 percent of the loans guaranteed must receive interest assistance.	-$3
	Section 502 Guaranteed Single Family Housing Loans. Raise the guaranteed fee from one percent to two percent, and therefore lower the subsidy.	-37
Food and Nutrition Service	Food Stamp Program. (1) Restore eligibility to legal immigrants who resided in the U.S. on August 22, 1996 and who subsequently turn age 65; (2) restore eligibility to legal immigrant adults who resided in the U.S. on August 22, 1966 and live with eligible children; (3) offer all States the option of conforming Food Stamp Program vehicle rules with more generous Temporary Assistance for Needy Families (TANF) program rules; and (4) allow States to conform the federal mandated income exclusions of the Medicaid program to the income exclusions in the Food Stamp Program. Also, the Administration is proposing to simplify the Child Support Enforcement Program at the Department of Health and Human Services which will increase the income of families participating in this program. To the extent that these families also participate in the Food Stamp Program there are benefit savings.	24
	Child Nutrition Programs. Strengthen Child and Adult Care Food Program management and oversight at Federal, State, and local levels. The proposal would also fund an evaluation of the program's administrative reimbursement structure. Outlay savings of $3 million are anticipated in 2001. Also, the Administration is proposing to allow school lunch application information to be shared with State or local agencies to facilitate Medicaid and Child Health Insurance Program enrollment. There would be no additional costs to the Child Nutrition Programs.	-1

USDA BUDGET SUMMARY

Mr. Skeen: OBPA makes the annual Budget Summary available through the Internet. Does OBPA or any other agency intend to make testimony or Explanatory Notes available through the Internet?

Response: Currently testimony is available on the internet for the Secretary and some of the agencies at www.usda.gov/news/special/congress.htm. There are no plans to put the Explanatory Notes on the Internet.

[The justifications of the budget request follow:]

2001 Congressional Explanatory Notes

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Purpose Statement

The Office of Budget and Program Analysis (OBPA) was established in June 1981. Its predecessor organization was established on July 8, 1922, (Secretary's Memorandum No. 389), under the provisions of the Budget and Accounting Act of 1921, which designated that a Budget Officer was to have charge of the preparation of estimates and other appropriations for the Department.

The mission of OBPA is to provide analyses and information to the Office of the Secretary and other policy officials to support informed decisionmaking regarding the Department's programs and policies, budget, legislative, and regulatory actions.

The Office of Budget and Program Analysis is located in Washington, D.C. As of September 30, 1999, there were 61 full-time permanent employees.

The Office of Budget and Program Analysis did not have any Office of the Inspector General or General Accounting Office evaluation reports during the past year.

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Available Funds and Staff Years

1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation.....	$6,120,000	63	$6,581,000	67	$6,765,000	67

Permanent Positions by Grade and Staff Year Summary

1999 Actual and Estimated 2000 and 2001

Grade	1999 Washington, D.C.	2000 Washington, D.C.	2001 Washington, D.C.
ES-6	3	3	3
ES-5	0	1	1
ES-4	1	0	0
GS-15	8	8	8
GS-14	13	14	14
GS-13	24	19	22
GS-12	3	5	3
GS-11	2	1	1
GS-10	2	2	2
GS-9	4	4	4
GS-8	2	1	1
GS-7	4	8	8
GS-5	0	1	0
Total Permanent Positions	66	67	67
Unfilled Positions end-of-year	-5	--	--
Total, Permanent Full - Time Employment, end-of-year.....	61	--	--
Staff Year Ceiling	63	67	67

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

CLASSIFICATION BY OBJECTS

1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$4,567,550	$5,038,000	$5,186,000
11 Total personnel compensation	4,567,550	5,038,000	5,186,000
12 Personnel benefits	752,524	972,000	1,006,000
Total pers. comp. & benefits	5,320,074	6,010,000	6,192,000
Other Objects:			
21 Travel	9,746	8,000	8,000
22 Transportation of things	142	--	--
23.3 Communications, utilities, and misc. charges	86,665	75,000	75,000
24 Printing and reproduction	77,592	68,000	68,000
25.2 Other services	56,513	90,000	90,000
25.3 Purchases of goods and services from Government Accounts	83,120	90,000	92,000
26 Supplies and materials	125,609	77,000	77,000
31 Equipment	134,330	163,000	163,000
Total other objects	573,717	571,000	573,000
Total direct obligations	5,893,791	6,581,000	6,765,000
Position Data:			
Average Salary, ES positions	$125,960	$130,163	$134,895
Average Salary, GS positions	$71,031	$72,482	$73,324
Average Grade, GS positions	12.42	12.41	12.41

OFFICE OF BUDGET AND PROGRAM ANALYSIS

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses of the Office of Budget and Program Analysis, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $5,000 is for employment under 5 U.S.C. 3109, [$6,583,000] $6,765,000.

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

Appropriations Act, 2000	$6,583,000
Budget Estimate, 2001	6,765,000
Increase in Appropriation	+182,000

Adjustments in 2000:

Appropriation Act, 2000	$6,583,000	
Rescission under P.L. 106-113 a/	-2,000	
Adjusted base for 2000		6,581,000
Budget Estimate, 2001		6,765,000
Increase over adjusted 2000		+184,000

a/ The amount is rescinded pursuant to Section 301 of the Emergency Supplemental Appropriations part of the Omnibus Appropriations Act, FY 2000 (P.L. 106-113) enacted November 29, 1999.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2000 Estimated	Pay Costs	Program Changes	2001 Estimated
Budget and Program Analysis	$6,581,000	+$184,000	+$000,000	$6,765,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1999 Actual		2000 Estimated			2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Budget and Program Analysis	$5,893,791	63	$6,581,000	67	+$184,000	$6,765,000	67
Unobligated Balance	226,209	–	–	–	–	–	–
Total Available or Estimate	6,120,000	63	6,581,000	67	+$184,000(1)	6,765,000	67
2000 Rescission	–	–	+2,000	–			
Total, Appropriation	6,120,000	63	6,583,000	67			

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $184,000 for the Office of Budget and Program Analysis ($6,583,000 available in 2000) consisting of:

(a) An increase of $184,000 for pay costs.

This increase is needed to maintain the current level of staffing to ensure OBPA provides analyses and information to policy officials to support informed decisionmaking regarding the Department's programs and policies, budget, legislative, and regulatory actions. Over 90 percent of OBPA funds are needed to cover salary and benefit costs. The proposed funding level is needed to cover pay and benefit cost increases for existing staff. Without funds to cover the pay increase, OBPA would need to further reduce staffing, continuing the staffing decline of recent years. A further decline in staffing would limit the agency's ability to provide thoughtful, timely analytical support to the Department policymakers and to provide accurate, timely responses to inquiries from a wide range of sources for information on the Department's budget and program proposals.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS

1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	$5,893,791	63	$6,581,000	67	$6,765,000	67
Unobligated balance.....	226,209					
Total, Available or Estimate.....	6,120,000	63	6,581,000	67	6,765,000	67

EXECUTIVE OPERATIONS

OFFICE OF BUDGET AND PROGRAM ANALYSIS

STATUS OF PROGRAM

The Office of Budget and Program Analysis (OBPA) coordinates the preparation of Departmental budget estimates and legislative reports; administers systems for the allotment and apportionment of funds; provides policy, program and budgetary analysis of United States Department of Agriculture (USDA) programs and proposals; and provides staff assistance to USDA agencies in meeting their responsibilities for the development and review of regulations.

In carrying out these responsibilities, OBPA assists the Secretary, Deputy Secretary, and other policy officials of the Department in the development, presentation, execution, and monitoring of the Department's budget. OBPA provides general oversight, review, and analysis related to alternative policies and resource levels. OBPA represents the Department at meetings and hearings with Congressional Committees, the Congressional Budget Office (CBO) the Office of Management and Budget (OMB), the General Accounting Office, the Department of Treasury, and others on matters related to the Department's budget, legislative, and regulatory programs.

Goal 1: Assist the Office of the Secretary and other policy officials in decisionmaking and policy implementation by providing objective information and analyses regarding the Department's programs and policies.

Current Activities:

Development, Presentation, Execution, and Monitoring of the USDA Budget

- Reviews and analyzes agency budget estimates and performance plans and develops alternatives and supporting data for the Secretary.
- Consolidates materials for the budget submitted to OMB. Serves as liaison with OMB staff during their review of the budget estimates.
- Prepares Department-wide budgetary statements and summaries.
- Coordinates and prepares supporting justifications for budget requests to be presented to the Appropriations Committees.
- Serves as liaison with the Appropriations Committees and their staffs for the purpose of scheduling hearings, reviewing transcripts, and answering questions concerning USDA programs.
- Prepares and consolidates information requested by the appropriations, authorizing, and budget committees, and the Congressional Budget Office, including special budgetary analyses, reports, and appropriations hearings materials.
- Issues allotments and apportionments which allocate funds in accordance with laws, regulations, and the requirements of the Executive Branch and the Congress.
- Monitors and analyzes the Department's use of staff year resources.
- Analyzes outlay projections and prepares a coordinated Departmental outlay plan.

Selected Examples of Recent Progress:

Government Performance and Results Act (GPRA). OBPA worked with the Office of the Chief Financial Officer on the implementation of GPRA in the Department. OBPA assisted in the review of agency performance plans prior to their submission to OMB and the Congress.

Goal 2: Ensure the Department's Budget is consistent with policy decisions and that resources are allocated to agencies consistent with priorities and applicable laws.

Current Activities:

Program Analysis

- Coordinates and/or conducts policy and program analyses and other reviews to assist agency and senior policy officials in formulating and implementing USDA policies and programs.
- Reviews and analyzes legislation, regulations, and policy options to determine their impact on USDA programs and policy objectives and on the Department's budget.
- Prepares cost estimates for legislation and regulations affecting the Department's programs.
- Monitors ongoing studies with significant program or policy implications and periodically updates the USDA Study Agenda which provides the current status of each study.

Selected Examples of Recent Progress:

Budget Summary. OBPA presented a series of technical, non-policy budget briefings for Congressional staff, the news media, special interest groups, and the general public when the Administration issued its fiscal year 2000 budget proposals. These briefings were attended by over 100 Congressional staff and members of the media. OBPA also distributed about 2,000 copies of the Budget Summary document to Congressional Committees, the media, State governments, farm groups, and others interested in USDA programs. OBPA made the fiscal year 2000 Budget Summary available through the Internet.

Goal 3: Ensure the Department's legislative proposals and regulatory actions are analytically adequate and consistent with Departmental and Administration policy.

Current Activities:

Coordination of Legislative Proposals and Reports

- Coordinates and assists in the preparation of bills, resolutions, reports, studies and analyses and other legislative material for submission to the Congress.
- Compiles and produces the USDA Legislative Program which lists pending Administration proposals by subject areas.
- Maintains the Legislative Reports Tracking System to inform senior policy officials of the status of legislative proposals and reports.

Coordination of Regulatory Decisions

- Develops and implements procedures for the development, review and clearance of departmental regulations.

- Reviews and assists in development of regulations and impact analyses used in regulatory decision making.

- Maintains the Regulatory Tracking System to inform senior policy officials of the status of proposed regulations.

- Coordinates and assists in preparation of the USDA portion of OMB's Regulatory Program and the Regulatory Agenda.

- Maintains liaison efforts with OMB, other Federal agencies, and the Congress on the review and clearance of rules.

Selected Examples of Recent Progress:

Legislative Reports Tracking System. The Legislative Reports Tracking System continues to be a key element in OBPA's efforts to coordinate, monitor and provide information on the large volume of legislative reports, proposals, bills, and resolutions received by the Department. During fiscal year 1999, OBPA assisted in the preparation of 570 legislative reports.

Major Legislation. OBPA was heavily involved in the development and passage of emergency relief for farmers in response to an economic crisis brought about by multiple years of devastatingly low commodity prices and disastrous production losses. This legislation was contained in emergency appropriation acts for both 1999 and 2000, and provided several billions of dollars of assistance that contributed to the survival of countless family farms and preserved the basic structure of American agriculture. In addition, OBPA participated in the development of numerous other legislative initiatives, including changes in the rural electric program, reauthorization of the Farmland Protection Program, Food Stamp Provisions and user fee proposals. Many of these proposals were transmitted to Congress and their enactment is expected to result in significant improvements in the performance of the Department's programs. During 1999, OBPA also prepared budget impact analyses, issue and background papers, and other documents relating to legislative initiatives, that were used by both the Executive Branch and Congress.

Regulatory Tracking. OBPA was actively involved in the review and clearance of 350 Department regulations including, among others, income and disaster assistance for farmers and ranchers; food safety; crop insurance; and food program regulations.

[Questions submitted for the record for the Office of the Chief Economist follow:]

QUESTIONS SUBMITTED BY MR. SKEEN

OFFICE OF THE CHIEF ECONOMIST

USDA ACTIVITIES ASSOCIATED WITH SUSTAINABLE AGRICULTURE

Mr. Skeen: Please provide the committee with a status report on USDA activities associated with sustainable agriculture.

Response: Sustainable agriculture activities are coordinated by the Director of Sustainable Development, Office of the Chief Economist. Both producers and consumers have become increasingly concerned with maintaining the health of the Nation's natural resource base while continuing to meet society's needs for affordable food and fiber, both domestically and internationally. Consequently, our guiding principle is that USDA administer Governmental policies and programs that foster the long-term sustainability of agriculture while promoting sensible management of our natural resources. A wide variety of production systems will be needed across a continuum from highly specialized, intensive cropping systems to other production systems that depend predominantly on farm-produced resources and integrated management techniques. The sustainable agriculture concept incorporates guiding principles for management rather than dictating a specific set of acceptable production practices.

The Director of Sustainable Development is the focal point for sustainable development activities within the Department and for coordination of relevant activities with the White House, other Federal Departments, and constituent groups. The director, working through the USDA Council on Sustainable Development which also is chaired by the director, assists in developing and implementing the coordinated recommendations of USDA that move us toward a more sustainable agriculture including:

- the Clean Water Action Plan;
- the United National Strategy for Animal Feeding Operations;
- targeting small and medium-sized farmers in many recent safety-net initiatives and emergency supplementals;
- establishing new Federal advisory committees on small farms, beginning farmers, and biotechnology;
- participating on a variety of departmental advisory groups such as the USDA biotechnology coordinating committee and the Resources, Conservation and Development Policy Advisory Board;
- providing for new investments in the rural economy, agriculture research and new agriculture products such as in the proposed Initiative for Future Agriculture and Food Systems;
- helping to develop the U.S. Action Plan on Food Security;
- responding to new demands from rural communities to help coordinate Federal programs and delivery mechanisms; and
- providing for a policy environment that enables development of new solutions and capacity building across all Departmental mission areas for improving USDA's support for agricultural producers wanting to enhance the sustainability of their production systems, including research, outreach, economics, marketing and cultural issues.

In addition, the Director provides technical and policy expertise to the State Department, including assistance in negotiations on sustainable agriculture, such as the United Nations' Commission on Sustainable Development--CSD--the Convention on Biodiversity, NAFTA implementation, and multilateral environment agreements. Other international fora on sustainable agriculture include the Asian-Pacific Economic Council's Agriculture Technical Committee, the World Trade Organization, the Summit of the Americas, the Food and Agriculture Organization--FAO--of the United Nations, and specific bilateral discussions on sustainable development and sustainable agriculture with China and Russia. The eighth meeting of the CSD in April 2000 is focusing on sustainable agriculture, forestry and integrated land and resource management. The Director has participated in several international discussions on sustainable agriculture and rural development in preparation for this meeting. As agricultural trade, biotechnology, and food security issues increasingly become more controversial, both domestically and internationally,

issues related to the role of sustainable agriculture are also heightened. USDA informal consultations with agriculture-related civil society organizations interested in sustainable agriculture, including non-governmental organizations and agriculture-based industries, have served as a model for these groups' participation in CSD agriculture activities.

RISK ASSESSMENT RULE MAKING

Mr. Skeen: Please provide the Committee with examples of how risk assessment has improved rule making at USDA and update the information on the Office of Risk Assessment and Cost Benefit Analysis--ORACBA--activities from last year's testimony.

Response: ORACBA has been involved in activities that improve pest and disease risk assessment as well as ecological risk assessment and risk management for farmlands.

In completing the general overall risk assessments for the Conservation Reserve Program--CRP--and the Environmental Quality Incentives Program--EQIP--it became apparent that further analyses could provide insight into improving the programs for both CRP and EQUIP. This work is being carried out through case studies managed cooperatively among the Natural Resources Conservation Service--NRCS--, the Farm Service Agency--FSA--, the Agricultural Research Service--ARS--, several universities, and ORACBA.

The first NRCS case study seeks to model alternative conservation strategies for five watersheds, each in different regions. Soil and nutrient data for each of these watersheds is being collected to allow comparisons and contrasts among the alternative conservation strategies. The other case history for NRCS concerns the flow of nutrients and microbial pathogens from farm animal hosts through the environment. The outcome of this study will provide USDA with information needed to better advise farmers on manure management.

The FSA case study considers one goal of the CRP, that of providing wildlife habitat. Currently all identified wildlife are vertebrates such as quail or pheasant. There are no invertebrates--animals without backbones--considered for conservation on CRP lands. ORACBA has identified native wild bees as wildlife which could add value to the CRP enrolled lands. By selecting plants and bee habitat shelters carefully, bees can be attracted that would pollinate nearby crops. ORACBA is working with ARS and the Environmental Protection Agency on the development of this case study.

ORACBA has worked closely with the Animal and Plant Health Inspection Service--APHIS--in developing risk assessments for non-indigenous organisms which may be brought to the United States in solid wood packing material--SWPM--used as packing crates entering the United States from any where in the world. A strong risk assessment has been produced and received excellent external review. The document is well done and should be convincing to foreign governments concerning the seriousness of the risks from SWPM, not only to the United States, but to their countries as well.

ORACBA is reviewing the APHIS rule on import of swine, genetics, and pork from the European Union based on concerns about Classical Swine Fever--CSF--which is present in the several European Union--EU--countries. APHIS has prepared an extensive risk assessment for this rule which will apply the APHIS regionalization standards to the EU. A preliminary draft has been sent out for internal and external review. Based on ORACBA's concerns regarding the risk assessment, APHIS delayed implementing the regionalization standards for Europe with regard to CSF. During the time of delay, CSF appeared in several areas in Europe that were enclosed in the regionalization proposal, suggesting that the EU animal health controls may not be as effective as planned.

To encourage risk-based thinking and improve utilization of analytic resources, ORACBA has encouraged USDA agencies to use qualitative screening risk evaluations for small and non-controversial rules. APHIS has used qualitative risk assessment techniques to select a group of plant pest organisms of greatest concern in SWPM used to transport imported commodities. The screening risk

assessment identified high risk organisms which were then examined more carefully using other qualitative and quantitative methods.

ORACBA's continuing cooperation with rule-making agencies within USDA has resulted in closer contacts between the agencies and ORACBA. Agencies such as APHIS are requesting early support in the development of analyses which lead to rule making. Most recently, APHIS' Veterinary Services--VS--has requested help in devising a protocol and rule revising the requirements for classifying states within the United States, for bovine tuberculosis--TB status. The same evaluation protocol and regionalization system is proposed for allowing cattle from Mexico into the United States.

ORACBA has contributed to analyses that help maximize food safety while minimizing costs. The Food Safety and Inspection Service--FSIS--developed a rule permitting the irradiation of beef. In consultation, ORACBA recommended that all pertinent Food and Drug Administration--FDA--risk assessments be incorporated. FSIS then evaluated all current information on the risks to human health, safety, and the environment to support the USDA rule. Working closely with FSIS on this analysis ensures that new hazards introduced by the irradiation rule are identified and analyzed. Awareness of these alternative risks allows policy makers to take actions to avert them. The close cooperation between FSIS and ORACBA ensured that statutory review requirements were met without causing any additional delay.

The role of the Precautionary Principle in food safety risk management has become a major international food trade issue. ORACBA has advised the Under Secretary for Food Safety and others in the Department regarding the ways in which the Precautionary Principle is incorporated into decision-making in various Federal agencies. ORACBA is helping to organize a workshop on the use of the Precautionary Principle in international trade.

FSIS and FDA have begun a risk analysis for *Listeria monocytogenes*, a pathogen responsible for a recent outbreak of listeriosis. The risk assessment will help both agencies to develop regulatory responses to this potentially lethal species. Both FSIS and FDA also worked on the *Salmonella* Enteritidis--SE--risk assessment, released in June 1998. This was the first major risk assessment of a microbial pathogen which looked at the entire farm to table the food chain. Both agencies are using the results to develop better regulations to ensure safer eggs and egg products. ORACBA participated in an advisory role in both of these assessments.

RISK ASSESSMENT STAFF TIME

Mr. Skeen: How much staff time has been devoted to risk assessment by your office and by the agencies that performed the risk assessment?

Response: The Director and technical staff of ORACBA spend virtually 100 percent of their time on risk analysis activities: planning, organizing, coordinating, advising, reviewing, and training others or improving our own skills.

USDA agencies are devoting more staff time to meet the requirement to perform risk assessments for major rules. Some examples will illuminate. FSIS now has two units engaged in risk assessment, one for pathogens, another for physical and chemical hazards. These two groups consist of approximately 20 technical staff; this illustrates the seriousness with which FSIS takes risk assessment. APHIS is reviewing risk assessment processes for both animal and plant health and making changes in their program delivery based on these analyses. In addition, both FSIS and APHIS have sponsored special training programs for their staff to increase their competency in risk assessment. NRCS is working actively with ARS in discussing ways that the two groups can work together to support the requirements for NRCS to develop risk assessments for farmland environmental programs. The Food and Nutrition Service is developing a risk assessment to help guide the final stages of development of the revised food package for Women, Infants, and Children--WIC--program.

OBJECT CLASS TABLE FOR COMMISSION

Mr. Skeen: Please provide a separate object class table for the Commission on 21st Century Agriculture for the most recent fiscal year.
[The information follows:]

Commission on 21st Century Agriculture
Object Class Table
(Dollars in Thousand)

Object Class	Fiscal Year 2000
Travel	$120
Rent, Communications, and Utilities	1
Printing and Reproduction	5
Other Services	6
Contracting Expenses for Staff	169
Research and Analysis	46
Total	347

SALARY COSTS FOR COMMISSION AND STAFF

Mr. Skeen: Please provide a breakdown of the total salary costs for Commissioners and staff.

Response: The Commissioners do not receive a salary. However, in fiscal year 2000, $169,000 will be used to contract an Executive Director and Assistant Director.

IMPACTS OF WELFARE REFORM ON FARM LABOR

Mr. Skeen: Has OCE identified any impacts of welfare reform on the availability of farm labor since your response in last year's hearing record?

Response: OCE has not been able to identify any impacts of welfare reform on the availability of farm labor. The agricultural labor market remains tight. We reported last year on a welfare-to-work effort that was being conducted in California. Unfortunately, this effort was unsuccessful and was discontinued. A new program is being implemented in Ohio this coming season which will pay to farm workers a $300 per month stipend as an incentive to make themselves available during the harvest season. We plan to monitor this effort.

EXPORTS TO ASIA AND LATIN AMERICA

Mr. Skeen: What is OCE's assessment of the market for American agricultural exports to Asia and Latin America for the next two years?

Response: USDA develops official projections by destination for one year out. The current forecast is for fiscal year 2000. The current forecast for U.S. agricultural exports to all destinations is $49.5 billion, up marginally from last year. Regional exports are also currently forecast to be similar to last year. Exports to Asia are forecast at $18.4 billion, about the same as last year. Interestingly, the volume of major U.S. commodity exports to key Asian markets expanded sharply in fiscal year 1999 from fiscal year 1998 levels. The combination of significant export competition and a slowdown in the import surge from last year will slow U.S. export volume growth to Asis in fiscal year 2000 from fiscal year 1999's rapid level. Low U.S. prices, especially for crops, will continue to hamper gains in export values. For fiscal year 2000, the total

volume of U.S. bulk crop exports is forecast to fall about 4 percent, but meat and poultry export volumes are forecast to increase 6 percent. This pattern will roughly prevail in Asia, with volumes of U.S. meat exports faring better than crops.

Regional economies, especially in Southeast Asia, are still recovering from a disastrous 1998, although Japan remains weak in 2000. Economic growth is projected to continue to be relatively strong in 2001, so incomes and import demand should improve, which bodes well for U.S. agricultural exports. One negative factor is the recent strengthening of the U.S. dollar against the Japanese yen and other Asian currencies, which could make U.S. goods relatively more expensive.

The current forecast for U.S. agricultural exports to Latin America is $10.6 billion, about the same as last year. Economic growth is returning to Latin America, but projected 2000 growth rates remain low by historical standards. After basically no growth in 1999, Brazil's GDP is forecast to increase 2.8 percent in 2000 and 4.3 percent in 2001. Higher oil prices could boost incomes in oil-exporting countries like Mexico and Venezuela, but could slow economic recovery in importing countries like Brazil. Regional GDP growth is projected to improve further in 2001, so as with Asia, U.S. export volumes should benefit.

ACTIVITIES IN STONEVILLE, MISSISSIPPI

Mr. Skeen: What are the main activities of the OCE office in Stoneville, Mississippi?

Response: There are three primary activities of the OCE office in Stoneville, Mississippi. The first concentrates on regional weather requirements. Weather data are collected daily from existing and newly installed stations throughout the Delta region. The OCE staff work cooperatively with the Delta Research and Extension Center to ensure that the weather information is available for applications by farmers and agri-business, and research applications related to Delta agriculture. These data are published in the *Weekly Weather and Crop Bulletin*. The second activity focuses on the collection and dissemination of regional data to monitor drought, potential freeze episodes, and other weather events. For example, weather data from the recently established network operated by the State of Florida are routinely compiled for monitoring strategically located observation sites throughout the citrus/vegetables areas. Collaborative work is underway with state climatologists in Mississippi, South Carolina and Missouri to expand the scope of the OCE office into a more comprehensive regional data collection and dissemination center. The third activity, now being developed, is a cooperative effort with NRCS' National Water and Climate Center to install a Meteorburst communication hub for the eastern half of the Nation to collect and distribute automated weather station data, commonly referred to as SNOTEL--SNOW Telemetry--data.

USDA FOOD SAFETY INITIATIVE FUNDS BUDGETED

Mr. Skeen: For fiscal years 2000 and 2001, has the Department budgeted any USDA Food Safety Initiative funds for ORACBA activities and, if so, how much has been budgeted?

Response: For fiscal year 2000, OCE budgeted $196,000 of its appropriated funds for food safety and plans to allocate $436,000 from funds requested for Fiscal Year 2001.

MODERNIZATION OF WEATHER AND ECONOMIC DATA SYSTEMS

Mr. Skeen: Will Forest Service funds also be used for the proposed Modernization of Weather and Economic Data Systems?

Response: No, OCE's weather modernization effort ensures continued full access by all USDA agencies, including the Forest Service, to National Weather Service data. The initial phase of OCE's program included the successful deployment of a NOAAPORT communication hub at USDA's National Information Technology Center in Kansas City and the acquisition of AWIPS hardware/software for operational applications. This technology, developed under contract with PRC, Inc., provides

a data-sharing structure for all agencies in USDA. Any USDA agency that operates a data network or requires weather information can link to the Kansas City NOAAPORT communication center. No funds have been sought from Forest Service or any other agency in the development phase of this project and OCE requests no funds for access to NOAAPORT. With acquisition of an appropriate server and computer display capability, the Forest Service will be able to use this technology system for fire weather management, smoke modeling research, and automated weather station data management.

QUANTIFY INCREASES IN PRICES AND FARM INCOME

Mr. Skeen: Can you quantify the increases in farm and forest product prices and farm income generated by the proposed increase for biomass activities?

Response: We have not, as yet, conducted analysis that adequately quantifies likely increases in farm and forest product prices and farm income generated by the proposed increases in biomass activities. However, we believe these increases would be significant. We have requested additional funding for the Office of Energy Policy and New Uses--OEPNU--in the 2001 budget to undertake such a complete analysis.

Based on very limited analysis, we have projected the farm gate price that might be paid to farmers to generate sufficient switchgrass used for co-firing electric power generation under several scenarios. For example, a payment to farmers of $40 per ton would be required to bid 42 million acres away from other land uses--crop, pasture, and CRP land--in order to produce 188 million tons of switchgrass in 2008. That would be used to generate 43,371 megawatts of electric power. Most of the switchgrass would be produced in the Southeastern and Midwestern states.

Major crop prices would rise as a result of bidding land into switchgrass production. In 2008, corn prices are projected to be 24 cents per bushel higher, soybean prices 61 cents per bushel higher, wheat prices 49 cents per bushel higher, and rice prices $1 per hundred weight higher, than without the switchgrass production. Net farm income in 2008 is projected to be $5.5 billion higher than without the switchgrass production.

An analysis we intend to undertake with the requested funding is to understand the likely effect on farm and forest product prices and on farm income as a result of the President's biobased products and biomass for energy initiative. We believe that it will be important to better understand the extent to which this initiative will generate new business development, employment growth, and income generation in rural communities.

We also intend to undertake analysis of market potential that will identify those biobased products and crops that represent high potential markets. This will help to focus product research, development, and demonstration efforts in ways that deliver the maximum payoff for taxpayer dollar invested. The requested fiscal year 2001 funding for OEPNU would enable us to accomplish this goal and also to develop a much better understanding of the benefit of this initiative to farmers, rural America, and the geographic regions of the Nation where the benefit will be felt.

FOOD AND AGRICULTURAL POLICY RESEARCH INSTITUTE TO OCE'S MISSION

Mr. Skeen: Please describe the contribution of the Food and Agricultural Policy Research Institute (FAPRI) to OCE's mission.

Response: OCE finds the analyses prepared by FAPRI to be very useful. While USDA is the source of much of the basic data used by the FAPRI consortium, USDA and FAPRI prepare analytical assessments independently. Often, differences in projections are the result of slightly different assumptions concerning the path of U.S. and foreign agricultural policies or changes in the world economy. Analysts in each organization view the projections of the other as valid assessments which reflect different points of view. USDA values the analytical work of FAPRI and other land grant universities for the purpose of sharing information and comparing analytical results. USDA analysts may or may not agree with the forecasts of others but must be prepared to explain significant

differences. FAPRI also provides policy analyses using their global modeling capability that USDA finds very useful. FAPRI frequently presents their findings to USDA staff through meetings and seminars.

IMPACT OF WORLD TRADE ORGANIZATIONS ON AMERICAN AGRICULTURE

Mr. Skeen: Will OCE participate in any assessment of the entry of China into the World Trade Organizations and its impact on American agriculture?

Response: On February 15, 2000, the Department released its estimate of the impact of China's WTO accession on U.S. agricultural exports and farm income. The analysis was primarily done by USDA's Economic Research Service--ERS--using its global modeling system that includes a China model. OCE participated closely in the review and clearance process.

INCREASES IN OBJECT CLASSIFICATIONS 25.2 AND 25.5

Mr. Skeen: Please explain the increases in object classifications 25.2 "Other Services" and 25.5 "Agreements"

Response: The increases in object classifications 25.2 "Other Services" and 25.5 "Agreements" will be used for risk assessment methods, trained analysts, and information resources needed to evaluate programs and guide agency decisions in fulfilling the congressionally-mandated directive to provide guidance and review for USDA agencies' risk assessments supporting major rules.

The increases will also enhance USDA's weather data system. The World Agricultural Outlook Board--WAOB--will increase liaison activities with regional climate centers and state climatologists to increase data flow from their respective regions and states. A pilot project will be funded in the Delta region using the Unified Climate Access Network--UCAN--suite of products. In addition, WAOB will partner with the Forest Service to provide FS access to the NOAPPORT center in Kansas City. Funds will be used to modify the Advance Weather Information Processing System--AWIPS--hardware and software as needed. To enhance USDA's information management system, funding will be used to contract for software support services to build a publicly accessible economic/weather data website. The website will unify and catalog all available economic and weather data in the Department.

Finally, the increases will support analysis designed to increase the amount of biobased industrial feedstocks and products and biomass energy produced and consumed in the United States. This analytical work is complementary with and supports work by other USDA agencies in their efforts to increase biobased energy and industrial feedstocks and products production. The increase also supports increased in-house analysis and cooperative agreements with university researchers and other research organizations. No additions in permanent employees are envisioned, but two on-site, cooperative agreement funded researchers will be added in order to accomplish the increase workload during the 2001 budget year.

[The justifications of the budget request for the Office of the Chief Economist follow:]

2001 Congressional Explanatory Notes

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

Purpose Statement

The Office of the Chief Economist (OCE) was created by the Secretary of Agriculture on October 20, 1994, under the authority of the Department of Agriculture Reorganization Act of 1994, Public Law No. 103-354.

The mission of OCE is to advise the Secretary of Agriculture on the economic implications of Department policies, programs and proposed legislation. The OCE serves as the focal point for the Nation's agricultural economic intelligence and projections, risk analysis, and cost-benefit analysis related to domestic and international food and agriculture, provides policy direction for biofuels and new uses, and is responsible for coordination, review and clearance of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department.

Activities include policy and program analysis; regulatory reviews; information dissemination; market surveillance; coordination of assessments of international and domestic agricultural developments; improvement of forecasting techniques; coordination of weather, climate and remote sensing activities; coordination of sustainable development activities; energy uses; and development and implementation of regulations affecting agricultural labor.

OCE uses regularly scheduled information releases to advise the Secretary and the public on developments affecting agricultural markets and the rural economy. Feedback from users is solicited through formal periodic user meetings. The Office coordinates interagency development of forecasts and projections by drawing together a variety of experts to assure objective and sound analysis. The Office uses memos and briefings to advise the Secretary of the consequences of market developments, program changes, and legislative proposals. The Office provides economic analysis of Department policy positions to the Congress and the public. The Office participates in the development of reviews, and clears all regulatory impact and risk analyses of Departmental significant, economically significant, and major rules to ensure they are based on objective, appropriate, and required economic and risk analyses.

Headquarters for the Office of the Chief Economist is located in Washington, D.C. OCE has one field unit located in Stoneville, Mississipi. As of September 30, 1999, there were 53 employees of which 48 were full-time permanent employees, and five other than permanent full-time. These employees were assigned as follows:

Location	Full-time Permanent	Other
Washington, D.C.	47	5
Field Unit	1	=
Total	48	5

The Office of the Chief Economist did not have any Office of the Inspector General or General Accounting Office evaluation reports during the past year.

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

AVAILABLE FUNDS AND STAFF YEARS

1999 Actual and Estimated, 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Office of the Chief Economist	$6,411,000	45	$6,408,000	56	$8,612,000	62
Obligations under other USDA appropriations:						
Global Climate Change Program	646,066	4	666,000	4	666,000	4
Annual Outlook Forum	70,000	--	70,000	--	70,000	--
Total, Other USDA Appropriations.	716,066	--	736,000	4	736,000	4
Total, Agriculture Appropriations...	7,127,066	49	7,144,000	60	9,348,000	66
Non-Federal Funds:						
Subscription Services	18,000	--	18,000	--	18,000	--
Total, Office of the Chief Economist	7,145,066	49	7,162,000	60	9,366,000	66

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

PERMANENT POSITIONS BY GRADE AND STAFF YEAR SUMMARY

1999 Actual and Estimated 2000 and 2001

Grade	1999			2000			2001		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-3	2	--	2	2	--	2	2	--	2
ES-2	1	--	1	1	--	1	1	--	1
SL	2	--	2	2	--	2	2	--	2
GS-15	17	--	17	17	--	17	18	--	18
GS-14	12	--	12	12	--	12	12	--	12
GS-13	7	--	7	7	--	7	9	--	9
GS-12	--	--	--	--	--	--	2	--	2
GS-11	1	--	1	1	--	1	1	--	1
GS-10	1	--	1	1	--	1	1	--	1
GS-9	5	--	5	5	--	5	6	--	6
GS-8	2	--	2	2	--	2	2	--	2
GS-7	3	1	4	3	1	4	3	1	4
GS-6	2	--	2	2	--	2	2	--	2
GS-5	1	--	1	2	--	2	2	--	2
GS-4	1	--	1	--	--	--	--	--	--
Total Permanent Positions	59	1	60	59	1	60	65	1	66
Unfilled Positions end-of-year	-12	--	-12	--	--	--	--	--	--
Total, Permanent Full -Time Employment, end-of-year	47	1	48	59	1	60	65	1	66
Staff Year Ceiling	48	1	49	59	1	60	65	1	66

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST
CLASSIFICATION BY OBJECTS
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$3,705,873	$3,931,000	$4,486,000
Field	32,003	34,000	37,000
11 Total personnel compensation	3,737,876	3,965,000	4,523,000
12 Personnel benefits	694,599	822,000	942,000
Total pers. comp. & benefits	4,432,475	4,787,000	5,465,000
Other Objects:			
21 Travel	236,324	220,000	252,000
22 Transportation of things	1,456	2,000	17,000
23.3 Communications, utilities, and misc. charges	128,590	65,000	120,000
24.0 Printing and reproduction	201,515	140,000	157,000
25.2 Other services	616,050	617,000	1,447,000
25.3 Purchases of goods and services from Government Accounts	38,025	30,000	30,000
25.5 Agreements	193,000	200,000	700,000
26 Supplies and materials	127,576	97,000	112,000
31 Equipment	290,395	250,000	312,000
Total other objects	1,832,931	1,621,000	3,147,000
Total direct obligations	6,265,406	6,408,000	8,612,000
Position Data:			
Average Salary, ES positions	$123,357	$126,970	$131,586
Average Salary, GS positions	$58,820	$62,866	$64,601
Average Grade, GS positions	12.00	12.20	12.13

OFFICE OF THE CHIEF ECONOMIST

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses of the Chief Economist, including economic analysis, risk assessment, cost-benefit analysis, energy and new uses, and the functions of the World Agricultural Outlook Board, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1622g), and including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $5,000 is for employment under 5 U.S.C. 3109, [$6,411,000] $8,612,000.

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

Appropriations Act, 2000	$6,411,000
Budget Estimate, 2001	8,612,000
Increase in Appropriation	+2,201,000
Adjustments in 2000:	
Appropriations Act, 2000 $6,411,000	
Rescission under P.L. 106-113 a/ -3,000	
Adjusted base for 2000	6,408,000
Budget Estimate, 2001	8,612,000
Increase over adjusted 2000	+2,204,000

a / The amount is rescinded pursuant to Section 301 of the Emergency Supplemental Appropriations part of the Omnibus Appropriations Act, FY 2000 (P.L. 106-113) enacted November 29, 1999.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2000 Estimated	Pay Costs	Program Change	2001 Estimated
Office of the Chief Economist	$6,408,000	+$154,000	+$2,050,000	$8,612,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1999 Actual		2000 Estimated			2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Office of the Chief Economist	$6,265,406	45	$6,408,000	60	+$2,204,000	$8,612,000	66
Unobligated Balance	145,594	--	--	--	--	--	--
Total available or estimate	6,411,000	45	6,408,000	60	+2,204,000(1)	8,612,000	66
Transfer of Office of Energy from the Economic Research Service	-791,000	-6	--	--			
2000 Rescission	--	--	+3,000	--			
Total, Appropriation	5,620,000	39	6,411,000	60			

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $2,204,000 for the Chief Economist ($6,411,000 available in 2000) consisting of:

(a) An increase of $154,000 for pay costs.

This increase is needed to maintain the current level of staffing to ensure that OCE can carry out its full range of responsibilities and agency goals. OCE is a small office with three-quarters of its total FY 2000 budget used for salaries and benefits. OCE's appropriation was frozen in fiscal year 2000, and nonsalary expenses were reduced as a share of the total budget. OCE does not have the flexibility to reduce nonsalary expenses further, and without pay costs in fiscal year 2001, OCE would not be able to fill critical vacancies expected to occur. OCE is strained to meet the many policy analyses, regulatory reviews and market forecasts and projections that are required, usually on tight, prescribed schedules. Pay costs are urgently needed to ensure these high priority activities are completed in a timely and competent way."

(b) An increase of $500,000 and 5 staff years for Enhancement of Risk Assessment Capability in USDA.

This initiative supports OCE's Strategic Goal 3 to ensure regulations affecting the public are based on sound, objective and appropriate risk assessments and economic analyses.

USDA is the first line of defense against many hazards that may pose risks to human health, safety, or the environment. The Office of Risk Assessment and Cost-Benefit Analysis (ORACBA) was established to ensure such risks were supported by a risk assessment. Such assessments are intended to disclose the risks that need to be mitigated, and examine whether the proposed action(s) will be effective in reducing the risks. ORACBA works with a cross-section of USDA agencies to ensure the effectiveness of rules intended to reduce a wide array of risks, such as: microbial pathogens in food, alien invasive species infesting plants, animals, or their products in international trade, and contamination of natural resources by nutrients, animal manures, or pesticides. In addition, ORACBA contributes through review, comment, and committee work to the creation of agriculturally oriented, scientifically sound rules and guidelines in other Federal agencies such as the Food and Drug Administration and the Environmental Protection Agency.

Rising public concern about the effects of agricultural operations on the environment and food safety has increasingly led to rule-making based on risk assessment to ensure a sound scientific basis, even for rules that are not economically significant. Many issues that necessitate guidelines or rules transcend the responsibilities of individual agencies within USDA or among two or more government departments. These broad topics often lie outside regular USDA rule-making procedures, even though USDA has a stake in the outcome of the actions.

Risk assessment methods, trained analysts, and information resources needed to evaluate alternative programs and guide agency decision in these areas are currently underdeveloped in USDA. ORACBA's small professional staff fulfill the congressionally-mandated mission to provide guidance and review for USDA agencies' risk assessments supporting major rules. However, the demands for risk assessments for other rules, guidelines, and programs continue to increase within USDA as risk assessment has become the vehicle by which science is applied in the policy arena across government as a whole. The demand for ORACBA staff exceeds its current capabilities to support interagency and interdepartmental needs. Although ORACBA's current staff has broad expertise (veterinary medicine, public health, animal ecology, plant science, and resource economics), response to broad interagency and inter-Departmental needs requires additional expertise in ORACBA.

This initiative will enable ORACBA to respond effectively to USDA's needs to conduct risk assessments and related analyses, and to provide risk assessment input to agencies outside USDA for areas such as: international trade; food safety; potential hazards to human health or the environment from genetically modified crops and animals; alternatives and phase-outs of agriculturally important pesticides; identification and quantification of possible hazards related to organic production methods; animal feeding operations; nutrition support programs; and natural resources.

Funding for this initiative will be used to acquire doctorate-level scientists and analysts; training and other professional development activities; scientists in temporary positions for development of new models for some risk assessments, or new application of existing data, and development of needed new information.

(c) An increase of $400,000 for the Modernization of Weather and Economic Data Systems.

This initiative supports OCE's Strategic Goal 2 to provide sound information to policy makers and to facilitate efficient price discovery in U.S. agricultural markets by coordinating the preparation and release of comprehensive, consistent, reliable, timely, and objective weather and economic information.

USDA is a principal user of meteorological data because weather and climate impacts all aspects of agricultural production and distribution. As the National Weather Service (NWS) has redefined its mission to terminate specialized agricultural weather services, USDA has expanded its role in the collection and dissemination of weather data to the agricultural community. To prevent overlap with private-sector initiatives, USDA's focus continues to be on the collection and dissemination of primary weather and climate data. This assures objectivity of weather information, a major determinant of price fluctuations in agricultural markets.

While terminating tailored services and reducing data collection activities in agricultural areas, the NWS has adopted state-of-the-art communication and display technologies. To provide for continued access to NWS data and international data reported by the World Meteorological Organization through NWS system, USDA has installed a NOAAPORT data receiving site in Kansas City, Missouri. USDA has also expanded agricultural weather data collection activities in selected locations using automated weather reporting stations and Meteroburst communications technology.

The World Agricultural Outlook Board (WAOB) is now well-positioned to significantly expand the benefits of prior investments in NOAAPORT and its weather data center at Stoneville, Mississippi by working in partnership with USDA's Natural Resources Conservation Service (NRCS), Regional Climate Centers, State Climatologists, and the U.S. Forest Service (FS). The WAOB will partner with NRCS to install a Meteorburst master station at the Stoneville Data Center. This automated station will receive weather data from prime agricultural areas east of the Rocky Center. At present, data coverage from the Plains states, Midwest, and Southeast is inadequate. Using Stoneville as a hub, the WAOB will increase liaison activities with regional climate centers and state climatologists to increase data flow from their respective regions and states and build a coordinated national agricultural weather data network. To assure the availability of this information to the user community, a pilot project will be funded in the Delta region using the Unified Climate Access Network (UCAN) suite of products. UCAN was developed by the NRCS Water Climate Center. The WAOB will partner with the Forest Service to provide FS access to the NOAAPORT center in Kansas City. In a pilot project, FS will test the NOAAPORT data system as the primary data source for fire, weather, and smoke, management applications. Funding for this initiative will be used to modify Advanced Weather Information System Processing System (AWIPS) hardware and software. It is anticipated that FS utilization of the NOAAPORT system will result in substantial savings to the Department. Duplication of software costs for accessing NWS data will be avoided. Further, NOAAPORT is expected to replace the NWS Automation of Field Operations and Services (AFOS) system on which the FS is dependent. The NWS plans to terminate the AFOS system this year.

A recent study of the Interagency Commodity Estimates Process conducted by Datatrac/PricewaterhouseCoopers concluded that, "The existing [interagency] process is sound, provides adequate security safeguards, and produces a *World Agricultural Supply and Demand Estimates* report that is highly regarded by both internal and external stakeholders/users as reliable, accurate, and consistent." Nevertheless the study also concluded that, "Total resources in the [interagency] support agencies have declined dramatically since the reorganization of 1994." Further, "There is no Department-wide information system in place to support the information needs of the end-to-end [interagency] core business product." The study concludes that "knowledge management" is critical to continued success of the interagency process and strongly recommends that the WAOB exercise "due diligence" in assuring that consistent, objective, and reliable information is produced by the interagency process. Of particular concern, is the continued provision of sound management information to the Secretary.

A primary objective of this initiative will be to increase the efficiency of scarce analytical resources through improved data and information coverage, assembly, and dissemination. The Board's knowledge management responsibility will be addressed by creating, across agency lines, a virtual (computerized) "center of excellence" that will serve to mitigate the impact of limited staff years and budget redirection in support agencies. An existing staff year will be used to establish a "Web Page Coordinator" position. Under the direction of the Chief Economist and WAOB Chairperson, the coordinator will manage a publicly accessible web page which unifies and catalogs all available economic and weather information in the Department.

The requested funding increase will be used to contract for software support services. The coordinator will assure that all Internet pages comply with standard formats, are updated in a timely manner, and, as appropriate, are linked to other information sources. All data in the system will be available to end-users for direct input to spreadsheet and graphics software, facilitating the preparation of tables and charts for information and analytical purposes.

(d) An increase of $150,000 and 1 staff year for Biotechnology Risk Assessment Methodology.

This initiative supports OCE's Strategic Goal 3 to ensure regulations affecting the public are based on sound, objective and appropriate risk assessments and economic analyses.

Biotechnology is, as a scientific field, relatively new. Rising public concern in the U.S. and abroad about the safety of existing and new biotechnology products has increased the need to carefully evaluate biotechnologies through structured analytical frameworks of risk assessment. Improved methods, approaches and guidelines for biotechnology risk assessment need to be developed. As the number and kinds of biotechnology applications increase, there will be increasing pressure for USDA to evaluate the risks of these newer biotechnology products. As public concerns mount, there must be good science and careful analysis underlying our evaluations and judgments of biotechnology products to support the development of appropriate policies and management activities.

This increase would enable ORACBA to hire a senior scientist to respond to the critical needs for the development of a biotechnology risk assessment methodology by:

- coordinating activities with the Food and Drug Administration, Environmental Protection Agency, National Academy of Science and National Research Council;
- overseeing biotechnology risk assessment training activities;
- serving as a central focus for coordination of risk assessment development with scientists from ARS and land-grant universities;
- providing expert review of risk assessments associated with USDA major regulations;
- participating on inter-agency and intra-agency committees established to guide biotechnology policy development, and;

- working with experts from academia, industry, and federal, state, and local governments in validating and improving risk assessment methodology.

(e) An increase of $1,000,000 for Biomass Activities.

This initiative supports OCE's Strategic Goal 1 to assure the Secretary of Agriculture receives timely, independent and objective economic advice and analysis on critical Departmental program and policy issues.

This funding increase will support analysis designed to increase the amount of biomass energy and biobased industrial products produced and consumed in the United States. The Office of Energy Policy and New Uses (OEPNU) will focus its analytic work on evaluating new economic opportunities, linked to biomass for fuels and electric power generation, new biobased industrial products, and new crops for the Nation's agricultural sector; identifying high priority bioenergy and other bioproduct opportunities; and estimating life cycle costs of bioenergy/other biobased products and competing petrochemical-base alternatives. This work will help to strengthen farm and forest product prices and improve farm income. It will stimulate new investment in processing plants in rural America, increasing job formation and income generation in rural communities. The analytic work supports work by other USDA agencies such as, Agricultural Research Service, Cooperative State Research, Education, and Extension Service, Natural Resources Conservation Service, Rural Business-Development Service, and Rural Utilities Service in their efforts to increase biobased energy and industrial feedstocks and products production.

As a consequence of the analytical work undertaken by OEPNU, other USDA agencies will be better able to direct their own research, development, commercialization, education, and program efforts in ways that achieve the objectives of the Executive Order 13134 to triple the use of biomass energy and biobased industrial feedstocks and products between 2000 and 2010.

Increased production and processing of biobased feedstocks for energy production and for industrial feedstocks are expected to provide important new demand strength for forest products and several farm crop commodities, including corn, soybeans, canola, wheat, flax, and grasses. Increased processing, electric power generation, and related manufacturing activity in rural communities are expected to add substantially to new job formation and income generation for these communities.

Funding will also be used to support in-house analysis and support cooperative agreements with other USDA research agencies and university researchers. No additions in permanent employees are envisioned, but three to five post-doctoral researchers or visiting scholars and two on-site cooperative agreement funded researchers will be added, in order to accomplish the increased workload during the 2001 budget year.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	$6,233,403	44	$6,374,000	59	$8,573,282	65
Stoneville, Mississippi..	32,003	1	34,000	1	38,718	1
Subtotal, Available or Estimate.....	6,265,406	45	6,408,000	60	8,612,000	66
Unobligated balance...	145,594					
Total, Available or Estimate.....	6,411,000	45	6,408,000	60	8,612,000	66

EXECUTIVE OPERATIONS

OFFICE OF THE CHIEF ECONOMIST

STATUS OF PROGRAM

The Office of the Chief Economist (OCE) advises the Secretary of Agriculture on the economic implications of Department policies, programs and proposed legislation. It serves as the focal point for agricultural market intelligence and projections; cost-benefit analysis related to regulations affecting domestic and international food and agriculture; energy policy and agriculture; and global change and agriculture. OCE is responsible for coordination, review and clearance of all commodity and aggregate agricultural and food related data used to develop outlook and situation material within the Department. Activities include policy and program analysis; regulatory reviews; information dissemination; market surveillance; coordination of market assessments of international and domestic agricultural developments; improvement of forecasting techniques; coordination of weather, climate and remote sensing activities; coordination of the Department's sustainable development and small farms activities; coordination of energy policy; coordination of the Department's global change programs; and development and implementation of regulations affecting agricultural labor.

Current activities, progress, and current programs under the OCE's strategic goals are outlined below:

Goal 1: Assure the Secretary of Agriculture receives timely, independent and objective economic advice and analysis on critical Departmental programs and policy issues.

Current Activities:

The Immediate Office (IO) of the Chief Economist provides policy and program analyses and advice for the Secretary on major issues affecting agriculture and rural America. IO is addressing issues on trade agreements and disputes, developments in agricultural commodity markets such as low hog prices, milk marketing order reform, karnal bunt compensation, crop insurance improvements, sustainable development in agriculture and rural communities, global climate change and agriculture, energy policy, market concentration, the Conservation Reservation Program, agricultural labor, and regulatory review to ensure cost-effective, less burdensome regulations.

Selected Examples of Recent Progress:

Emergency Farm Income and Crop Loss Assistance. IO provided analysis and information on the economic situation in agriculture resulting from low farm prices and adverse weather. In 1999, low farm prices sharply reduced the incomes of many producers. This was caused by record global production, and the Asian currency crisis coupled with reduced crop production in some sections of the country. IO developed emergency income assistance options and estimates of potential crop loss payments as crop losses mounted.

World Trade Organization (WTO) Negotiations. IO participated in the inter-agency process chaired by the U.S. Trade Representative to develop U.S. proposals for the next round of international trade negotiations, beginning with the Seattle Ministerial in November 1999. IO analyzed U.S. domestic support programs to assess their compatibility and compliance with U.S. obligations in the World Trade Organization. These and other analyses on trade issues were crucial in understanding U.S. domestic programs and in assessing U.S. options for the negotiations.

Congressional Testimony. During FY 1999, the Chief Economist testified several times before Congressional committees on various issues concerning concentration in agriculture, livestock issues, the state of the farm economy , the outlook for agriculture, milk marketing order reform, and the effect of electricity deregulation on rural areas. The Deputy Chief Economist also testified on risk management issues and the Federal crop insurance program.

Global Climate Change. The Global Change Program Office (GCPO) coordinated a Congressionally requested economic analysis of the potential effects of the Kyoto Protocol on U.S. agriculture. The Director of GCPO served as the USDA representative on U.S. delegations at two international meetings of the U.N. Framework Convention on Climate Change (UNFCCC) and organized a three-day workshop with the UNFCCC Secretariat on land use change issues pertinent to the Framework Convention. The Director chaired the Interagency Working Group on Carbon Sequestration which develops coordinated U.S. government positions related to carbon emissions and sequestration from agricultural and forestry, that support the UNFCCC. The GCPO conducted eight global change related briefings for Congressional staff and held five outreach meetings for agricultural, forestry, and environmental groups on global change issues. IO managed USDA's multiple responsibilities to the U.S. National Assessment on Climate Change and Variability and coordinated the expansion of USDA's fiscal year 2000 global change research budget.

Small Farms. In October 1998, the Secretary directed OCE to coordinate USDA small farms issues. The responsibilities of the Director of Sustainable Development were expanded to include small farms. As a result, the Director has initiated and chaired a working group of agency small farms coordinators. The Director also provided the support to the USDA Council on Small Farms chaired by the Deputy Secretary and including all Under Secretaries and the Directors of Outreach and Civil Rights. OCE developed a small farms policy for inclusion in Departmental Regulations, created a small farm advisory committee, and increased USDA attention in policy and program areas concerning small farms. At the beginning of fiscal year 2001, funds and staff years for this initiative were transferred to the Cooperative, State Research, Education and Extension Service.

Crop Insurance. IO assisted the Risk Management Agency (RMA) in analyzing the effects of additional premium subsidies on crop insurance participation. IO was instrumental in identifying problems with the rating methodology for the Crop Revenue Coverage (CRC) durum policy. Expert testimony was provided in the North Dakota District Court case concerning the Department's decision to modify the terms of the CRC contract. The terms of the contract were to make it more actuarially sound.

Karnal Bunt. IO led Departmental efforts on compensating producers and handlers adversely affected by Karnal bunt regulations and assisted in drafting regulations, cost-benefit analysis, and decision memoranda dealing with Karnal bunt compensation. IO met with affected industry representatives on behalf of the Secretary, the Animal and Plant Health Inspection Service Administrator, and Congressional members to discuss their concerns.

Agricultural Labor. IO worked cooperatively with the Department of Labor, the Domestic Policy Council, and the Immigration and Naturalization Service to streamline and improve for farm employers and employees the H-2A temporary agricultural worker program. IO has participated in an interagency effort to develop an Internet based program to better align with agricultural jobs and agricultural workers. IO maintained an Internet web page to provide the public information on farm employment rules and regulations, farm safety, and worker protection from pesticides.

Dairy Program and Market Analysis. IO participated in an interagency team of analysts to provide analysis and information on dairy policy, Federal milk order consolidation and reform options, and on the Northeast Interstate Dairy Compact. The 1996 Farm Bill phases out the dairy price support program, mandates that the Secretary reform and consolidate Federal Milk Marketing Orders, and authorizes the Compact until implementation of Federal order reform. The Interagency team is responsible for estimating the effects of the Federal order reform and consolidation for evaluating alternative dairy policy options.

Conservation Reserve Program Analysis (CRP). IO participated in an interagency team to provide analysis and information for the 18th CRP enrollment. In the 18th CRP enrollment, producers submitted bids on 7.1 million acres of which 5.0 million were accepted into the CRP. IO assisted in evaluating the environmental benefits of bids made and in developing selection criteria for determining which bids to accept.

Ethanol Policy Analysis. Office of Energy Policy and New Uses (OEPNU) represented USDA on the EPA Blue Ribbon Panel Examining Oxygenates and the potential of ethanol to replace Methyl Tertiary Butyl Ether (MTBE) nationally, addressing logistical, capacity, and agricultural sector questions. OEPNU's work influenced the panel's documents and EPA's reaction to panel recommendations. OEPNU provided analysis for Senator Daschle on a renewable fuels standard. OEPNU developed a research plan with Iowa State University and the Colorado School of Mines to examine long run strategies to expand ethanol's market. OEPNU continues to work with DOE and EPA on phase II reformulated gasoline implementation and the design of low sulfur gasoline Tier II rulemaking.

Presidential Executive Order on Bioproducts and Bioenergy. OEPNU played a significant role in developing and in organizing for the announcement of Executive Order Number 13134 regarding developing and promoting biobased products and bioenergy. OEPNU provided analytical background, questions and answers, and briefings for the Secretary for the highly successful event. To support the Executive Order, a biomass economic analysis led by OEPNU and coordinated with DOE, Oak Ridge Lab, and the University of Tennessee was completed. This work has been expanded to look at agricultural residues with Iowa State University. OEPNU is now working with the Secretary's office in implementing the Executive Order and memorandum.

Rural Effects of Electricity Restructuring. Electricity deregulation that will change power rates in rural America presents the Department with an important policy issue and potential program concerns for the Rural Utilities Service (RUS), especially with respect to the cooperative utilities in its loan portfolio. OEPNU worked with RUS and analyzed impacts of deregulation.

Biodiesel Research. OEPNU produced a study estimating the effect of increasing biodiesel demand on farm prices and farm income. The study, "Potential biodiesel markets and their economic effects on the agricultural sector of the United States" was published in the 1999 *Industrial Crops and Products.* OEPNU also developed and coordinated a biodiesel research project at the University of Georgia. OEPNU analyzed the effect of adding biodiesel to the U.S. diesel fuel supply on price variability. OEPNU also provided guidance to the Office of Procurement and Property management and the Beltsville Agricultural Research Center (BARC) for developing a biodiesel demonstration project at BARC. OEPNU helped develop the data collection procedure for this project and coordinated data meetings. A flyer describing the demonstration project and the environmental benefits of biodiesel was also developed.

Goal 2: Improve the U.S. agricultural economy by facilitating efficient price discovery in agricultural markets by coordinating the release of comprehensive, consistent, reliable, timely and objective USDA estimates, forecasts, and projections of commodity supply, demand, and prices.

Current Activities:

The World Agricultural Outlook Board (WAOB) coordinates and reviews for clearance all commodity and aggregate agricultural and food related data used to develop outlook material within USDA. The Board also ensures that essential market information quickly reaches policymakers and the public, especially U.S. farmers. WAOB functions include: coordinating USDA forecasts of domestic and international agriculture, providing economic analysis, monitoring markets and agricultural weather; coordinating weather, climate, and remote sensing activities; and disseminating information.

Selected Examples of Recent Progress:

Supply and Demand Monitoring and Reporting. As a part of USDA's ongoing economic information program, WAOB published the monthly *World Agricultural Supply and Demand Estimates (WASDE)* report, which provides projections of world and U.S. supply and utilization estimates and forecasts for grains, soybeans, and cotton; and U.S. estimates and forecasts for sugar, red meat, poultry, eggs, and milk. The report also includes forecast reliability tables for selected commodities. WAOB also cleared more than 150 USDA economic outlook reports

in fiscal year 1999. In addition, daily market highlights and weekly briefing reports were prepared for the Secretary and top staff; weekly weather and economics briefings were presented to the Under Secretary for Farm and Foreign Agricultural Services; and international weather highlights were published in the *Weekly Weather and Crop Bulletin.*

Y2K Preparations. WAOB replaced noncompliant hardware and software and certified all OCE computers and systems as Y2K compliant. WAOB also made contingency plans with agencies contributing data to the monthly *WASDE* report to insure that scheduled releases will not be disrupted. WAOB contracted with the Planning Research Corporation to bring into full compliance a recently installed "NOAAPORT/AWIPS system, which provides a stream of world weather data for crop-weather forecasting.

U.S. and World Crop Developments. Over the past year, the Joint Agricultural Weather Facility (JAWF) of the World Agricultural Outlook Board monitored potentially crop-damaging weather events in the United States and across the globe. The *WASDE* report published by WAOB estimated the likely impact of weather events on world commodity supplies and demand. WAOB's Chairperson and Chief Meteorologist briefed Government officials and the media frequently on changing crop conditions. WAOB weather and crop analysts delivered analyses of producer and consumer price impacts of the December 1998 freeze on California citrus; estimated the impact of Hurricane Mitch on Caribbean and Central American coffee, sugar, and banana supplies; prepared an impact assessment of the mid-Atlantic/Northeast drought on fruit and vegetable supplies and prices; closely monitored the drought's impact on crop and livestock production; estimated the impact of Hurricane George on Louisiana sugarcane and Florida sugarcane, citrus, and vegetables; and assessed the impact of Hurricane Floyd on North Carolina crop and livestock production.

Study of USDA Commodity Forecasting Process. WAOB provided extensive input to the Datatrac/Price Waterhouse Coopers *Interagency Commodity Estimates Committee Study.* USDA contracted the study to evaluate the interagency process used to make supply and demand forecasts. Interviews with external stakeholders strongly supported the efficacy of the *WASDE* report as a primary source of commodity outlook and forecast information. The study authors went on to conclude that "The existing *WASDE/ICEC* process is sound, provides adequate security safeguards, and produces a *WASDE* report that is regarded as reliable, accurate, and consistent by both internal and external stakeholders and users." However, they also cited the growing risks to the interagency processes because of shrinking resources and changing agency priorities.

Internet Access to Forecast, Crop-Weather Data Grows. WAOB partnered with Economic Research Service, National Agricultural Statistics Service, and Cornell University to improve a major public website for USDA economic forecasts and data bases. Usage has grown 27 percent in the past year, to 244,000 queries monthly, plus database downloads. In addition, more than 6,000 subscribers get free e-mail delivery of USDA reports, one-third of whom receive the *WASDE* report. A subscriber survey revealed a high degree of consumer satisfaction with this website. Several respondents commented: "I am astounded by the enormous variety and extremely high quality of agriculture information available to the public." "Quality of the information is great..The delivery system is superb." WAOB upgraded the agricultural weather pages of its own site, which received 1,000 hits per week at the height of the Eastern drought. A popular section on major world crop areas and climatic profiles was expanded to include new countries and crops.

Publication Explains USDA Crop Forecasting Work. WAOB and NASS co-authored *Understanding USDA Crop Forecasts* to increase public understanding of USDA forecasting methods. First released in March 1999, the publication is now in its second printing. It has also been published in Russian and is presently being translated into Spanish.

USDA Agricultural Outlook Forum. WAOB orchestrated USDA's seventy-fifth outlook forum in February 1999. The event was highlighted by a record registration of nearly 1,200 people, exceptional keynote speakers, and innovative program content. Forum sessions featured a number of marketing innovations by farmers to bolster income. The conference received the highest attendee evaluation scores on record.

Mission to China. The WAOB Chairperson traveled to Beijing and Nanjing to present five seminars and one speech focusing on the value of accurate and timely agricultural statistics, and highlighting conflicts between China's current procurement policies and membership in the World Trade Organization. The presentations were well attended and drew heavy media attention.

U.S./South Africa Binational Commission. WAOB continued strong support of the United States/South Africa Bi-National Commission (BNC). WAOB financially supported a workshop conducted by the Oklahoma Mesonet – the agricultural weather data collection and reporting network – for scientists representing South Africa's Agricultural Research Council. WAOB obtained United States Agency for International Development and United States Information Agency funding and installed computer hardware and software needed by South Africa's Institute for Soil, Climate, and Water.

Support for Crop-Weather Forecasting in Developing Countries. WAOB coordinated the first World Meteorological Organization (WMO) two-week roving seminar on agrometeorological data management, held in Slovenia in October 1998. WAOB also sponsored two Slovenians who participated in the special workshop arranged for South Africa at Oklahoma. In September 1999, WAOB coordinated a second seminar on crop modeling in Slovenia. Similar seminars are being organized by the WMO in Uzbekistan and South Africa.

International Weather Data Meeting. WAOB hosted an international meeting to establish international guidelines for weather data collection and management and set standards for implementation and operation of automated weather station networks. Sixteen meteorologists from seven countries participated.

Regional Weather Data Collection Expands. WAOB renewed agreements with the Southeast Regional Climate Center and the Western Regional Climate Center. The primary objective of these agreements is to improve the flow of weather and climate information and research from agriculturally diverse crop areas of the Southeast and West, not only to USDA, but of the entire user community. The Southeast Center is working primarily to collect, quality assure, and disseminate weather and climate data from the southeastern region of the United States with special emphasis of Florida, Alabama, and Georgia. WAOB expanded weather data collection at its Stoneville, Mississippi, field office, installing four automated stations at Mississippi Delta sites. USDA's Natural Resources Conservation Service has selected Stoneville as its Meteorburst central data collection site, and has committed to expanding its Snow Telemetry data collection sites by placing automated stations in selected agricultural producing areas. Also, the University of Missouri has agreed to expand its weather data network by 15 automated stations using Meteorburst technology. USDA and the National Weather Service will have real-time access to the expanded weather data.

New Drought Monitoring Scale. WAOB helped support a new, more precise drought severity scale developed by the National Drought Mitigation Center in Lincoln, Nebraska. The weekly map showing drought-affected areas and the impact on crops, fire danger, and water supplies, was launched in time for use during the 1999 mid-Atlantic/Northeast drought.

Remote Sensing Coordination. WAOB participation in the NASA research announcement was a follow-up to a Memorandum of Understanding signed by the Secretary of Agriculture and the Administrator of NASA. The MOU calls for greater cooperation between the Department and NASA in the area of agricultural research. Specifically, NASA funding targeted research in areas of agriculture, forestry, and resource management. NASA awarded $3 million to 13 proposals having direct applicability to USDA programs. WAOB also facilitated an agreement with a private sector firm, NASA, and five USDA agencies to obtain radar images at no cost. USDA is evaluating the usefulness of radar for various applications.

Outreach to 1890 Institution. WAOB continued the excellent relationship forged with the University of Maryland-Eastern Shore (UMES). In addition to presenting a seminar on USDA career opportunities at the University, WAOB employed four UMES student interns, including one part-time graduate student. WAOB helped the graduate student to get full-time, permanent employment with USDA's Office of Inspector General.

Goal 3: Ensure regulations affecting the public are based on sound, objective and appropriate risk assessments and economic analyses.

Current Activities:

The Office of Risk Assessment and Cost-Benefit Analysis (ORACBA) reviews and approves statutorily required risk analyses for all major USDA regulations. The Office serves as a focal point for Departmental activities related to risk analysis, including interdepartmental activities, risk communication, and education and training on risk analysis methods.

Selected Examples of Recent Progress:

Risk Assessment Education and Training. ORACBA, in cooperation with the Food and Drug Administration (FDA), initiated a series of courses on risk assessment and cost-benefit analysis. The courses, offered by the USDA Graduate School, are designed to introduce basic risk assessment methods and concepts for the novice, as well as challenge the experienced risk assessor in ecological and human health risk assessment issues and cost-benefit analysis. The training program is improving regulatory risk assessments in USDA and FDA. The monthly ORACBA Risk Forum continued to provide USDA personnel with a forum for discussion of technical, scientific and policy issues relating to food safety, human health and ecological/environmental risk assessment.

USDA Conservation Program Risk Assessment Guidance. ORACBA continued to provide guidance and technical support to USDA agencies responsible for conducting risk assessments supporting the Environmental Quality Incentives Program and the Conservation Reserve Program. The guidance was focused on several case studies that allow NRCS and FSA to examine the effectiveness of the conservation programs. An interagency team of environmental and ecological risk assessors, led by ORACBA, has worked closely with the agencies in developing these case studies.

Regulatory Review. ORACBA reviewed or coordinated interagency reviews of risk assessments that support significant regulatory proposals and reports. These reviews included work on *Salmonella* in eggs and irradiation of beef. ORACBA also reviewed a variety of documents concerning importation of organisms or commodities into the U.S. These included the risk assessment for the interim rule on solid wood packing material, Foot and Mouth Disease (FMD) in Argentine beef, FMD in South African beef, Hog Cholera (HC) in Yucatan and Sonora (Mexico), and regionalization of the European Union for HC occurrence.

Risk Analysis Coordination. ORACBA coordinated the development of risk analysis procedures for interagency use. For example, the Interagency Food Safety Risk Group (I-FRAG) developed conceptual models for farm to table risk assessments for *Escherichia coli* O157:H7. ORACBA participated in the National Environmental Policy Institute to develop and share materials on identifying good science and the good use of science in risk assessment. ORACBA continues to assist on the Presidential Initiatives task force on Food Safety, on Food Safety Research, and on Fruits and Vegetables, and the Risk Assessment Consortium.

Risk Consultation. ORACBA worked with rule-making agencies on potential risk analysis protocols. In cooperation with the Cooperative State Research, Education and Extension Service and the Animal and Plant Health Inspection Service , ORACBA conducted a two day workshop to examine the role of risk assessment and other regulatory analyses related to pest risks and international trade agreements. ORACBA continued to take the lead on the two year cooperative agreement that will produce the risk analysis for Bovine Spongiform Encephalopathy (BSE) in cows. ORACBA assisted Forest Service (FS) in assessing a transfer of land from the Department of Defense and on a project on invasive plant species. ORACBA assisted USDA's Office of Pest Management Policy with review of EPA pesticide risk assessments.

Risk Communication. ORACBA continues to improve risk communication among USDA analysts concerning developments in risk assessment and economic analysis. The widely-distributed *ORACBA Newsletter* provides information on the experience of USDA risk assessors, practical issues in risk assessment, and other developments. ORACBA arranged and implemented risk communication training for 40 individuals in USDA relating to (BSE) and the related risk analysis. ORACBA conducted numerous seminars, workshops, and consultations on risk analysis to government groups and land-grant universities.

[The prepared statement and biography of Charlie Rawls, General Counsel for the U.S. Department of Agriculture follow:]

OFFICE OF THE GENERAL COUNSEL

STATEMENT OF CHARLES R. RAWLS, GENERAL COUNSEL

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE

HOUSE SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT,

FOOD AND DRUG ADMINISTRATION

AND RELATED AGENCIES

INTRODUCTION

Mr. Chairman and members of the Subcommittee, I am pleased to have this opportunity to present our fiscal year 2001 budget request and to also provide you with an overview of our agency to include some of the current activities and issues facing the Department.

MISSION

The Office of the General Counsel (OGC) is the law office for the Department. As an independent, central agency within the Department, OGC provides legal advice and services to the Secretary of Agriculture and other officials of the Department of Agriculture with respect to all USDA programs and activities.

ORGANIZATION

OGC's services are provided through 12 Divisions in Washington and 18 field locations. The headquarters for OGC is located in Washington, D.C. The Office is directed by a General Counsel, a Deputy General Counsel, a Director for Administration and Resource Management, and six Associate General Counsels. The attorneys located in headquarters are generally grouped in relation to the agency or agencies served. Our field structure consists of five regional offices, each headed by a Regional Attorney, and 13 branch offices. The field offices typically provide legal services to USDA officials in regional, State, or local offices.

As of September 30, 1999, we had 345 employees. This included 234 attorneys and 111 support staff in the Washington, D.C. headquarters and field locations. Approximately half of our personnel are located in the field.

CURRENT ACTIVITIES AND ISSUES

During this past year, OGC has provided significant assistance in the implementation of the income assistance and disaster assistance programs which were authorized by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000, and the Omnibus Consolidated Appropriations Act, 2000. These activities included the drafting and review of numerous regulations and program documents necessary to issue the approximately $8.7 billion to

agricultural producers for income and disaster assistance as authorized by these Acts. OGC has also been actively involved in Agricultural Marketing Service (AMS) commodity procurements for the various Federal feeding programs, including the National School Lunch Program. In particular, OGC has provided substantial assistance in several situations where commodities delivered by vendors posed significant health and safety threats to participants in these feeding programs.

OGC has continued to provide assistance in the context of the major commodity programs authorized by the Federal Agriculture Improvement and Reform Act of 1996 and the conservation programs authorized by the Food Security Act of 1985. OGC attorneys have provided assistance to the Department of Justice in the defense of lawsuits involving these programs and, to date, the Department of Agriculture has successfully defended all major challenges to the implementation of the programs.

OGC has supported various major activities of the Foreign Agricultural Service (FAS) and has worked closely on agricultural-related items with officials from the Office of the United States Trade Representative (USTR). Substantial efforts were expended with respect to the enforcement of commitments received in the Uruguay Round, including Agreements on Agriculture and the Application of Sanitary and Phytosanitary Measures, as well as providing assistance on other ongoing negotiations concerning other international agreements such as

biodiversity. OGC will continue to advise USDA and USTR officials on legal issues which arise in the context of Mutual Recognition Agreements on wine-making practices and veterinary biologics and the International Plant Protection Convention.

OGC has provided increasing assistance in connection with World Trade Organization (WTO) dispute settlements and appeals. For example, we have been involved this past year in several WTO cases involving challenges to South Korea's restrictions on beef imports, as well as the defense of the United States' measures regarding its Foreign Sales Corporation tax regime as it affects agricultural exports and the United States' safeguard measure on wheat gluten. OGC continues to assist the United States' efforts in ensuring compliance by the European Union (EU) with the WTO decisions striking the EU ban on the importation of meats produced with certain growth-promoting hormones. OGC has also been active in consultations with the EU on its discriminatory wine importation regime and with the Government of Chile with regard to its imposition of countervailing duties in response to exports of United States' dairy products to Chile under the Dairy Export Incentive Program.

The Commodity Credit Corporation continues to export large volumes of commodities to meet humanitarian food needs overseas under several major programs, including donations under section 416(b) of the Agricultural Act of 1949 and the Food for Progress Program, as well as donations and concessional credit under Titles I and II of Public Law 83-480. Prospectively, during the

remainder of fiscal year 2000, OGC will review numerous documents relating to these donations and we anticipate that there will be a significant increase in admiralty claims for losses to CCC-donated commodities shipped in fiscal year 1999 due to the large number of CCC donations that year. Because of the large quantities of exports to Russia this past year and those anticipated for this year, combined with the current state of the Russian economy, OGC anticipates providing extensive counsel to FAS officials on Russian aid projects.

With respect to USDA's domestic food assistance programs, OGC has been heavily involved in efforts related to the review of proposed legislation and the implementation and enforcement of new legislation aimed at welfare reform and other program improvements, as well as the ongoing program integrity and compliance initiatives. We expect the demand for legal services in connection with these activities to remain constant in fiscal year 2000 and 2001.

More specifically, during this past year, OGC attorneys worked closely with the Food and Nutrition Service (FNS) to implement the provisions of: the Agriculture Research, Extension, and Education Reform Act of 1998 (AREERA), P.L. 105-185; the William F. Goodling Child Nutrition Reauthorization Act of 1998 (Goodling Act), P.L. 105-336; the Balanced Budget Act of 1997 (BBA), P.L. 105-33; and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (Immigration Reform Act), Division C of P.L. 104-208. OGC provided assistance in

connection with the implementation of the food stamp administrative payment reduction and alien eligibility provisions of AREERA, the legislative changes to the Child Nutrition Programs intended to ensure integrity in program administration brought about by the Goodling Act and continuing assistance with implementation of BBA provisions regarding funding of food stamp education and training activities. In connection with the Immigration Reform Act, OGC is representing USDA's interests in ongoing inter-agency discussions aimed at providing a uniform and predictable test for determining when the receipt of benefits renders an alien deportable, inadmissable or ineligible for adjustment of alien status as a result of being likely to become a public charge.

OGC also assisted in the defense of challenges raised by potential food stamp participants concerning State implementation of certain welfare reform provisions initiated by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), P.L. 104-193. These issues concerned State food stamp policies with respect to applicant awareness and access to the Food Stamp Program. OGC is also assisting in the defense of a class action lawsuit in New York State which challenges the implementation of the Debt Collection Improvement Act with regard to food stamp recipients. With respect to the Child and Adult Care Food Program, OGC has been working with counsel for several States in pursuing Federal and State administrative claims

arising from audits performed by the Department's Office of Inspector General.

The implementation of the alien provisions of the PRWORA continues to generate litigation in several States. These lawsuits have, thus far, been successfully defended in the lower courts. Several cases are currently pending before appellate courts and the first petition for certiorari has been filed with the United States Supreme Court.

OGC continued to address numerous issues arising from the nationwide rollout of electronic benefit transfer (EBT) in the Food Stamp Program and demonstrations of the use of EBT in other food assistance programs. OGC reviewed proposed legislation to require interoperability of EBT cards among States implementing EBT systems.

Providing strong legal support to the Department's food safety programs has been and will continue to be one of OGC's top priorities. In January of this year, the Department reached another milestone in its efforts to reform and enhance meat and poultry inspection systems as implementation of the HACCP/Pathogen Reduction rule was completed in all of the nation's meat and poultry slaughtering and processing plants. We worked closely with FSIS on this last phase of implementation and on the HACCP-based pilot programs to test new inspection models that the agency believes will lead to more effective inspection and better use of scarce resources. In that regard, we worked with the Department of Justice to successfully defend the

validity of the HACCP rules and FSIS' authority to test the new inspection models in a case brought by the American Federation of Government Employees, the Community Nutrition Institute, and several FSIS meat inspectors. But our work in this arena is far from over as is evidenced by the lawsuit commenced late last year in Texas in response to FSIS' enforcement of the HACCP rule's Salmonella performance standard. Cases of this significance place imposing demands on our available legal resources.

We have also provided intensive support to FSIS' rulemaking activities. These have included establishing procedures for industry appeals of FSIS inspection decisions, finalizing supplemental rules of practice for enforcement proceedings, finalizing the complete revision of the agency's sanitation regulations to create a more flexible but comprehensive set of performance standards, and the publication of the rule permitting the use of ionizing radiation to reduce levels of food-borne pathogens in meat products. We also assisted in the development of other rules that streamlined of the inspection system, eliminated prescriptive and unnecessary requirements, and adopted performance standards that included the approval of substances for use in the preparation of meat and poultry products, the elimination of prior approval requirements for proprietary substances and non-food compounds, the establishment of performance standards for the preparation of cooked products and for various ready-to-eat products. Looking ahead, FSIS still has an array of major rules in various stages of development that we

look forward to advancing, such as a final rule regulating retained water in raw meat and poultry products, as well as regulations dealing with the online reprocessing of poultry.

Effective food safety inspection programs require firm, consistent, and fair enforcement. We provide advice and litigation support on a daily basis to FSIS' enforcement and compliance program to achieve those ends. We have handled successfully an array of criminal, civil, and administrative cases. In one such case, we teamed with the Department of Justice to reach a strong pre-trial diversion agreement with the Kmart Corporation pursuant to which Kmart is carrying out an extensive remedial program to address sanitation and pest control hazards at approximately 2,000 retail stores and 14 distribution centers. In our view, this agreement represents an innovative and effective use of our enforcement authorities to improve food safety in distribution channels.

In the past year, OGC has provided extensive legal services to the Agricultural Marketing Service (AMS) in various matters and will continue to work closely with AMS in the year ahead. OGC continues to provide assistance in the reform and consolidation of federal dairy marketing orders. A proposed rule was issued on January 21, 1998, after extensive review and revision by our office. AMS issued a final rule on September 1, 1999, which, after litigation delays became effective, with modification, January 1, 2000.

Presently, OGC is working with AMS to establish a pilot program concerning forward contracting between milk producers and handlers. OGC is also working with AMS to prepare for hearings on Class 3 and 4 prices for milk.

The organic standards rulemaking continues to be an OGC priority. On December 16, 1997, a proposed rule was published that would establish a National Organic Program under the Organic Foods Production Act of 1990. The proposal generated over 275,000 comments. These comments ranged from simple opposition to all or portions of the proposal to more complex and substantive comments, raising a variety of policy and legal issues concerning the proposal and issuance of a final rule. Currently, we are working with the organic program staff and the Office of Management and Budget concerning a revised proposed rule that will be published in the Federal Register for comment. Later this year we will work with AMS as they develop a final rule.

The Commodity Promotion, Research, and Information Act of 1996 provides general authority for the Secretary to issue orders establishing new research and promotion programs. Prior to enactment of this statute, research and promotion programs were authorized under individual statutory authorities. The 1996 Act provides authority to tailor a program according to the individual needs of an industry. We are currently providing legal services to AMS on proposed rules that would provide for industry-funded promotion, research and information programs for

blueberries and olive oil. Further, representatives of the apple, seafood, asparagus, and sweet corn industries have expressed interest in establishing programs. We will continue to work with AMS as these new research and promotion programs are proposed. We have also provided extensive legal service to the agency in connection with numerous proposed changes to the honey program as a result of the 1998 amendments to the Honey Research Promotion and Consumer Information Act.

OGC is also providing extensive legal services to AMS in connection with implementation of the Livestock Mandatory Reporting Act of 1999. OGC is assisting AMS staff in drafting a proposed rule that would establish a mandatory program of reporting market information regarding the marketing of cattle, swine, lambs, and products of such livestock. This program would provide information on pricing, contracting for purchase, and supply and demand conditions for livestock, livestock production, and livestock products.

Safeguarding the animal and plant health of the United States is a matter of paramount importance to the Department. OGC has partnered effectively with Animal and Plant Health Inspection Service (APHIS) for many years in carrying out these program responsibilities and will continue to do so in the future. APHIS' responsibilities have become vastly more complex requiring not just effective safeguarding measures, but programs to ensure the safe and smooth entry of people and goods into the United States, and the facilitation of agricultural trade in

compliance with our international obligations. Similarly, OGC's responsibilities and the demands for timely and effective legal support of APHIS inspectional and regulatory activities have increased as well.

We have an exceptional relationship with APHIS program officials and with their regulation development staff, and we have worked very closely with them in connection with an array of rulemaking activities that included rules for the movement of equines to slaughter, the regulation of sheep and goats for scrapie, rules dealing with Johne's disease in cattle and pseudorabies in swine. On the plant side, we have assisted with regulations for Karnal bunt in wheat, citrus canker, and noxious weeds. With our help, APHIS developed an advance notice of proposed rulemaking concerning whether producers engaged in aquaculture should be provided animal health services under the animal quarantine laws. In connection with the facilitation of international trade, our attorneys provided timely and effective legal support for APHIS activities related to the development of rules that will allow new commodities to enter U.S. markets while ensuring that America's agricultural resources are not impaired and that plant and animal health in the U.S. are not compromised. These regulations have included requirements for an array of commodities ranging from fruits and vegetables to animals and animal products. They included the importation of horses, pork, poultry, avocados, fuji apples from Korea, irradiation as a

phytosanitary treatment for fruits and vegetables, cut flowers, and wood chips from China.

Our attorneys have also dedicated substantial resources to defending APHIS program activities and regulations in the federal courts. We also handled a variety of administrative and federal court cases on behalf of APHIS to enforce its regulations. These cases have included prosecutions for violations of the standards for accredited veterinarians, the illegal importation of fruits and vegetables, violations of the regulations governing the interstate movement of various fruits and vegetables, and the falsification of phytosanitary certificates.

OGC provided substantial legal services to APHIS throughout the negotiated rulemaking process involving the complete revision of the regulations governing the humane handling, care, treatment, and transportation of marine mammals held in captivity, and recently, provided substantial drafting and review services to APHIS in preparation for the publication of the final rule. Because all of the stakeholders participated in the formulation of the proposed rule, we do not expect that this rulemaking will be as controversial as other animal welfare rulemakings. We do expect, however, that this rulemaking will require the need for continued legal services in fiscal year 2000.

During fiscal year 2000, OGC anticipates expending substantial resources in connection with the Horse Protection Act Program. OGC attorneys serve as agency counsel in administrative

enforcement actions brought under this statute, and in fiscal year 1999, OGC initiated 34 enforcement cases. We anticipate that the number of enforcement actions will not diminish in fiscal year 2000. In addition, OGC anticipates providing assistance and counsel to APHIS, particularly in connection with the training of Veterinary Medical Officers working in the Horse Protection Program, and in the drafting and implementation of APHIS's annual Operating Plan for the horse show season.

Whether it be the development of effective animal and health regulatory programs, litigation support for compliance and enforcement, the drafting and clearance of international agreements to improve agricultural quarantine inspections or bilateral disease prevention and control activities, or devising a response to emergency outbreaks and infestations, OGC attorneys work very closely and effectively with APHIS' animal and plant health specialists on a daily basis to ensure effective, prompt, and legally defensible action.

In the Trade Practices area, we provide legal services under the Packers and Stockyards Act (P&S Act), the Perishable Agricultural Commodities Act (PACA), and the Capper Volstead Act and provide the liaison for the Department under the Memorandum of Understanding between the Department, the Federal Trade Commission and the Department of Justice. Of special note this year under the P&S Act, we filed two enforcement cases against large packers alleging violations of the Act. Our complaint against one of the packers alleges that the packer engaged in an

unfair practice when it changed the formula by which it calculated lean percent in slaughter hogs, a calculation that directly affected the price the packer paid to producers, without telling producers of the change. As a result of the change, the packer paid lower prices for 80 percent of the hogs it purchased. In the second case, the complaint alleges that the packer subjected a feedlot to an unreasonable prejudice or disadvantage by changing its buying practices (and failing to buy at all) after the feedlot manager criticized the packer in a farm journal. We expect hearings in both of these cases this summer. In addition, we are assisting the Grain Inspection, Packers and Stockyards Administration (GIPSA) in its regulatory initiatives, including the regulations to implement the swine contract library created by the mandatory price reporting legislation, and have worked with the agency on a number of poultry investigations.

In PACA, this year we filed a complaint against one of the country's largest produce companies alleging that the company had allowed three shipments of grapes to enter the country after the grapes had failed inspection. That proceeding was settled in a consent decision in which the company agreed to pay a civil penalty of $180,000 and to put a comprehensive compliance program into effect. Also of significance in the Trade Practices area this year, we have acted as liaison to expedite the provision of data or expertise to the Department of Justice (DOJ) on agricultural issues as DOJ investigates firms or reviews mergers or acquisitions of agricultural businesses. In the D.C. Circuit

Court, a tomato wholesaler is seeking review of the Secretary's decision which found a violation of the Perishable Agricultural Commodities Act and revoked the wholesaler's license.

OGC also provides legal services to agencies which manage some of America's largest lending portfolios. OGC continues to be heavily involved in debt collection and foreclosure actions with many debts going back to the emergency loan program of the 1980's. OGC continues to defend several lawsuits involving hundreds of multifamily housing projects whose owners want to prepay their loans and thereby remove a significant number of low income housing units from rural America. We continue to provide assistance to the Farm Service Agency and other agencies within the Rural Development mission area in implementing the Debt collection Improvement Act of 1996, specifically involving credit reporting, electronic transfer of funds, offset, and cross servicing. OGC continues to work with the Rural Business and Cooperative Service in reviewing all of their cooperative agreements and in improving their cooperative agreement process. We also began working with the Rural Housing Service (RHS) in the implementation of the Community Development program. Finally we worked to overcome several significant hurdles to the National Sheep Industry Improvement Center's being able to successfully implement their loan and grant programs. We also are now working with RHS in implementing the Farm worker and Processor worker housing grant program authorized under P.L. 106-113.

Also in the Rural Development area, we are continuing to work closely with RHS, the Department of Housing and Urban Development, and the Department of Veterans Affairs to coordinate and streamline the housing loan application process for native American borrowers on Indian Reservations.

We continue to work with the Congress and the Risk Management Agency on legislation for the improvement of the Federal Crop Insurance Program. In fiscal year 1999 and continuing into fiscal year 2000, RMA has continued to implement new pilot programs in speciality crop areas to expand the number of producers covered under that safety net. These pilot programs take a large amount of legal services since each policy is unique in perils covered and indemnities paid.

The Secretary is committed to regulatory reform. We continue to work with Department officials to implement the President's regulatory reform package. We work with agencies throughout USDA to reduce regulatory burdens, eliminate obsolete or unnecessary regulatory requirements, and streamline regulations, particularly in the areas of rural, farm and utility lending. For example, OGC has worked extensively with FSA over the past year to rewrite all of their Farm Loan Programs loan making and servicing regulations to reduce regulatory burdens where possible and to clearly state agency policy. We are assisting FSA in formulating and writing new loan making and servicing regulations for Indian Tribal Land Acquisition loans. RHS is in the process of reinventing its multi-family housing

regulation and that process has used a considerable amount of OGC resources. Our efforts on these long-range projects will continue into the 2001 fiscal year.

OGC provided a wide range of legal services to the rural utility programs of the Rural Utilities Service (RUS) and the Rural Telephone Bank (RTB) during fiscal year 1999. In particular, substantial legal services were provided in documentation of RUS loans and grants, in servicing and collection issues associated with the $38 billion RUS electric and telecommunications loan portfolio, and with a series of projects that responded to the dynamic changes occurring in the electric and telecommunications industries. These projects include mergers and alliances, corpoarate reorganizations, the unbundling of transmission, generation, and distribution services, the restructuring of existing power supply arrangements and the development of the new power marketing arrangements. The projects raised many new and complex legal issues as RUS undertakes to protect the feasibility of and security for its outstanding loans and strengthen its borrowers' financial and operating position to meet the demands of competition and deregulation, introduced with the Energy Policy Act of 1996 and the Telecommunications Act of 1994.

During fiscal year 1999, RUS introduced an fundamentally new loan guarantee program pursuant to which RUS provided guarantees to two private sector lenders for loans targeted to electric distribution borrowers. OGC negotiated, drafted, and prepared

all documents needed to implement this program. To streamline the program, OGC drafted the documents in a manner permitting automated preparation using a state-of-the-art computerized document assembly system developed by OGC. Utilizing this system, OGC documented in one month over forty separate loan guarantees totaling $500 million, which represented additional lending authority granted to RUS during the last quarter of the fiscal year. OGC also completed the negotiation and drafting of fundamentally new security arrangements, structured as indentures, designed to facilitate private market financing for three large power supply borrowers. Each of the projects, which have taken more than a year to complete, required the development of new financial tests reflecting the unique requirements of the borrower's corporate and financial structure.

In the area of loan collection activities, OGC provided legal support for a number of projects involving both borrower bankruptcies and the exercise of debt compromise authority by RUS. For example, during fiscal year 1999, the RUS Administrator exercised compromise authority to resolve the financial problems of two power supply borrowers which, because of the high cost of RUS funded investment in nuclear power plants and the pressures of competition, faced defaults on government debt of close to $800 million. OGC worked closely with RUS to develop both a corporate and financial restructuring of the borrowers that protected the government's financial and programmatic interests. OGC also provided litigation support in

the bankruptcy of a large Louisiana power supply borrower. The bankruptcy, which has been ongoing for five years, involves $2.7 billion in government loans and some 700 creditors and has spawned numerous issues in a variety of judicial and regulatory forums. In August, the principal parties reached agreement on a plan of reorganization which will resolve this case.

OGC worked closed with RUS on a number of complex corporate restructuring projects which are designed to allow borrowers to operate more effectively in the changing industry. Examples of these projects, include the virtual merger of two large Minnesota power supply borrowers. The project required, among other matters, substantial revision in the terms of the RUS required wholesale power contracts, the security arrangements for RUS loans, and the governing structure of the surviving entity. OGC also dedicated considerable resources to the corporate restructuring of two power supply borrowers in the southwest. In one case, the borrower is attempting to merge with another power supplier to resolve serious financial problems that jeopardize the interests of RUS and other lenders. In the other, the borrower is seeking to unbundle generation and transmission functions and to reform its power supply arrangements with its members in order to accommodate state consumer choice legislation. Both projects raise a range of issues associated with protecting the feasibility of and security for RUS loans totaling hundreds of millions of dollars.

In the RUS telecommunications program, OGC worked closely with RUS in the development of a series of new policies and regulations addressing the many changes occurring in the telecommunications industry. As an example, OGC provided considerable legal services in drafting a proposed rule to amend RUS regulations concerning the accommodation of the government's lien on the telecommunication facilities of its borrowers. The rule is designed to facilitate the access of the most credit worthy RUS borrowers to private market funding to be used in financing a broad range of telecommunications services. The proposed regulation required the drafting of streamlined, new loan and security instruments.

OGC also provided legal services in connection with the operations of RTB. Examples range from advising on issues regarding the privatization of the RTB to providing advice and technical drafting services on revisions to the RTB bylaws that affect the capital structure and the rights of certain classes of stockholders of RTB.

In the water and waste program, legal services were performed in connection with a number of cases in litigation in which municipalities and other public bodies seek to condemn or otherwise take water and waste systems financed by RUS, notwithstanding federal statutory protections afforded those systems. OGC also provided advice and assistance in connection with sale of water and waste systems financed with RUS grants to for-profit entities. Finally, OGC worked closely with RUS on a

number of water and waste regulations including the complete re-write of water and waste loan-making and servicing regulations.

In the natural resources area, we have been involved in a number of extremely significant undertakings concerning national forest management and natural resources conservation programs. We also assisted two of our client agencies, the Forest Service (FS) and the Natural Resources Conservation Service (NRCS), daily in support of their program missions.

We have provided assistance nationally to NRCS in administering a number of conservation programs, including the Highly Erodible Land and Wetland Conservation Programs, Environmental Quality Incentives Program, Wetlands Reserve Program, Farmland Protection Program, and the Emergency Watershed Protection Program. We have assisted DOJ in defending NRCS against several challenges under the National Environmental Policy Act (NEPA) and Endangered Species Act (ESA). In almost every case, the challenges were not really directed at the agency's programs, but were aimed at agricultural practices on private lands and attempted to use the federal statutes as means to impede those activities. Despite the lack of substantive agency involvement in those activities, we had to devote significant legal services in both defending the litigation and in counseling the agency. In addition, we have continued to advise the agency regarding NEPA and ESA compliance on all of its programs.

The increasing concern and focus on water quality matters, particularly regarding non-point sources of pollution, have required a substantial increase in the level of legal services that we provide to FS and NRCS. We have several lawyers who now devote a good portion of their time to water quality issues. We continue to provide legal services in support of the Clean Water Action Plan, including the recently published EPA/USDA Joint Strategy for Animal Feeding Operations and the Unified Federal Policy for a Watershed Approach to Federal Land and Resource Management, currently under development.

Management of our National Forests is a subject of intense debate and litigation, with a great deal of legal work generated by the impact of new scientific information on ongoing Forest Service projects and commitments. Legal questions continue to include interpretation of the nature of forest planning in light of the recent Supreme Court ruling (Ohio Forestry Association v. Sierra Club), the relationship of the Endangered Species Act to the forest planning process, and revisions and appeals of the second generation of forest plans. In pending litigation, the 5th Circuit Court has agreed to rehear a case involving challenges to requirements for monitoring endangered species (Sierra Club v. Peterson). OGC is also providing advice on the proposed planning rule and roads management and roadless proposals.

Further, we successfully defended against several timber sale claims arising from contract modifications and suspensions

to protect the habitat of threatened, endangered, and sensitive species, and we are assisting the FS with new timber sale contracting authority commonly referred to as stewardship contracting. We assisted in a trial in the Court of Federal Claims in which the government stands to collect more than $31 million in damages for defaulted contracts. We also successfully defended several challenges in the West by local governments and individuals under the so called "County Supremacy" movement, which disputes federal ownership or jurisdiction over public lands. We are currently involved in settlement negotiations with multiple parties involving a land claim of the Pueblo of Sandia to thousands of acres of the Cibola National Forest north of Albuquerque, New Mexico. We are representing FS in the many hydroelectric relicensing proposals occurring within and adjacent to the National Forest System (NFS) lands, in settlement negotiations, administrative appeals to the Federal Energy Regulatory Commission (FERC) litigation, and program policy development and implementation.

With regard to Congressionally authorized land acquisition, OGC plays a major role in the contracting and closing phases of these transactions. Some acquisition projects, such as the $101 million Baca Ranch in New Mexico, require that OGC devote substantial resources in time and personnel.

We also have devoted substantial resources to other legislative and regulatory initiatives, such as land exchanges and acquisitions, relicensing of hydroelectric projects, grazing

reform, reauthorization of the Endangered Species Act, and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

We provided extensive assistance in reviewing legislation relating to topics such as the Interior Columbia Basin, the survey and manage provisions in the Northwest Forest Plan Amendments, and payments to states. We also provided substantial legal assistance to FS in connection with interpretation of appropriations provisions and development of proposals for the President's budget. Additionally we provided legal assistance for numerous Congressional hearings and in responding to requests from Congressional Committees for documents on matters including the Sierra Nevada Conservation Framework planning effort, the development and issuance of the Tongass Land Management Plan Record of Decision, and the denial of contract claims on the Alaska Pulp Corporation's 50-year timber sale contract.

In addition, we regularly provide advice to USDA agencies on compliance and litigation arising under the pollution control laws. Litigation which raises a question regarding application of a statute of limitations to CERCLA natural resource damages claims by federal trustees is pending before the Court of Appeals for the 9th Circuit.

Most frequently, pollution control issues involve abandoned and inactive mines and landfills on federal lands, the use and storage of agricultural chemicals, and management of hazardous waste at agricultural research facilities. We have worked with

other federal resource management agencies on implementation of executive authority under CERCLA to address cleanup of hazardous substances affecting federal resources.

We also provided significant assistance to the FS on matters concerning recreational use of NFS lands. We successfully defended several cases challenging the FS noncommercial group use regulation under the First Amendment and assisted in the development of cost recovery regulations for the special uses program.

In the minerals area, we provided extensive legal services to the FS in determining the consistency of mineral development with statutes governing millions of acres of land acquired under New Deal programs, successfully challenging the validity of mining claims for more than 1,000 acres of land in a National Recreation Area, and in determining a company's right to dispose of mining waste on NFS lands. As the Administration and Congress continue their efforts to re-invent the Federal Government, and as the Department takes its own initiatives to make its delivery of services more efficient, streamlined, and customer friendly, we anticipate greater demands on the General Law Division (GLD). These range from providing legal services regarding personnel and labor matters, the Freedom of Information Act and the Privacy Act, and debt collection initiatives; and providing legal support for creative approaches for doing more with less. In this regard, GLD is being called upon to address an increasing number of issues relating to the augmentation of appropriations,

compliance with the Antideficiency Act, and the transfer of appropriations. At the same time, GLD is fielding additional requests for legal advice in such fiscal matters, as the use of appropriated funds for travel of Federal and non-Federal persons; leasing of real property; advisory and assistance services; personal services; and uniforms, meals and refreshments. GLD will continue to advise USDA agencies on the proper use of instruments (contracts, grants, cooperative agreements, and memoranda of understanding), and the proper terms and conditions necessary to document their transactions and fiscal obligations. We anticipate additional demand on GLD resources arising out of an increased emphasis on competitive outsourcing of work performed by Government personnel and the use of franchise activities run by Government agencies. In addition, the GLD will provide assistance to the Office of the Chief Financial Officer on its implementation of new procedures established by the Federal Activities Inventory Reform Act of 1999, and a renewed interest in the performance of reviews of Government activities under OMB Circular A-76.

With regard to the procurement of property and services, the GLD will continue to devote substantial resources to assist the Chief Information Officer to improve information technology management in the Department. As the Department increasingly employs the use of the Internet in its activities, it is anticipated that GLD will have a larger workload in the area of computer privacy and cyber-security. GLD now responds to a

greater number of requests for assistance from an ever-shrinking and under-trained contracting workforce in procurement and property matters such as innovative acquisitions, that contemplate the sharing of risks or profits with the contractors; creative resolutions to fulfill the Department's needs for new and additional facilities; and Department-wide software licensing. Increasingly, GLD will work with contracting officials to support the research, development, acquisition and use of bio-based products. Also, GLD will continue to provide an enhanced level of legal representation of USDA agencies in protests filed with the General Accounting Office. In property matters, there has been an increase in the requests for GLD assistance concerning the responsibilities and costs to the Department for the operation and maintenance of its facilities, child care, security issues, workplace violence, and responding to bioterrorism.

GLD will continue to provide a sustained rate of legal services to the National Appeals Division (NAD) regarding procedural, Equal Access to Justice Act (EAJA) and general administrative law matters. It provides information to the field and coordination of OGC litigation work nationwide regarding legal issues arising from the NAD organic statute, such as exhaustion of administrative remedies, jurisdiction of the district courts, implementation and effective dates of NAD determinations, and applicability of other laws, such as EAJA and the Administrative Procedure Act, to NAD proceedings.

GLD will continue to provide ongoing advice to the research, education, and economics (REE) agencies of USDA with respect to the implementation of the new stakeholder input, plan-of-work, 1890 matching, and research and extension formula fund integration requirements contained in the Agricultural Research, Extension and Education Reform Act of 1998. This will involve the review of *Federal Register* notices and rulemakings, as well as the issuance of legal opinions. Also within the REE area, GLD will provide legal assistance for issues that arise in the administration of the competitive grants programs, including the new Secondary Agriculture Education Challenge Grants Program.

GLD will continue to provide advice to USDA agencies regarding affirmative action and minority preference programs as the law and Government regulations, particularly in the procurement sector, continue to evolve in this area. It also will continue to provide advice relating to outreach to disaffected groups, particularly the outreach to socially disadvantaged farmers.

Labor issues continue to capture the time and attention of attorneys in GLD. During the past year there have been increasing numbers of requests for legal assistance from other USDA agencies related to labor issues, as well as increasing demands for legal assistance from OGC. Last year GLD advised managers regarding issues arising from the consolidation of the field units of exclusive recognition by the American Federation of Government Employees (AFGE) within OGC. GLD attorneys were

actively involved in assisting OGC managers regarding issues related to the negotiation of interim and final collective bargaining agreements with the AFGE. OGC anticipates that substantial legal resources will continue to be required in the next fiscal year to assist other agencies in the Department and to address legal issues that arise from finalizing and implementing the final collective bargaining agreement between OGC and AFGE.

With regard to general litigation, some interesting trends have become evident over the past year. Under the Freedom of Information Act (FOIA), GLD has defended several suits in which the Department is sued in one jurisdiction to prevent the release of information claimed to be exempt as privacy-protected while at the same time the Department is sued, or is under threat of a suit, in another jurisdiction for failing to release the same or similar information. In other areas, GLD is defending increasing numbers of suits against USDA employees who are sued in both their official and individual capacities for alleged violations of constitutional or Federal statutory rights. GLD anticipates that these trends will continue and significant legal resources will be required to defend these suits.

OGC continues to provide legislative drafting and related assistance to the Department and Congress on major legislative activities that involve the Department and its programs. Extensive assistance was provided to Departmental policy officials and Congressional staffs in drafting and analyzing

various legislative proposals recently considered by Congress, including crop insurance reform legislation; disaster relief for farmers; market price reporting; electronic transfer of food stamp benefits; concentration of agribusinesses; and appropriations provisions contained in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000. In addition, we are currently participating in the preparation of legislation in a number of areas in support of the President's Fiscal Year 2001 budget request for the Department.

Litigation Division attorneys, in cooperation with attorneys from the Department of Justice and other Divisions in OGC, presented USDA's position in appellate courts. These efforts led to the Ninth Circuit Court upholding a $225,500 civil penalty assessed by the Secretary for violations of the California Almond Marketing Order. The D.C. Circuit Court approved of the Secretary's regulations to promote the psychological well-being of primates under the Animal Welfare Act. The 8th Circuit Court considered a request under the Freedom of Information Act and ordered a permanent injunction entered against release of names and addresses of pork producers who signed petitions calling for a referendum on whether to continue a USDA program. The government has requested rehearing by the 6th Circuit Court of its decision reversing a district court order which had rejected a challenge by mushroom producers to financing a promotional program under a market order.

For over two years, the Department has engaged in massive efforts to reform its civil rights performance. The Secretary wants to ensure that all of our customers and employees are treated with dignity and respect, and are afforded equal employment opportunity and equal access to all USDA programs. Critical to the achievement of these goals was the creation, in 1998, of the Civil Rights Division (CRD) within OGC. Staffed with attorneys with specialized expertise in civil rights law, CRD is charged with providing legal services to the Secretary and all agencies of the Department on civil rights issues.

The CRD played the critical role in the settlement of th[redacted] Pigford and Brewington litigation. The settlement will help the Department open a more constructive front in its efforts to be the Federal civil rights leader in the 21st century. Both cases are class action lawsuits filed by African American farmers who allege race discrimination in FSA programs. The consent decree (settlement) received preliminary approval on January 5, 1999. A fairness hearing on the settlement was held on March 2, 1999. When the Court approved the settlement on April 14, 1999, the consent decree provided a framework for the adjudication of claims of African American farmers who believe they suffered discrimination by the Department in connection with USDA credit and benefit programs during the period January 1, 1981 through December 31, 1996.

CRD has taken the leading role in ensuring that USDA meets its commitments under the consent decree, particularly with

respect to the production of relevant documents and necessary legal analysis related to each claim filed pursuant to the consent decree, as well as steps to be taken by the Department to comply with adjudicator and arbitrator decisions. CRD is working with FSA and DOJ to develop rapid responses to claims and to help ensure that the Government's responses are timely and appropriate.

Key to settlement of the Pigford and Brewington cases was the 1998 enactment of the waiver of various statutes of limitations, that allows farmers with long-standing discrimination complaints to have their claims finally heard. CRD and OGC field offices are representing the Department in the 60 cases in which a hearing has been requested.

With respect to farmer discrimination claims not covered by the Pigford and Brewington settlement, CRD works with the USDA Office of Civil Rights (CR) to ensure that all claims receive expeditious and fair consideration, within the bounds set by applicable law.

Recent years have seen a drastic increase in the number of formal complaints filed by USDA employees with the Equal Employment Opportunity Commission (EEOC). For example, 946 formal complaints were filed in fiscal year 1998 and 972 formal complaints were filed during fiscal year 1999. CRD and OGC field offices are defending the Department in administrative litigation before the Equal Employment Opportunity Commission (EEOC) and are

working with DOJ to ensure the best possible defense in court. There are currently nearly 1,679 active EEO cases pending.

CRD staff currently handles some 16 class action lawsuits. Of this number, 12 are employment cases and 10 of these cases are pending before EEOC.

Clifford J. Herron, et al., v. Dan Glickman, U.S. Department of Agriculture is a class action filed before EEOC on behalf of all African American FSA employees who were denied promotion or the opportunity for promotion to the GS-13, GS-14, and GS-15 grade levels since October 1, 1995. CRD litigated this action to ensure that USDA did not receive an unfair judgment.

To address other employment issues, CRD will intensify its efforts to provide training and technical assistance to OGC field attorneys and to Department officials, civil rights directors, and employee relations specialists. The goal is to identify and address issues before they become litigation. Where issues are identified, CRD will bring the issues to the attention of appropriate Department officials, with legal analysis and recommendations for addressing the issues.

CRD provides other significant legal services to ensure that USDA complies with civil rights and other laws. Shortly after enactment of the statute of limitations waiver legislation and the preliminary settlement of the *Pigford* case, CRD acted to advance the Department's desire to settle long-standing discrimination complaints, while protecting the Department from

future litigation risk. The Office of Civil Rights and CRD drafted and helped negotiate revised settlement agreements thereby resolving several long-standing complaints against the Department.

CRD established an OGC Civil Rights Team. Currently, the team consists of 37 OGC attorneys from across the country. Prepared by CRD staff, the Civil Rights Team Newsletter provides important updates on changes and trends in the law especially to OGC field attorneys.

More staffing, especially in the civil rights area is necessary to reduce the risk of damage liability to USDA. Foreseeing this need, one of the expectations in creating CRD was that CRD, along with the field offices, would represent all agencies in all formal proceedings before the EEOC. The low number of attorneys to handle hearings before EEOC is very detrimental to the Department. The Civil Rights Implementation Team envisioned a very proactive CRD that will work with the agencies to stop discrimination before it starts and to address several civil rights problems that had not been addressed before. Areas that require attention include Title VI and other laws that prohibit discrimination by projects and activities receiving Federal financial assistance, fair and equal treatment of employees and customers, dislocation of people of color communities, farm workers' rights, minority contract issues, environmental justice issues, disability issues, and age issues. Already, CRD provides agencies much advice in these important

areas of the law. CRD must be active, not only in giving advice, but also in providing training and other preventive activities. This is not only necessary to stop the lawsuits before they start, but to also take the steps necessary to ensure that the Department truly becomes the "people's department."

FY 2001 BUDGET REQUEST

For fiscal year 2001, OGC is requesting $32,881,000 in direct appropriations. This request represents a significant increase of $3,687,000 over the fiscal year 2000 appropriation. The requested increase is needed to support and maintain curr[redacted] staffing levels to meet the current and projected increased demand in delivering pre-decisional legal advice, training, appeal and litigation legal services to agencies. The majority of the increase consists of $1,886,000 consisting of $928,000 for the anticipated fiscal year 2001 pay raise, which OGC does not have any flexibility for absorbing and $958,000 to maintain current staff. We are also requesting $976,000 for legal services in specific areas where staffing is insufficient to adequately meet demands for legal services generated by the Department. These areas include the Civil Rights Division, the Natural Resources Division, Regulatory Division and two regional offices -- Leawood and San Francisco. The remaining $825,000 is necessary for the office automation and records management. OGC plans to replace and/or upgrade obsolete computers, printers and file servers. The requirement to upgrade the hardware will be a

continuing process as the technology continues to change. This increase also includes funding to implement a records management system and a retrieval system for information management nationwide.

CLOSING

That concludes my statement. We very much appreciate the support this Subcommittee has given us in the past. Thank you.

USDA Biographical Sketch

Charles Rawls
General Counsel



Charlie Rawls was sworn in on August 4, 1998 as the general counsel for the U.S. Department of Agriculture by Agriculture Secretary **Dan Glickman** on August 3, 1998. He had been serving as acting general counsel since February 1998.

I am delighted to have Charlie Rawls in the position of general counsel for USDA Glickman said. He has done a fine job in an acting capacity for the past six months. We have many complex issues to grapple with given the diversity of USDA programs, but Charlie s calm demeanor and reliable competence make working with him a pleasure.

Rawls came to USDA in June 1993, serving as executive assistant to Deputy Secretary of Agriculture **Richard Rominger.** In that position he provided the deputy secretary and the secretary with support and assistance on a wide variety of policy, management, and administrative matters, including the Department s annual budget, disaster coordination, international environmental issues, pesticide policy, and personnel matters. He was the principle point of contact in the effort to restructure and reinvent USDA.

Prior to joining USDA, Rawls served as administrative assistant from 1991 to 1993 and legislative director from 1988 to 1990 for then Congressman Martin Lancaster (D-N.C.). His legislative experience also includes five years with the House Committee on Agriculture where he served as the associate general counsel from 1985 to 1988, and earlier as counsel to the House Agriculture Subcommittee on Forests, Family Farms, and Energy from 1983 to 1985.

Rawls was born in Wilmington, N.C., and grew up in Raleigh. He is a member of the North Carolina bar, graduating from Campbell University School of Law in Buies Creek, N.C., in 1982. He also holds a B.A. degree in business management, graduating in 1979 from North Carolina State University in Raleigh.

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August 1998

[Questions submitted for the record for the Office of the General Counsel follow:]

QUESTIONS SUBMITTED BY MR. SKEEN

OFFICE OF THE GENERAL COUNSEL

USER FEE PROGRAMS

Mr. Skeen: Please update the table on page 920, of last year's hearing record that lists all the user fee programs for which you receive a reimbursement and the amount of the reimbursement to include fiscal year 1999 actuals and estimates for fiscal years 2000 and 2001.

[The information follows:]

USER FEE PROGRAMS
FY 1999 ACTUALS AND FY 2000 and 2001 ESTIMATES

Program	FY 1999 ACTUALS	FY 2000 ESTIMATES	FY 2001 ESTIMATES
Perishable Agricultural Commodities Act	668,126	$692,965	712,940
Agricultural Marketing Act	25,005	25,910	25,740
Tobacco Inspection Act	6,724	6,965	7,170
Cotton Standards Act	444	460	470
Plant Variety Protection Act	6,778	7,020	7,230
Voluntary Meat Services	1,333	1,995	2,050
Research and Consumer Information Act	52,265	53,530	55,100
Animal and Plant Health Inspection Service	224,848	168,805	173,740
United States Warehouse Act	14,712	7,690	7,910
United States Grain Standards Act	9,908	6,440	6,630
Food Safety and Inspection Service	4,097	2,370	2,440
	$1,014,240	974,150	1,001,420

USER FEE HOURS

Mr. Skeen: Update the table that appears on page 920 of last year's hearing showing the attorney-hours spent on each user fee account to include fiscal year 1999 actuals and estimates for fiscal years 2000 and 2001.

[The information follows:]

OFFICE OF THE GENERAL COUNSEL
USER FEE HOURS

Agency	FY 1997	FY 1998	Actual FY 1999	Estimated FY 2000	Estimated FY 2001
AMS	12,528	12,528	10,440	10,440	10,440
APHIS	4,176	4,176	2,088	2,088	2,088
GIPSA	209	209	62	62	62
FSA	209	209	104	104	104
FSIS	418	418	20	20	20
Total	17,540	17,540	12,714	12,714	12,714

STAFF YEARS

Mr. Skeen: Please update the table that appeared on page 921 of last year's hearing record, showing staff years by appropriation and reimbursements, to include fiscal year 1999 actuals and fiscal year 2000 and 2001 estimates.

[The information follows:]

OGC Staff Years
By Appropriation and Reimbursements
FY 1997, 1998, 1999 Actuals and FY 2000 and 2001 Estimated

	Fiscal Year				
				Estimated	
	1997	1998	1999	2000	2001
Office of the General Counsel	328	323	323	330	346
Allocation from Hazardous Materials Mgmt.	10	9	10	13	17
Staff under other USDA appropriations:					
FS	5	--	--	1	1
AMS-User Fees	6	6	5	5	5
APHIS-User Fees	2	2	1	1	1
GIPSA-User Fees	0	0	0	0	0
FSA-User Fees	0	0	0	0	0
FSIS-User Fees	0	0	0	0	0
Total, Other USDA Appropriations	13	8	6	7	7
Total, Office of the General Counsel	351	340	339	350	370

ATTORNEY HOURS BY CATEGORY

Mr. Skeen: Please update the table that appears on page 922 of last year's hearing report, showing attorney-hours worked by category, to include fiscal year 1999 actuals.

[The information follows:]

Attorney Hours Worked
Fiscal Years 1995 - 1999

Areas:	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Administrative Cases	36,818	33,713	35,519	38,498	40,130
Civil Cases	123,616	114,866	110,216	109,120	117,475
Criminal Cases	7,162	6,615	6,387	8,967	6,416
Nonjudicial Foreclosures	4,406	3,568	3,596	4,187	2,648
Hearing Officer/Claims Adjudicator Cases	9,018	8,024	7,030	8,886	7,993
Regulations	16,209	18,370	20,113	20,560	15,649
Correspondence/Documents	95,478	90,060	90,271	86,750	83,677
Oral Opinions	52,572	54,659	54,938	57,240	62,499
Draft or Review Legislation, Legislative Reports, Testimony	7,810	6,504	5,037	8,002	7,396
Other	73,475	67,737	72,006	68,845	78,245
Total	426,564	404,116	405,113	411,055	422,128

Mr. Skeen: What kind of work is performed in the "other" category?

Response: Work performed in the "other" category represents a multitude of the Departments's smaller, non-program agencies where less than 1 percent of total hours is worked. This category also includes time spent participating in conferences, committee meetings, professional development and administrative matters where the services benefit all OGC programs.

ATTORNEY HOURS BY AGENCY

Mr. Skeen: Also update the table on page 923 of last year's hearing report showing a breakout by agency of the attorney-hours worked for fiscal year 1999.

[The information follows:]

ATTORNEY HOURS FOR FISCAL YEAR 1999
(By Agency)

	Hours	Percent
Agricultural Marketing Service	30,926	7
Animal and Plant Health Inspection Service	33,312	8
Farm Service Agency	50,498	12
Food and Nutrition Service	19,322	5
Food Safety and Inspection Service	10,698	3
Foreign Agricultural Service	5,008	1
Forest Service	118,896	28
Grain Inspection, Packers and Stockyards Administration	8,274	2
Natural Resources Conservation Service	19,897	5
Rural Business Cooperative Service	5,692	1
Rural Housing Service	62,955	15
Rural Utilities Service	17,722	4
Other (includes OGC internal management and several USDA agencies where time spent is less than 1%)	38,928	9
Total	422,128	100

PRIVATE COUNSEL

Mr. Skeen: Did you initiate the use of private counsel in fiscal year 1999? Are there any plans to use the authority in fiscal year 2000?

Response: There were no new uses of private counsel in fiscal year 1999 for the Rural Housing Service and the Farm Service Agency, nor are there plans to expand the use of private counsel in fiscal year 2000. These agencies expect to continue to use private counsel in the states in which they are currently being used.

Pursuant to section 18 of the Rural Electrification Act of 1936 (7 U.S.C. 918), as implemented at 7 C.F.R. part 1789, "Use of Consultants Funded by Borrowers," the Rural Utilities Services (RUS) has, with the approval of the General Counsel, employed private counsel to provide legal services to RUS on selected projects. The cost of private counsel is funded on a voluntary basis by borrowers seeking to facilitate timely action on applications before RUS.

During FY 1999, RUS had five law firms on retainer and utilized the services of the law firms on a total of 11 projects or task orders including task orders issued in prior fiscal years. Under the task orders, during FY 1999, RUS approved payments totaling $725,596.30.

During FY 2000, RUS has continued to maintain retainer contracts with five law firms and has not issued any additional task orders. Through March 31, 2000, RUS approved payments totaling $721,373.76 on outstanding task orders.

RUS anticipates requesting that the General Counsel approve approximately two task orders during the current fiscal year.

RURAL HOUSING

Mr. Skeen: Did the expected increase in Rural Housing occur as projected in last year's record. If so, how large of an increase occurred? What is the cost of the outside counsel used to handle this increase?

Response: Yes, the Rural Housing Service (RHS) substantially increased their collection activities. In fiscal year 1998, 14,710 accounts were accelerated while in fiscal year 1999, accelerations increased to 33,044. Consequently the cost of outside counsel hired increased from $853,897 in fiscal year 1998 to $1,582,636 for fiscal year 1999.

ATTORNEY LOCATIONS

Mr. Skeen: Please update the table showing the number and locations of OGC attorneys appearing on page 924 of last year's hearing record.

Response: Following is a table showing our attorneys by location as of March 31, 2000.

[The information follows:]

Attorney locations and positions

Washington, DC	124
Albuquerque, NM	3
Atlanta, GA	8
Chicago, IL	5
Columbus, OH	2
Denver, CO	12
Greenwood, MS	1
Harrisburg, PA	6
Juneau, AK	4
Leawood, KS	7
Little Rock, AR	6
Milwaukee, WI	6
Missoula, MT	5
Montgomery, AL	2
Ogden, UT	3
Portland, OR	10
Richmond, VA	2
San Francisco, CA	11
St. Paul, MN	4
Temple, TX	5
Total	226

CIVIL AND CRIMINAL CASES

Mr. Skeen: Please update the table that appears on pages 925 of last year's hearing record, showing the number of new and pending civil and criminal cases, as well as the dollar value related to the pending cases, to include fiscal year 1999.

[The information follows:]

CIVIL AND CRIMINAL CASES

	New Cases Referred		Pending End of Fiscal Year	
	Civil	Criminal	Civil	Criminal
Fiscal Year:				
1995.....	22,631	367	29,806	440
1996.....	8,221	156	23,871	389
1997.....	9,433	209	23,863	424
1998.....	9,587	231	22,493	453
1999.....	9,428	224	20,929	471

DEBT COLLECTION

	Pending Cases	Dollar Amount
September 30, 1995.....	13,853	$4,008,728,604
September 30, 1996.....	11,891	1,635,944,676
September 30, 1997.....	10,864	8,425,037,538
September 30, 1998.....	11,157	7,232,229,713
June 30, 1999.....	7,512	6,896,635,414

Note: September 30, 1999 figures were unavailable.

Mr. Skeen: What are the reasons that the dollar amount in debt collections cases has increased significantly since 1996?

Response: The increase in the dollar amount in debt collection cases since 1996 is largely attributable to the bankruptcies of several power supply borrowers financed by the Rural Utilities Service (RUS). Most of the loans involved were made in the 1970's and early 1980's for investments in nuclear power projects and the underlying financial problems are primarily rooted in the era of the energy crisis and nuclear plant construction, and in federal policies and lending decisions made nearly two decades ago. For the most part, these bankruptcies have now been concluded and have finally resolved financial problems that have lingered for a number of years.

AUTHORITIES

Mr. Skeen: Please provide a list of all new authorities passed in the first session of the 106th Congress, as well as a brief description of any workload increase related to these new authorities. What has been the budget and staffing impact on OGC?

[The information follows:]

New Authority	Description of Workload Effort	Estimated Attorney Staff Years	Estimated Attorney Costs
Consolidated Appropriations Act, 2000 (Pub. L. 106-113)	Provide legal advice and assistance regarding adoption of Option 1a as the price structure for Class I milk under the Consolidated Federal Milk Marketing Orders	.10	$ 9,511
	Provide legal assistance in conducting rulemaking to develop pricing methods for Class III & Class IV milk under the milk marketing orders	.10	9,511
	Provide legal assistance with respect to implementation of the Dairy Forward Pricing pilot program	.05	4,756
Agricultural, Rural Development, Food & Drug Administration, and Related Appropriations Act, 2000 (Pub. L. 106-78)	Provide legal assistance with respect to implementation of a program for inspection and certification of agricultural processing equipment	.05	4,756
	Provide legal assistance with respect to amendment of the Cranberry Marketing Order to permit paid advertising and collection of cranberry inventory data	.05	4,756

	Provide legal assistance in connection with the deregulation of producer milk prices in Clark County, NV	.01	951
	Provide legal assistance in connection with the implementation of a program for mandatory price reporting for livestock	.30	28,534
Compensation for trees removed to control citrus canker (Pub. L. 106-113, §204)	Provide legal advice and assistance in developing a compensation plan in connection with the quarantine and eradication program for citrus canker in Florida, including any necessary rulemaking and drafting of cooperative agreements.	.07	6,303
Swine Packer Marketing Contracts/ Part of The Livestock Mandatory Reporting Act of 1999, which is Title IX of the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriation Act of 2000 (Public Law 106-78)	Review legislation; provide drafting assistance and review and proposed regulations	.50	45,103
1999 Emergency Supplemental Appropriations Act (Pub.L. 106-31).	Provided legal advice on the revisions to existing programs and implementation of new programs, including rulemaking actions, delegations of authority, reporting requirements and other implementation issues.	.05	4,610

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (Pub.L. 106-78).	Provided legal advice on the revisions to existing programs and implementation of new programs, including rulemaking actions, delegations of authority, reporting requirements and other implementation issues.	.30	27,660
The Omnibus Consolidated Appropriations Act, 2000 (Pub.L. 106-113).	Provided legal advice on the revisions to existing programs and implementation of new programs, including rulemaking actions, delegations of authority, reporting requirements and other implementation issues.	.30	27,660
Department of Defense Appropriations Act, 2000 (Pub.L. 106-79).	Provided legal advice on ramifications of legislation and ensuing Presidential Determination with respect to Department of Agriculture programs, particularly export credit guarantee programs in connection with exports of United States' agricultural commodities to India and Pakistan.	.05	4,610
Crop Insurance Options for Producers Who Applied for Crop Revenue Coverage Plus (Pub. L. 106-7)	Provide legal assistance related to cancellation of the CRC Plus policy, purchase or new coverage or transfer of other crop policies to other insurance providers.	.10	9,144
Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations, 2000 (Pub. L. 106-78)	Provide legal assistance related to the premium discount offered for the 2000 crop year	.20	18,288

Pub. L. 106-113, sec. 1000	Assisted Rural Development in implementing the provisions relating to repairs to Tillamook Railroad.	.02	1,829
Pub. L. 106-113, sec. 1000	Assisted RHS in implementing the pilot farmworker home ownership grant program in Salinas, CA.	.10	9,144
Lake Oconee Land Exchange Act (Pub. L. 106-41)	Provide legal assistance relating to a land exchange with Georgia Power Company.	.01	925
Conveyance of certain lands in San Juan College (Pub. L. 106-66)	Provide legal assistance relating to the conveyance of certain Forest Service and Bureau of Land Management lands in San Juan County, New Mexico, to San Juan College.	.01	925
Terry Peak Land Act of 1999 (Pub. L. 106-138)	Provide legal assistance relating to the conveyance of certain National Forest lands in the State of South Dakota to the Terry Peak Ski Area.	.01	925
Conveyance of Land to City of Sisters, Oregon (Pub. L. 106-144)	Provide legal assistance relating to the conveyance of land to the city of Sisters, Oregon, for use in connection with a sewage treatment facility.	.01	925

Dugger Mountain Wilderness (Pub. L. 106-156)	Provide legal assistance on implementing the designation of the Dugger Mountain Wilderness on the Talladega National Forest in the State of Alabama.	.01	925
Department of the Interior and Related Agencies Appropriations Act, 2000 (Pub. L. 106-137)	Provide legal advice on, and interpretations of, appropriations provisions.	.02	1,850
Sec. 331 Cost Recovery for Special Use Authorizations	Provide legal assistance on implementing pilot program to recover the cost of processing applications for, and monitoring compliance with, authorizations to use and occupy National Forest System lands.	.03	2,775
Sec. 332 Hardwood Technology Transfer and Applied Research	Provide legal assistance relating to the preparation of grants, contracts, and cooperative agreements, and the operation of the Institute of Hardwood Technology Transfer and Applied Research.	.03	2,775
Sec. 333 Western Red Cedar	Provide legal assistance on implementing export procedures for providing western red cedar that is surplus to Alaska to the lower 48 States before it is exported.	.01	925

Sec. 335 Report on Interior Columbia Basin Ecosystem Management Project	Provide legal assistance in preparing the required report and in analyzing public comment on the draft environmental impact statement for the project.	.01	925
Sec. 339 Fees for Botanical Products	Provide legal assistance on implementing pilot program to collect fees for the harvest of botanical products on National Forest System lands, including providing legal assistance drafting implementing regulations.	1.50	138,742
Sec. 341 Stewardship End result Contracting Demonstration Project	Provide legal assistance in implementing new timber sale contracting authority.	.01	925
Sec. 346 I-90 Land Exchange	Provide legal assistance relating to the exchange of land and other interests.	.01	925
Sec. 347 Snowqualmie Boundary Adjustment	Provide legal advice related to boundary adjustment of the Snowqualmie National Forest.	.01	925
Title IV Mississippi National Forest Improvement Act of 1999	Provide legal advice related to conveyance of Forest Service administrative sites and small parcels, the acquisition of certain land owned by the University of Mississippi, and the ratification of an agreement transferring land in Franklin County.	.03	2,775

Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (Pub. L. 106-78)	Sec. 717 Provide legal review of cooperative agreements	.02	1,850
Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (Pub. L. 106-78)	Sec. 742 Provide legal advice on the settlement of claims associated with the Chuquatonchee Watershed Project in Mississippi	.02	1,850
Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act (Pub. L. No. 106-78).	Provide legal advice and interpretations of appropriations provisions.	1.25	104,954
Consolidated Appropriations Act (Pub. L. No. 106-113).	Provide legal advice and interpretations of appropriations provisions. Issues included definition of program, project or activity, and enactment by reference for directives set forth in the reports.	.35	29,387
Treasury Department, United States Postal Service, Executive Offices of the President and Certain Independent Agencies Appropriations Act (Pub. L. No. 106-58).	Provide legal advice and interpretations of appropriations provisions.	.05	4,198
Y2K Act (Pub. L. No. 106-37).	Provide information to USDA agencies on the requirements of the act.	.05	4,198

Federal Financial Assistance Management Improvement Act of 1999 (Pub. L. No.106-107).	Assist departmental workgroup to develop and implement a plan to streamline and simplify the application, administrative and reporting procedures for department financial assistance programs.	.05	4,198
Emergency Supplemental Appropriations Act (Pub. L. No. 106-31).	Provide legal advice regarding provisions of the act.	.05	4,198

Mr. Skeen: Also, please provide a list of all authorities that have resulted in decreases to your workload. Include the budget and staffing impacts.

Response: OGC did not have any authorities that resulted in a decrease in workload.

LAW LIBRARY

Mr. Skeen: Please update the law library expenditures table on page 935 of last year's hearing report to reflect 1999 actuals and fiscal years 2000 and 2001 estimates.

[The information follows:]

LAW LIBRARY COSTS

Fiscal Year	Total Expenditures
1990	$608,280
1991	$586,983
1992	$454,518
1993	$541,416
1994	$407,885
1995	$427,083
1996	$471,977
1997	$441,896
1998	$519,639
1999	$378,208
2000 Estimate	$385,364
2001 Estimate	$430,548

FY 2001 BUDGET REQUEST BREAKOUT

Mr. Skeen: Please provide the Committee with a detailed breakout of your budget request to the Secretary, The Secretary's request to OMB, and the OMB allowance.

[The information follows:]

FY 2001 Budget Request

	Agency	USDA	OMB
2000 Base:			
2000 Appropriation Act	$29,194	$29,194	$29,194
Changes To 2000 Estimate:			
Pay Costs	$ 1,199	$ 1,199	$ 928
Maintain current staffing	1,120	958	958
Office Automation	980	1,008	825
Legal Services	1,101	976	976
Total	$33,594	$33,335	$32,881

EXAMPLES OF RECENT PROGRESS

Mr. Skeen: For each of the examples of recent progress, provide an estimate of the cost and lawyer staff years associated with providing legal assistance, the number of cases involved, and the outcome of the OGC assistance.

[The information follows:]

Selected Examples of Recent Progress	Estimated Cost	Staff Years	Number Of Cases	Outcome of Assistance
Legal assistance in connection with the reform and consolidation of federal dairy marketing orders.	$ 47,557	.50		The Department's reform and consolidation of milk marketing orders was completed on April 2, 1999.
Legal assistance in connection with the establishment of a pilot program for forward contracting for milk.	4,756	.05		A proposed rule was published March 1, 2000.
Legal assistance in connection with the development of pricing methods for Class III and Class IV milk.	9,511	.10		A proposed rule has been approved by OGC and hearings will be held in May 2000.
Legal assistance in connection with the National Organic Standards rulemaking.	71,335	.75		The revised National Organic Standards proposed rule was published March 13, 2000.
Legal assistance in connection with research and promotion programs.	47,557	.50		OGC attorneys have assisted AMS in connection with the proposed rules to establish research and promotion programs for blueberries and olive oil, and provided extensive legal assistance with respect to numerous changes to the honey program as a result of the 1998 amendments to the Honey Research Promotion and Consumer Information Act.

Legal assistance in connection with mandatory livestock price reporting.	9,511	.10		A proposed rule to establish a national program for mandatory livestock price reporting was published March 17, 2000.
Animal Welfare and Horse Protection Act.	380,453	4.00	75	OGC initiated 41 new Animal Welfare Act cases and 34 Horse Protection Act cases. OGC also resolved 29 pending Animal Welfare Act cases and 9 pending Horse Protection Act cases on terms favorable to the Department.
Legal assistance to APHIS in connection with notices and proposed and final rules involving import, export, and interstate movement of plants, animals, and plant and animal products.	153,066	1.70		Timely preparation, review, and publication of over 160 notices, advance notices of proposed rulemaking, proposed rules, and final rules in the Federal Register designed to foster and protect animal and plant health for the protection of American agriculture.
Investigation, initiation, and prosecution of administrative cases to enforce animal and plant health laws and regulations.	108,046	1.20	85	Drafted and filed 57 complaints. Obtained decisions in 69 cases resulting in the assessment of $174,025 in civil penalties.
Defense of civil lawsuits challenging APHIS' Wildlife Services Program activities.	45,019	.50	6	Decisions favorable to the government were obtained in 3 cases. A settlement was negotiated in one case; we are attempting to negotiate a settlement in a second case; and one case is on appeal to the Court of Appeals for D.C. Circuit.

American Federation of Government Employees lawsuit seeking an injunction against USDA regarding inspection pilot projects.	5,402	.06	1	In September 1999, the Federal District Court ruled in favor of USDA. In granting our motion for a summary judgement, the Court upheld the HACCP-Based Inspection Models Project. The case has been appealed and oral argument is scheduled for May 2000.
Food Safety Rulemaking Dockets	315,136	3.50		OGC provided legal assistance to FSIS in reviewing over 100 notices, proposed rules and final rules related to food safety. In particular, we spent considerable resources in reviewing HACCP/Pathogen Reduction rulemaking initiatives.
Enforcement actions under FMIA, PPIA, and EPIA.	180,077	2.00	235	OGC worked on over 200 criminal and civil actions, resulting in many successful prosecutions, injunctions, seizures and claims collections. Additionally, we litigated 35 administrative actions, resulting in the successful withdrawal or denial of federal meat and poultry inspection services.
Competition/Concentration Issues	405,925	4.50	3 (new)	OGC filed cases against two major livestock packers and made a referral to DOJ regarding a major poultry processor; participated in rapid response teams in response to new legislation in

				two States regarding price discrimination; continued legal advice and assistance in rulemaking issues; acted as liaison with FTC and DOJ on competition/concentration issues and reviews; coordinated the Department's response to information requests from FTC and DOJ.
Provided significant legal resources to the preparation and litigation of cases involving the falsification or fraudulent changes to federal inspection certificates	135,308	1.50	4 (new)	In this FY, civil penalties in excess of $225,000 were paid in resolution of cases alleging falsification of inspection certificates.
Ocean Transportation Cargo Loss and Damage Claims	23,050	.25	30	OGC reviews claims against ocean carriers for cargo loss and damage in connection with shipments under United States' (U.S.) foreign assistance programs. OGC attorneys prepare cases for referral to the Department of Justice and actively assist in the resultant litigation.
Foreign Assistance Activities	184,402	2.00		OGC reviews and helps prepare grant and credit sales agreements governing the supply of agricultural commodities to meet humanitarian and developmental needs overseas.

International Trade Disputes	276,603	3.00	9	OGC reviews and drafts briefs in connection with World Trade Organization (WTO) cases involving U.S. agricultural commodities and assists Departmental personnel in negotiations involving trade disputes.
Implementation of Market Loss and Income Loss Assistance Programs	46,100	.50		OGC provides assistance to the Farm Service Agency in the promulgation of regulations needed to implement approximately 22 new commodity programs enacted in Fiscal Year (FY) 2000.
New Conservation Measures	18,440	.20		OGC provides on-going assistance to the Farm Service Agency in the administration of the 30 million acre Conservation Reserve Program (CRP), including the development of Conservation Reserve Enhancement Programs which target the CRP to particular State environmental needs (such as water quality improvements in the Chesapeake Bay region).

Domestic Commodity Programs	368,804	4.00	100	OGC continues to provide day-to-day legal advice and support necessary in connection with the administration of the many high profile commodity programs administered by the Farm Service Agency. For example, OGC has provided assistance with respect to various matters involving tobacco, including major litigation initiatives and assistance to States making funds available to tobacco farmers sharing in the $5 billion "Phase 2" tobacco settlement.
Provided legal advice in drafting legislative initiative to ameliorate the effect of ineligibility of certain legal aliens for Food Stamp Program participation.	17,661	.20		The Administration's budget proposed to reestablish Food Stamp Program eligibility for certain elderly legal aliens. Additionally, the budget proposed to make eligible legal aliens living in households with their eligible children. OGC has assisted in drafting legislation to effectuate the Administration's budget proposals.

Reviewed legislative proposals to require Interoperability of Electronic Benefit Transfer Systems in the Food Stamp Program.	52,984	.60	On February 11, 2000, new legislation was enacted mandating the interoperability of Electronic Benefit Transfer Cards (EBT) cards. Interoperability will allow EBT cards issued in one State to be used to buy food in other States. OGC reviewed and provided comments on the draft legislation. OGC is consulting with the Food and Nutrition Service (FNS) and will assist in the development of proposed and final regulations to implement the new requirements.
Provided legal advice regarding the treatment of vehicles as resources available to a household when determining its eligibility for food stamps.	44,153	.50	The Food Stamp Act of 1977 (Act) requires that the fair market value in excess of $4,650 of most licensed vehicles be counted as an available resource in determining whether a household's resources are under the eligibility ceiling. The Act also provides an exclusion for resources which are inaccessible because the household's interest is relatively small or the cost of selling the resource is relatively high. The original interpretation was that the inaccessible resource provision did not apply to automobiles. Based on judicial determinations holding that the prior

			interpretation was permissible (but not required) and, after consultation with the Department of Justice, OGC assisted in the drafting of a proposed rule to allow vehicles in which the household has a relatively small equity interest to be exempt from the resource determination.
Provided legal advice regarding the current Federal sugar limit for cereals authorized for use in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).	35,323	.40	Since the early 1980's, the FNS regulations have limited the amount of sugar in adult cereals available in the WIC Program to 6 grams per dry ounce. Representatives of certain cereal manufacturers have approached USDA officials, as well as members of Congress, attempting to secure a change in the policy to disregard the sugar contained in dry fruit, such as raisins, added to its raisin bran product. OGC has advised FNS that this issue is a matter of policy.

Provided legal advice regarding Child and Adult Care Food Program (CACFP) integrity.	52,984	.60		OGC worked closely with FNS in planning and presenting CACFP National Management Improvement Training designed for Federal regional personnel, as well as State program agency staff. OGC focused on the legal issues and ramifications of the CACFP serious deficiency process. In addition, OGC has drafted and reviewed both statutory and regulatory provisions which, when implemented, would further CACFP program integrity goals.
Assisting United States Attorneys in the prosecution of False Claims Act cases involving approximately 12 grain elevators, nine insurance companies, one insurance agency, one insurance agent, and two loss adjusters.	18,288	.20	5	Obtained settlement agreements with all defendants except the crop insurance agency and the agent.
Assisting the United States Attorney in defending FCIC in the North Dakota durum wheat case.	45,719	.50	1	The district court decided against FCIC and the case is currently on appeal to the 8th Circuit Court of Appeals.

Working with both the House and Senate in drafting crop insurance reform legislative.	27,431	.30		Bills were introduced by Sens. Kerry-Roberts, Cochran, Bachus, Lugar, and Rep. Combest. The Kerry-Roberts and Combest bills were passed by the Senate and House, respectively.
Assisted RHS in developing initiatives for direct and guaranteed homeownership loans on Indian reservations.	9,144	.10		A unified approach with VA and HUD will be announced in the current fiscal year.
Assisted FSA in developing regulations for servicing Indian Land Acquisition Program loans.	9,144	.10		A proposed regulation was published and a final regulation will be forthcoming in the current fiscal year.
Assisted United States Attorney in the defense of lawsuits challenging the RHS moratorium regulation.	9,144	.10	2	One case is awaiting the trial court's ruling on summary judgment motions; in the other, RHS is carrying out the settlement stipulation and consent decree.
Assisted United States Attorney in defense of lawsuit challenging FSA's denial of primary loan servicing.	9,144	.10	1	Litigation is awaiting court's ruling on summary judgment motions.
Defended FCIC before Board of Contract Appeals in action challenging denial of litigation expenses to reinsured company.	2,743	.03	1	Settled

Provided advice to FSA and RHS on implementing the Debt Collection Improvement Act.	2,743	.03		Ongoing
Assisted United States Attorneys in the defense of eight prepayment lawsuits involving approximately 350 RHS multi-family projects. Additionally, assisted RHS in rewriting their prepayment regulations.	9,144	.10	8	One case is set for trial in August, 2000. Two cases have been dismissed. The other cases are still pending.
Rural Community Development Initiative - numerous meetings with RHS concerning the implementation of this new program, and review of Notice of Funding Availability.	3,657	.04		Ongoing.
Provided advice and counsel to the National Sheep Industry Improvement Center on various grants and a Memorandum of Understanding with AMS.	9,144	.10		The specific projects were completed. We continue to provide ongoing counsel on problems and questions as they arise.
Provided advice and assistance to the National Rural Development Partnership in preparing cooperative agreements and various memoranda of understanding.	9,144	.10		Ongoing. New cooperative agreements are prepared each year.

RBS Business and Industry loan program litigation involving collection of large delinquent loans.	9,144	.10	2	The litigation is in early stages.
Provided advice on and review of proposed major rewrite of and addition to the environmental procedures for RHS and RBS, including addition of CERCLA/RCRA procedures for the first time, new lead based paint procedures, and servicing instructions for Phase I and Phase II environmental procedures.	13,716	.15		Proposed rule to be published during this fiscal year.
Assisted RHS in a governmentwide survey to determine the minimum legally viable threshold for NEPA categorical exclusion for its housing programs.	3,658	.04		Agency expertise was developed as to permissible criteria and limits for categorical exclusions.
Debarment of contractor in Virgin Islands for overcharging RHS borrower for building to Virgin Islands code according to construction contract.	4,572	.05	1	The government prevailed at trial court, appeal is pending.

Assisted RBS in establishing a pilot program for sale of participations in Intermediary Relending program by intermediaries.	2,743	.03		Notice of pilot program to be published in Federal Register in current fiscal year.
Provided advice and counsel to FSA in a major class action challenge to administrative offset of farm program payments to entities.	9,144	.10	1	The case is still pending.
Legal advice, consultation, review and drafting to convert RUS mortgages of investment-grade generation and transmission cooperatives to utility bond indentures.	123,712	1.25	6	Two indentures closed with substantial progress made on four additional projects.
Consultation and drafting services to revise RUS loan documents and RUS process for preparation of loan documents.	49,485	.50	3	Completed documentation for CFC Guaranteed Loans, CoBank Guaranteed Loans, and substantially revised documentation process for Telecommunications loans.
Assistance to RUS in corporate restructuring of power supply borrowers to respond to deregulation and market competition at wholesale and retail levels.	148,455	1.50	3	Substantially completed merger of two power supply borrowers serving a five state area.

Advise RUS on federal and state legislative and regulatory changes affecting telecommunications and electric borrowers.	49,485	.50		Ongoing review of federal and state legislation and regulations and consultation with industry groups.
Assistance to RUS with respect to financially troubled power supply borrowers seeking debt settlements under 7 U.S.C. 1981(b)(4) or in bankruptcy.	98,970	1.00	6	One administrative debt settlement closed; negotiations and litigation continuing in other cases.
Assisted RUS in drafting and review of proposed revisions to 7 C.F.R. 1735, General Policies - Telecommunications Program and 7 C.F.R. 1744, Post Loan Policies - Telecommunications Program.	49,485	.50	2	Rules proposing substantial revisions in lending and lien accommodations published.
Assisted RUS in implementation of Distance Learning/Telemedicine (DLT) Loan and Grant Program.	9,897	.10		Draft and review regulations, draft loan and grant instruments, and advise RUS on a range of legal issues arising under the DLT Program.
Provision of legal assistance in the defense and/or settlement of Indian title claims.	55,497	.60	6	Assisted in the settlement of claims of the Pueblo of Sandia, San Ildefonso and Santo Domingo.
Provision of legal assistance on Alaska land issues.	18,499	.20	5	Participated in negotiations regarding CAC easement, as well as Alaska Native claims.

Provision of litigation support in defaulted timber sale contract and long term Alaska timber contract litigation.	184,990	2.00	27	Engaged in discovery and filed dispositive motions aimed at narrowing the issues to be litigated and determining the possibility of settlement; conducted a trial aimed at recovering default damages.
Provision of litigation support in suspended, modified, and canceled timber sale contract litigation.	184,990	2.00	14	Obtained judgements, engaged in discovery, filed dispositive motions, and settled several cases resulting in less litigation and reduced government liability; additional significant claims and discovery expected due to listing of additional species and reduction in timber program.
Provisions of legal advice in connection with rapidly expanding Forest Service recreation programs, including enforcement of Recreation Fee Demonstration Program legislation (Pub. L. 104-134), development of permanent recreation fee authority and authority for the Interpretive Services Program, enforcement of the noncommercial group use rule, special uses reengineering, and agency cost recovery.	110,994	1.20		Assistance to Forest Service in defense of Recreation Fee Demonstration Projects to fund recreation sites, reviewing draft permanent recreation fee authority and authority for the Interpretive Services Program, defending constitutionality of noncommercial group use rule, addressing legal issues in connection with streamlining special uses program, and development of cost recovery regulations.
Provision of legal services regarding hydro power relicensing issues for the Forest service at the field and national level through improved inter-office	161,866	1.75	23	Handling client agency legal service needs and protection of forest resources in hydro power relicensing applications. Indirect benefit through improved

coordination and communication and use of team approach.				service by client agency to public and hydro power project operators/proponents.
Provision of legal assistance in the drafting of cost recovery regulations for the Forest Service.	18,499	.20		Proposed regulations have been published for review and comment.
Provision of legal assistance in responding to numerous Congressional document requests.	27,748	.30		Produced significant volume of documents in response to Congressional requests.
Provision of legal assistance for dispersed recreation, wilderness, wild and scenic rivers and recreation areas.	9,249	.10	7	Assisted on issues regarding rock bolts, wilderness management, Land Between the Lakes.
Provide legal assistance in major land acquisition initiatives including the Baca Ranch in New Mexico and the Karst Region in Puerto Rico.	46,247	.50	2	Provided legal assistance relating to the contract for purchase of the Baca Ranch and implementing legislation, and the legislative initiative for land acquisition in Puerto Rico.
Provided legal assistance in the Forest Service land purchase and exchange programs.	18,499	.20		Assistance provided in contracting, closing, and preparation of instruments of conveyance.
Provided ongoing advice to the research, education, and economic (REE) agencies of USDA with respect to the implementation of new stakeholder input, plan-of-work, 1890 matching, and research and extension formula	167,927	2.00		Implementation of revised and new authorities for research, extension, and teaching programs. In FY99, GLD reviewed 16 competitive grants programs requests for proposals, including one for the new secondary Agriculture

fund integration requirements contained in the Agricultural Research, Extension, and Education Reform Act of 1998, Pub. L. No. 105-185 (AREERA). This involved review of Federal Register notices and rulemakings, as well as the issuance of legal opinions.				Education Challenge Grants Program.
In FY99, USDA awarded 14,448 contracts obligating more than $1,030,644,988 billion for the acquisition of services, supplies, and construction to support agency operations. Provided legal advice to all USDA agencies concerning these acquisitions. This assistance included drafting and reviewing regulations; reviewing solicitation documents; handling mistake-in-bid and protest matters; providing advice regarding performance matters; and assistance necessary to assert or defend contract claims.	167,927	2.00	113	The General Law Division (GLD) resolved or made progress in resolving 46 contract disputes, 43 protests, and 4 qui tam actions.
GLD provided advice to the Office of Small and Disadvantaged Business Utilization, and other USDA agencies, regarding affirmative action and minority preference programs. A major focus was the implementation of new regulations regarding small	8,396	.10		Progress toward agencies' better understanding of the small business goals established by the Small Business Act, as amended.

minority preference programs. A major focus was the implementation of new regulations regarding small business concerns, particularly those owned by women, veterans, disadvantaged firms, and firms operating in historically underutilized business zones.			
Provided sustained advice to the Office of the Chief Information Officer (OCIO) with respect to enhancing the effectiveness of USDA information technology policies and acquisitions as a whole. This included advice arising from the Y2K computer problem; the provisions of the Year 2000 Information and Readiness Disclosure Act, and the Y2K Act; responding to OMB and White House requests for legal authorities for handling emergencies.	16,793	.20	Worked with OCIO through the Y2K crisis period, and prepared for Y2K-related failures, litigation and claims.
GLD issued many verbal and written opinions on fiscal law issues helping all USDA agencies to fulfill their missions. These issues included the use of appropriated funds for travel of Federal and non-Federal persons; leasing of real property; advisory and assistance services; personal services; uniforms, meals and	167,927	2.00	Assisted USDA agencies in understanding of recurring fiscal issues.

of appropriations, and the proper use of instruments (contract, grants, cooperative agreements, memoranda of understanding).				
GLD provided a sustained rate of legal services to the National Appeals Division (NAD) regarding procedural, and general administrative matters. It has devoted increased resources to respond to issues concerning the Equal Access to Justice Act, and assisting agencies with NAD appeals.	41,982	.50		GLD concluded the final rulemaking for NAD rules of procedure (7 CFR part 11). Coordinated nationwide coordination of legal issues arising under NAD statute.
GLD continued to assist the Office of Procurement, Property Management and Emergency Preparedness with a number of property issues, including a review and restructuring the Departmental Central rent account, and the use of incentives in the leasing process.	20,991	.25		Progress toward resolving issues regarding real property authorities and funding. Progress toward the finalization of nationwide collocation efforts.
In FY 1999, GLD saw an increase in the number of Bivens actions. GLD represented employees in both their official and individual capacities in which employees were sued for alleged violations of constitutional or Federal statutory rights.	12,595	.15	10	Claims against individuals remain pending in 5 cases; in others the claims against individuals have been dismissed either separately or as part of a complete dismissal of the case; no judgments against individuals; 1 case was settled by nominal payment by the Government that settled the entire case.

violations of constitutional or Federal statutory rights.				judgments against individuals; 1 case was settled by nominal payment by the Government that settled the entire case.
In FY 1999, GLD provided services in connection with establishment and revision of Privacy Act system of records, coordinated office-wide review of OGC systems of records, and Federal Records Act issues.	10,915	.13		Facilitated publication of systems notices for agencies; provided informal advice; assessed status of OGC systems of records; provided written guidance to subcabinet officials.
In FY 1999, GLD provided advice to USDA agencies, including OGC, regarding issues arising under the Federal Service Labor Management Relations statute.	46,180	.55		FY99-Prevailed before the Federal Labor Relations Act on ULP filed against FNS; provided advice to FSA on a dispute involving interpretation of a Collective Bargaining Agreement (CBA); assisted OGC in negotiating a CBA; working with the union on administrative or employee issues and administering an election in DC office; advice used by management in Labor Management Relation function; provided advice to FAS regarding grievances under CBA.
In FY 1999, GLD handled administrative claims and suits filed pursuant to the Federal Tort Claims Act.	167,927	2.00	133 suits 70 claims	Claims were denied and allowed. GLD assisted the Department of Justice regarding the suits.
In FY 1999 GLD assisted with legal issues related to the Support Services Bureau (SSB).	840	.01		Advice was provided to the acting Executive Director of SSB.

In FY 1999 GLD attorneys provided representation in cases before the Merit Systems Protection Board and issued advisory opinions regarding conflicts, fund-raising, gifts, advisory committee activities, delegations, subpoenas, personnel, Whistleblowers Protection Act matters, Paperwork Reduction Act, and the Administrative Procedure Act.	83,963	1.00	5 MSPB cases	MSPB cases were resolved; advice provided to agencies regarding various laws; advisory committees established; approval granted regarding testimony of employees.
GLD provided legal services on Freedom of Information Act (FOIA) and Privacy Act requests and Appeals and handled FOIA and Privacy Act suits.	251,890	3.00	197 appeals 42 suits	Concurrence or non-concurrence on appeals given; assistance provided to DOJ regarding suits.
Assistance in connection with obtaining patent protection.	25,189	.30	147	77 new patent applications were filed at the U.S. Patent and Trade Office on inventions made by Department employees. 70 patents were obtained on previously-filed patent applications.
EEO individual formal and informal complaint proceedings before the Equal Employment Opportunity Commission.	325,826	4.60	42	Representing USDA in the adjudication of individual formal and informal discrimination complaints before the Equal Employment Opportunity Commission.

EEO individual complaints pending in Federal Court	247,911	3.50	16	Providing litigation assistance to the Department of Justice in EEO complaints, including, where appropriate, writing litigation reports; drafting answers, briefs, and motions; preparing witnesses; and negotiating settlements.
Individual program complaints pending in Federal Court.	35,416	.50	6	Providing litigation assistance to the Department of Justice in program complaints, including, where appropriate, writing litigation reports; drafting answers, briefs, and motions; preparing witnesses; and negotiating settlements.
Region 5 Hispanic Working Group (RHWG) v. Glickman	35,416	.50	1 class action	Negotiating settlement of informal class action discrimination complaint filed on behalf of Hispanic employees in Region 5 (California) of the Forest Service.
Donnelly v. Glickman, Civil Action No. C 95-4389 (N.D.Cal.)	14,166	.20	1 class action	Negotiating settlement of class action discrimination complaint filed in Federal District Court on behalf of female employees in Region 5 (California) of the Forest Service.
Smith v. Glickman, EEOC Case No. 140-97-8021X	7,083	.10	1 class action	Litigating class action complaint filed before EEOC on behalf of all past, present, and future African American employees of the FS, Southern Region who may apply in the future for employment/career

				development and all African Americans who would have applied for employment/career development but for their belief that they would have been discriminated against because of their race (African American).
Herron v. Glickman, EEOC Case No. 100-98-7658X	177,080	2.50	1 class action	Litigating class action complaint filed before EEOC on behalf of all African American FSA employees who were denied promotion or the opportunity for promotion to the GS-13, GS-14, and GS-15 grade levels since October 1, 1995.
Ford v. Glickman, EEOC No. 380978157X	7,083	.10	1 class action	Litigating class action complaint filed before EEOC on behalf of all Forest Service employees in Region 6 based on race, gender, disability, age, and reprisal. All of the class agents withdrew the class complaint and elected to proceed on their individual claims.
Pigford v. Glickman, Civil Action No. 97-1978 (PLF)	226,662	3.20	1 class action 19,000 claims	Reviewing USDA responses submitted to the Adjudicator on Track A claims, reviewing adjudicator decisions and coordinating implementation of adjudicator Track A decisions, and assisting DOJ with Track B hearings.

Rauw v. Glickman, EEOC No. 380-98-8238X	7,083	.10	1 class action	Litigating class action complaint filed before EEOC on behalf of all USDA EEO complainants who are subjected to similar reprisal and failure of the agency to follow EEOC regulations.
Miera v. Glickman, EEOC Case No. 350-99-8344X	7,083	.10	1 class action	Litigated class action complaint filed before EEOC on behalf of Hispanic Forest Service employees on the Santa Fe National Forest, Espanola Ranger District, Region 3. Class was not certified.
Sedillo (formerly Lopez) v. Glickman, EEOC Case No. 100-99-7226P	141,664	2.00	1 class action	Litigating class action complaint filed before EEOC on behalf of all Hispanic employees of the Forest Service.
Spencer v. Glickman, EEOC Case No. 100-99-7910R	141,664	2.00	1 class action	Litigating class action complaint filed before EEOC on behalf of all African American employees of USDA.
Basu v. Glickman, EEOC Case No. 00-0190	14,166	.20	1 class action	Litigating class action complaint filed before EEOC on behalf of Southeast Asian, Indian, and Pakistani employees of USDA, possibly limited to those employees seeking promotion to the Senior Executive Service.

Keepseagle v. Glickman, Civil Action No. 1:99CV03119	70,832	1.00	1 class action	Providing litigation assistance to the Department of Justice in class action program complaint filed in Federal District Court on behalf of all Native American participants in farm programs who petitioned USDA at any time between January 1, 1981 through November 24, 1999, for relief from acts of racial discrimination visited on them as they tried to participate in the farm programs.
Chiang v. Glickman, Civil Action No. 2000/0004 (D.C.V.I.)	70,832	1.00	1 class action	Providing litigation assistance to the Department of Justice in class action program complaint filed in Federal District Court on behalf of low income and very low income Black male and Black female citizens of the United States and/or qualified aliens of the United States who reside on the three territorial Islands of the U.S. Virgin Islands (St. Croix, St. John, St. Thomas) who applied or attempted to apply for credit, assistance, training, educational opportunities, housing, and/or home ownership and services from the Rural Development offices or its predecessors in these locations.

Review for legal sufficiency proposed decisions by the Office of Civil Rights with respect to discrimination claims in conducted programs (e.g., farm credit)	7,083	.10	27	Ensures that decisions are made in accordance with Federal statutes, regulations, case law, and Department of Justice policy and opinions.
Review for legal sufficiency proposed decisions by the Office of Civil Rights with respect to EEO compensatory damages claims	7,083	.10	3	Ensures that any payment of compensatory damages is made in accordance with Federal statutes, regulations, case law, Equal Employment Opportunity Commission policy and opinions, and Department of Justice policy and opinions.
Review for legal sufficiency proposed attorney's fees decisions by the Office of Civil Rights with respect to both EEO and program complaints	7,083	.10	20	Ensures that any payment of attorney's fees is made in accordance with Federal statutes, regulations, case law, Equal Employment Opportunity Commission policy and opinions, and Department of Justice policy and opinions.
Drafted and reviewed internal Departmental Regulations on civil rights issues (e.g., Reasonable Accommodations for Employees, and Public Notification of Equal Opportunity Practices)	53,124	.75		Clarified procedures and provided legal justifications and reviews for internal Departmental Regulations based on changes resulting from Executive Orders and Government-wide regulatory amendments.
Civil Rights Data Collection Regulation for the Risk Management Agency	14,166	.20		Drafted civil rights data collection regulation and wrote the legal justification for the collection for submission to the Office of Management and Budget.

OGC PRIORITIES

Mr. Skeen: Please provide the Committee with OGC's top priorities for fiscal years 2000 and 2001?

Response: OGC's top priorities for fiscal year 2000 and 2001 will include providing increased assistance to USDA agencies in response to the rising number of EEO complaints and consulting with mission areas and agencies concerning allegations of discrimination in the conduct of USDA programs. With respect to regulatory and marketing programs, priorities will include the provision of legal services in the area of competition and concentration in agriculture, with a special emphasis on competition and concentration in livestock, providing increased legal support to APHIS in connection with its evaluation and implementation of recommendations to enhance the effectiveness of our regulatory system for safeguarding agriculture and the environment from invasive species, dairy marketing order reform, publication of the organic standards rule, and the completion of Hazard Analysis and Critical Control Point implementation in all meat and poultry plants nationwide.

In the natural resources area, OGC will assist the Forest Service in developing and implementing several significant initiatives concerning watershed restoration and enhancement, recreation, sustainable forest ecosystem management, and forest roads. Emphasis will also be placed on implementation of a number of major international trade and foreign assistance initiatives, debt collection activities and welfare reform.

EEO COMMISSION

Mr. Skeen: Please update the table that appears on page 956 of last year's record showing the number of cases OGC represented before the EEO Commission to include fiscal year 1999.

[The information follows:]

FY 1995 - 43
FY 1996 - 34
FY 1997 - 24
FY 1998 - 79
FY 1999 - 42

OBJECT CLASS BREAKOUT

Mr. Skeen: Provide a detailed breakout of Object Class 25.2 for fiscal years 1999, 2000, and 2001.

[The information follows]

Other Services Object Class Breakout

Services	FY 1999	FY 2000	FY 2001
Telephone Service Operations	$ 38,013	$ 32,365	$ 32,365
NFC Services	150,135	121,092	121,092
OPM Federal Employment	690	706	706
Security	124,793	118,256	118,256
Preauthorized Funding	1,945	1,940	1,940
Financial Information Systems	0	69,515	69,515
Modernization of Administrative Processes	5,357	5,376	5,376
Central Imprest Fund	3,660	5,836	5,836
Excess Property Operations	25,764	24,314	24,314
Rehabilitated Furniture	23,576	24,179	24,179
Central Shipping and Receiving	6,615	9,140	9,140
Design Center & Teleconferencing Center	12,511	11,723	11,723
Executive Correspondence	11,144	10,673	10,673
Computer Services Network	1,175	1,160	1,160
Equipment Maintenance	189,933	184,387	184,387
Training	48,000	32,000	32,000
EEO Investigations	6,700	6,200	6,200
Nontravel Expenses on Travel Vouchers	10,281	9,600	9,600
Health Unit Services	15,096	15,096	15,096
1890 USDA Initiative	6,527	6,961	6,961
Hispanic Colleges/Universities	3,399	3,158	3,158
Target Center	1,529	2,219	2,219
Sign Language Services	4,240	2,360	2,360
Service Advertising	3,345	4,546	4,546
Employee Counseling	8,613	8,923	8,923
Reimbursable Work Authorization	17,762	5,000	5,000
Library of Congress Agreement	2,400	2,400	2,400
Bank/Court Reporter Fees	9,616	9,950	9,950
Hispanic Advisory Counsel	0	2,250	2,250
National Archives Storage	0	9,136	9,136
Total, Other Services	$732,819	$740,461	$740,461

LEGAL WORK PERFORMED

Mr. Skeen: Please provide for the record, a detailed description of all work the OGC has done from October 1, 1999 through March 24, 2000 with regard to legal advice, services, counsel, and interpretation of the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act for fiscal year 2000.

Response: During the period from October 1, 1999, through March 24, 2000, the Office of the General Counsel (OGC) provided a substantial amount of advice and counsel to the Office of the Secretary and to other USDA agencies and offices regarding numerous provisions of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (FY 2000 Act). The most substantial portion of such assistance was provided by OGC's General Law Division (GLD). GLD addressed questions and provided advice and counsel in a number of areas, including questions arising under the FY 2000 Act's provisions addressing (1) the Integrated Grants Program for which funds were first provided in FY 2000; (2) the treatment of West Virginia State College (WVSC) with respect to funding for FY 2000 as well as allocations of formula funds for WVSC in future years; (3) the availability during FY 2000 of carryover FY 1999 funds for the Fund for Rural America and the Initiative for Future Agriculture and Food Systems [GLD provided a briefing on this subject to House appropriations subcommittee staff]; (4) the lack of funding during FY 2000 for the Alternative Agricultural Research and Commercialization Corporation; as well as other subjects.

In addition, OGC's Community Development Division rendered advice regarding a crop insurance issue and with respect to several rural development activities. The Food and Nutrition Division provided advice under the FY 2000 Act with respect to the reallocation of funds provided to State agencies for State employment and training programs conducted in connection with implementation of the Food Stamp Program. Further, the Marketing Division provided advice regarding livestock mandatory price reporting and on other issues.

Finally, Title VIII of the FY 2000 Act authorized the Commodity Credit Corporation (CCC) to implement a significant number of new crop and market loss programs and also made revisions to other CCC commodity programs. OGC's International Affairs and Commodity Programs Division has provided substantial advice in connection with promulgation of regulations for such new and amended programs.

[The justifications of the budget request for the Office of General Counsel follow:]

2001 Congressional Explanatory Notes

OFFICE OF THE GENERAL COUNSEL

PURPOSE STATEMENT

The Office of the General Counsel (OGC), which prior to 1955, was known as the Office of the Solicitor, was established in 1910 (70 Stat, 742) as the law office of the Department of Agriculture (USDA). OGC determines legal policy and directs the performance of all legal work conducted by the United States Department of Agriculture. All legal services are centralized within OGC and the General Counsel reports directly to the Secretary.

The Office provides all necessary legal advice and services for the Department's ongoing programs. The headquarters legal staff is divided into six sections: (1) Regulatory and Marketing; (2) International Affairs, Commodity Programs and Food Assistance Programs; (3) Rural Development; (4) Natural Resources; (5) Legislation, Litigation, and General Law and (6) Civil Rights.

Geographic Location. The work of this office is carried out in Washington, D.C., and five regions which include 18 offices as follows:

Southern Region:
Atlanta, Georgia
Montgomery, Alabama
Richmond, Virginia

Central Region:
Leawood, Kansas
Little Rock, Arkansas
St. Paul, Minnesota
Temple, Texas

Northern Region:
Harrisburg, Pennsylvania
Chicago, Illinois
Columbus, Ohio

Mountain Region:
Denver, Colorado
Albuquerque, New Mexico
Milwaukee, Wisconsin
Missoula, Montana
Ogden, Utah

Pacific Region:
San Francisco, California
Juneau, Alaska
Portland, Oregon

As of September 30, 1999, the office had 345 employees of which 328 were permanent full-time employees and 17 were other than permanent full-time employees. There were 169 permanent full-time employees and 9 other employees located in Washington, D.C., and 159 permanent full-time employees and 8 other employees in the field.

The General Counsel is the chief law officer of USDA and is responsible for providing legal services for all programs, operations, and activities of USDA. The General Counsel is assisted by a Deputy General Counsel and six Associate General Counsels, each of whom is responsible for a portion of the legal work of USDA. The Law Library was transferred from the National Agricultural Library to OGC in 1982.

Legal Advice. OGC provides legal advice, both written and oral, to all agency officials of USDA. That advice takes the form of oral advice, written opinions, review of administrative rules and regulations for legal sufficiency, review of agency agreements and contracts and review and advice concerning any other agency activities which involve legal issues.

Legislation and Document Preparation. The Office also prepares legislation, patent applications arising out of inventions by USDA employees, contracts, agreements, mortgages, leases, deeds and any other documents required by USDA agencies.

Administrative Proceedings. USDA is represented by OGC in administrative proceedings for the promulgation of rules having the force and effect of law and in quasi-judicial hearings held in connection with the administration of various USDA programs.

Federal and State Court Litigation. OGC works with the Department of Justice (DOJ) in all Departmental civil litigation. The bulk of this litigation is defensive litigation. The Office serves as liaison with DOJ and assists in the preparation of all aspects of the government's case. OGC makes referrals of matters which indicate criminal violations of law have occurred and assists DOJ in preparation and prosecution of criminal cases. In some instances, OGC attorneys represent USDA as Special United States Attorneys, both in civil and criminal matters.

By delegation, the Associate General Counsel for Legislation, Litigation, and General Law represents the Department in certain classes of cases before the United States Courts of Appeals.

There were no OIG, GAO, or other evaluation reports completed during the past year.

OFFICE OF THE GENERAL COUNSEL

Available Funds and Staff Years

1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses	$29,194,000	323	$29,194,000	330	$32,881,000	346
Allocation from:						
Hazardous Waste Management	1,059,578	10	1,350,000	13	1,513,000	17
Obligations under other USDA appropriations:						
FS Subsistence Mgmt....		0	100,000	1	100,000	1
FS Non-litigating Suprt		0	500,000	0	500,000	0
AMS-User Fees	760,675	5	788,850	5	810,700	5
APHIS-User Fees	224,848	1	168,800	1	173,740	1
GIPSA-User Fees	9,908	0	6,440	0	6,630	0
FSA-User Fees	14,712	0	7,690	0	7,910	0
FSIS-User Fees	4,097	0	2,370	0	2,440	0
Total, Other USDA Appropriations	1,014,240	6	1,574,150	7	1,601,420	7
Total, Office of the General Counsel	31,267,818	339	32,118,150	350	35,995,420	370

OFFICE OF THE GENERAL COUNSEL
Permanent Positions by Grade and Staff-Year Summary
1999 Actual and Estimated 2000 and 2001

Grade	1999			2000			2001		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Executive Level IV	1	--	1	1	--	1	1	--	1
ES-6	2	--	2	2	--	2	2	--	2
ES-5	2	--	2	1	--	1	1	--	1
ES-4	4	1	5	5	1	6	5	1	6
ES-3	2	1	3	3	4	7	3	4	7
ES-2	4	3	7	2	--	2	2	--	2
ES-1	1	--	1	2	--	2	2	--	2
GS-15	34	17	51	33	16	49	33	16	49
GS-14	74	74	148	77	73	150	80	75	155
GS-13	8	1	9	5	2	7	6	2	8
GS-12	5	2	7	5	6	11	8	6	14
GS-11	5	6	11	7	2	9	11	4	15
GS-10	1	--	1	1	--	1	1	--	1
GS- 9	13	16	29	13	16	29	13	17	30
GS- 8	12	21	33	12	22	34	12	22	34
GS- 7	8	17	25	9	18	27	10	18	28
GS- 6	4	3	7	4	3	7	6	4	10
GS- 5	2	2	4	2	2	4	2	2	4
GS- 4	--	1	1	--	1	1	--	1	1
GS- 3	--	--	--	--	--	--	--	--	--
Other Graded Positions	--	--	--	--	--	--	--	--	--
Ungraded Positions ..	--	--	--	--	--	--	--	--	--
Total Permanent Positions	182	165	347	184	166	350	198	172	370
Unfilled Positions end-of-year.....	7	1	8	--	--	--	--	--	--
Total Permanent Full-time ..... Employment. end-of-year.....	175	164	339	184	166	350	198	172	370
Staff-Year Ceiling	175	164	339	184	166	350	198	172	370

OFFICE OF THE GENERAL COUNSEL

CLASSIFICATION BY OBJECTS

1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, DC	$11,610,496	$11,688,333	$12,949,251
Field	10,318,447	10,589,911	11,606,755
11 Total personnel compensation	21,928,943	22,278,244	24,556,006
12 Personnel benefits	4,455,406	4,688,853	5,202,033
13 Benefits for former personnel	1,122	1,000	1,000
Total pers. comp. & benefits	26,385,471	26,968,097	29,759,039
Other Objects:			
21 Travel	253,200	192,950	208,450
22 Transportation of things	28,195	15,000	15,000
23.3 Communications, utilities and misc. charges	806,785	790,877	794,377
24 Printing and reproduction	69,702	85,955	85,955
25.2 Other services	732,819	740,461	740,461
26 Supplies and materials	579,622	330,660	484,660
31 Equipment	333,245	70,000	793,058
Total other objects	2,803,568	2,225,903	3,121,961
Total direct obligations	29,189,039	29,194,000	32,881,000
Position Data:			
Average Salary, ES positions	$122,065	$127,096	$129,252
Average Salary, GS positions	$62,464	$62,053	$64,206
Average Grade, GS positions	11.75	11.80	11.77

OFFICE OF THE GENERAL COUNSEL

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets)

Office of the General Counsel:

For necessary expenses of the Office of the General Counsel, [$29,194,000], $32,881,000.

SALARIES AND EXPENSES

Appropriations Act, 2000	$29,194,000
Budget Estimate, 2001	32,881,000
Increase in Appropriation	+3,687,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2000 Estimated	Pay Costs	Program Changes	2001 Estimated
Legal Services	$29,194,000	+$928,000	+$2,759,000	$32,881,000

Project Statement
(On basis of appropriation)

	1999 Actual		2000 Estimated		Increase or Decrease (1)	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Legal Services	$29,189,039	323	$29,194,000	330	+$3,687,000	$32,881,000	346
Unobligated Balance...	4,961						
Total, Appropriation..	$29,194,000	323	$29,194,000	330	+$3,687,000	$32,881,000	346

Justification of Increases and Decreases

(1) An increase of $3,687,000 for legal services ($29,194,000 available in 2000) consisting of:

(a) An increase of $1,886,000 consisting of $958,000 to maintain staff and $928,000 for the anticipated fiscal year 2001 pay raise.

This increase will enable OGC to meet its objective of providing effective legal services in a responsive manner to support USDA activities, consistent with the priorities established by the Secretary of Agriculture. This critically important increase is needed to support and maintain current staffing levels to meet the current and projected increased demand in delivering legal advice, training, appeal and litigation legal services to agencies. Approximately 91 percent of OGC's budget is in support of personnel compensation, which leaves no flexibility for absorbing attorney and support staff promotions, within-grade and pay cost increases. OGC cannot absorb these mandatory costs without reassessing its operating requirements for travel, maintenance of equipment, law library purchases and supplies.

(b) An increase of $825,000 for office automation and records management.

This increase supports the Office of the General Counsel's (OGC's) objective to improve internal and external communications and information management within OGC. OGC will replace old personal computers with Pentium III computers that fully support OGC's internal Paradox case tracking, electronic mail messaging software, and Internet access. In addition, OGC plans to replace slow network printers with higher speed printers and replace or upgrade approximately 15 obsolete file servers nationwide. Development of a records management system has become a Departmental concern . Additional funding is needed to implement a records management system within OGC nationwide.

Additional funding is requested to implement an indexed retrieval system for information management nationwide and purchase ISYS Desktop 5. The ISYS system is scalable from a single PC through mission-critical networks with thousands of users. This software will allow OGC to create dynamic, enterprise-wide knowledge data banks for search and retrieval nationwide.

(c) An increase of $976,000 and 16 staff years for specific legal services.

As a result of increasing workload, there are several areas where staff is insufficient to adequately meet the demands for legal services generated by the Department. This increase will enable OGC to meet its objective of providing effective legal services in a responsive manner to support USDA activities, consistent with the priorities established by the Secretary of Agriculture. Staffing will consist of 13 attorney positions and 3 support staff positions. The legal resources are needed in the following areas:

Civil Rights Division (9). Recent years have seen a drastic increase in the number of formal complaints filed against the Department with the Equal Employment Opportunity Commission (EEOC). For example, 946 formal complaints were filed in fiscal year 1998 and 972 formal complaints were filed during fiscal year 1999. In order to insure that agencies of the Department receive adequate legal services, it is critical that OGC is able to represent USDA agencies in all formal EEO proceedings.

More cases have been filed seeking compensatory damages and promotions, even to the Senior Executive Service. Complainants in formal hearings are increasingly being represented by attorneys. Agencies that are not represented by attorneys are at a severe disadvantage and could be wrongly subject to charges and damages. Although, agencies may not always be in the right; attorneys help avoid wrongful findings. With the June 14, 1999 Supreme Court decision in *West v. Gibson*, which held that the Equal Employment Opportunity Commission (EEOC) possesses the legal authority to require federal agencies to pay compensatory damages when they discriminate in employment in violation of Title VII, it is clear that, without adequate attorney representation before EEOC, the Department could be wrongly saddled with many judgments under which it will have to pay damages.

Allowing legal input at all stages of agency action will ultimately save time and money with better delivery of services to the public.

Natural Resources Division (1). Recreation-related legal issues on National Forest System lands have increased dramatically in recent years in concert with the public demand for outdoor recreation experiences. Increased public use, especially near large urban areas, has brought problems of agency financial liability for accidents on public lands and law enforcement issues involving group uses, illegal activities related to drug and alcohol uses and other forms of dangerous behavior.

Further, the Forest Service is facing numerous contract and permit problems related to ski areas, campground operations, and out-fitter and guide concessions. These concessions give rise to issues of liability insurance, pollution control, cost recovery and permit fee valuation. Additionally, burgeoning recreational use has created land management conflicts between recreation uses and livestock grazing, timber harvesting, wildlife management and wilderness use.

The changing nature of the recreation program, along with the increased recreation emphasis and the agency's reform effort, require an increase of an attorney position to meet the Department's critical need for legal assistance.

Regulatory Division (1). The food safety program of the Department is certainly one of the highest priorities of the Department and the Administration. The food safety initiatives are designed to enhance public health by minimizing food-borne illness from meat, poultry and egg products. Among those initiatives are the regulatory mandates for the meat and poultry industry to adopt and implement Hazard Analysis and Critical Control Point (HACCP) systems and sanitation and microbiological testing programs. A second initiative is the development of working partnerships with other public health agencies and other stakeholders to support the President's national food safety initiatives. A third initiative is the promotion of food safety from farm to table through cooperative programs with the states and other federal agencies. A fourth initiative is the promotion of international cooperation on food safety by the application of sound, internationally accepted food safety standards. A fifth initiative is the reformation of the existing regulations with HACCP principles and the removal of unnecessary regulatory obstacles to innovation. All of those have led to a substantial increase in the demand for legal support of the food safety program area.

The Animal and Plant Health Inspection Service (APHIS) also continues to place increasing demands on the division. Additional legal services will be needed on numerous international sanitary and phytosanitary issues, including the implementation of agreements with

foreign countries concerning sanitary and phytosanitary requirements. Requests for legal services will also increase in connection with pest eradication programs, especially with regard to compliance issues and the defense of challenges to quarantine regulations and pest eradication programs based on the National Environmental Policy Act (NEPA) and other environmental legislation and concerns. The biotechnology area is growing exponentially and implicates both the plant health program and the animal health program with the emerging need to regulate arthropods and other live animals. This will necessitate additional regulations and supporting legal analysis to support and explain these regulations, as well as the development of effective enforcement programs. Many issues have also been raised with regard to APHIS compliance with NEPA for the issuance of permits and determinations under the current biotechnology regulations. APHIS will, of necessity, require extensive legal support in improving NEPA compliance. The issue of invasive species and implementation of the executive order on invasive species will also require additional legal services. Wildlife Services, a program of APHIS, has been challenged by the Humane Society of the United States and other humane and environmental groups with regard to its compliance with NEPA, the Migratory Bird Treaty Act, and other environmental legislation. These lawsuits have increased significantly in number and we believe they will continue to increase.

Central Region (1). The Leawood, Kansas office services the legal needs of USDA clients in the states of Kansas, Nebraska, Missouri and Iowa, which are major agricultural producers of wheat, corn and feed grains. In addition to these producers, clients of the Leawood office also include the Kansas City Management Office and Kansas City Commodity Office, FSA, the NITC (Computer Center), and a major installation of the Risk Management Agency. Since the opening of the Centralized Servicing Center (CSC), in St. Louis, the Leawood office has been the major source of legal advice for that installation, as well as coordinating the provision of legal advice to CSC from various OGC offices throughout the country.

The liquidation work in the rural housing area is also expected to increase substantially as this office is called upon to service and oversee the processing of large backlogs of delinquent rural housing loans to be handled by that office.

The states serviced by this office are major agricultural producers, and the legal work produced by the USDA clients has continued unabated for a number of years, while at the same time the office has been called upon to do additional work for USDA clients in the areas of Board of Contract Appeals and personnel cases. We see no abatement of the overall office workload in the foreseeable future, nor any abatement of the increase in workload in the various areas serviced by the office.

Pacific Region (1). The workload of the San Francisco office comprises several significant areas of work, many of which are not being fully served due to lack of resources. Some of these areas include representation of the Forest Service before the Federal Energy Regulatory Commission, representation of the Forest Service in water rights matters, Endangered Species Act matters, contract litigation involving timber sale contract lawsuit, environmental matters with Natural Resources Conservation Service and legal matters involving the grazing of National Forest System lands.

OFFICE OF THE GENERAL COUNSEL
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$433,352	6	$388,613	6	$464,657	6
Alaska	382,140	5	407,401	5	433,445	5
Arkansas	765,936	11	791,197	11	830,611	11
California	1,374,200	16	1,399,461	16	1,539,919	17
Colorado	1,326,132	14	1,351,393	15	1,406,503	15
District of Columbia	16,183,301	159	16,017,564	165	18,771,210	179
Georgia	1,447,369	17	1,388,630	17	1,524,088	17
Illinois	556,500	6	581,761	6	597,805	6
Kansas	978,667	12	963,928	12	1,118,690	13
Minnesota	483,945	7	509,206	7	537,924	7
Montana	597,301	8	612,562	8	633,954	8
New Mexico	321,717	5	346,978	5	360,348	5
Ohio	248,717	4	273,978	4	284,674	4
Oregon	1,106,246	15	1,051,507	15	1,166,617	15
Pennsylvania	909,882	11	935,143	11	964,557	11
Texas	773,242	11	798,503	11	827,917	11
Utah	339,518	5	364,779	5	378,149	5
Virginia	302,277	4	327,538	4	338,234	4
Wisconsin	658,597	7	683,858	7	701,698	7
Subtotal, Available or Estimate	29,189,039	323	29,194,000	330	32,881,000	346
Unobligated balance	4,961					
Total, Available or Estimate	29,194,000	323	29,194,000	330	32,881,000	346

OFFICE OF THE GENERAL COUNSEL

STATUS OF PROGRAM

The Office of the General Counsel (OGC) serves as the legal advisor and counsel for the Secretary and the program agencies of the Department.

Current Activities: The Office provides legal services for all agencies of the Department. These services include, but are not limited to the following:

- rendering opinions on legal questions;
- preparing or reviewing rules and regulations;
- preparing or interpreting contracts, mortgages, leases, deeds, and other documents;
- preparing briefs and representing the Department in judicial proceedings and litigation;
- representing departmental agencies in nonlitigation debt collection programs;
- processing applications for patents for inventions by the Department's employees;
- representing departmental agencies in state water rights adjudications;
- considering and determining claims by and against the United States arising out of the Department's activities;
- representing the Department in formal administrative proceedings;
- assisting the Department of Justice in the preparation and trial of cases involving the Department; and
- representing the Secretary of Agriculture and the Commodity Credit Corporation before the Interstate Commerce Commission, the Federal Maritime Commission, and the International Trade Commission.

Highlights of OGC's Fiscal Year (FY) 1999 operations are described below:

Selected Examples of Recent Progress:

ADMINISTRATION AND RESOURCE MANAGEMENT

The Office of the General Counsel has focused on year 2000 compliance by accessing electronic hardware and software throughout the agency. Obsolete 486-based computer technology was replaced with Pentium II/ III systems nationwide. In addition, Novell file servers were replaced with Pentium computers in Regional and Branch offices, along with updated Novell operating system software, to ensure year 2000 compliance nationwide.

REGULATORY AND MARKETING

Marketing Agreements and Orders: OGC attorneys reviewed almost 125 dockets, as well as many other documents relating to marketing orders, and provided daily legal advice to client agencies in connection with a wide variety of matters arising under both the fruit and vegetable and the milk marketing order programs. Substantial legal services were devoted to amendments to regulations implementing a wide variety of marketing order programs. The amendments included revisions to grade, size, quality and maturity regulations and to import regulations, when applicable. OGC attorneys continued to provide assistance concerning several marketing order programs in connection with formal rulemaking proceedings, including amendments to the Walla Walla onion order and to the tart cherry order. Extensive legal services were also provided in the connection with revisions to the milk marketing order system as required by the Federal Agriculture Improvement and Reform Act of 1996. This reform continues to require substantial attorney time in considering the legal implications of the numerous suggested revisions raised by the thousands of comments on the proposal. Significant legal services were expended in successfully defending the current Federal Milk Order Program in the U.S. Court of Appeals for the Eighth Circuit and in dismissing the remaining First Amendment challenges to marketing order advertising programs.

Research and Promotion Programs: OGC attorneys have continued to provide legal services in connection with a wide variety of rulemaking actions and other issues arising under the thirteen research and promotion programs currently in effect. Legal services were provided in connection with promulgation of a new national program for peanuts and proposed programs for blueberries and olive oil under the Commodity Promotion, Research, and Information Act of 1996. Assistance was also provided concerning amendments to the existing honey program and the proposed kiwifruit program. OGC also has devoted substantial legal resources to successfully defending administrative and Federal court constitutional challenges to the dairy promotion program, the mushroom promotion and research program and the beef promotion and research program.

Animal Welfare and Horse Protection Acts: OGC expended substantial resources in connection with the Animal Welfare and Horse Protection Act Programs. OGC attorneys serve as agency counsel in administration enforcement actions brought under these two statutes, and in FY 1999, OGC initiated 76 enforcement cases. In addition, OGC reviewed and provided drafting assistance to the Animal and Plant Health Inspection Service (APHIS) in a number of rulemaking actions and policy statements including policy guidance on the handling of dangerous exotic animals covered under the Animal Welfare Act, and provided assistance and counsel to APHIS's Horse Protection Program, particularly in connection with the drafting and implementation of APHIS's Operating Plan for the 2000 Horse Show Season.

Virus-Serum-Toxin Act: OGC continued to provide drafting assistance to APHIS in a number of rulemaking actions and other documents concerning veterinary biologics. In addition, OGC assisted the Department of Justice (DOJ) attorneys at the trial and appellate levels in litigation involving manufacturers of animal biologics. OGC also devoted legal resources assisting APHIS in resolving questions regarding the regulation of biologics, in negotiating an international mutual recognition agreement with the European Community, and in reviewing the standards applicable to various products to determine what changes, if any, need to be made. Most recently, our attorneys were involved in helping APHIS establish an electronic filing system and electronic signatures in the area of veterinary biologics.

Grain Standards Act: OGC reviewed a variety of rulemaking and other documents for publication in the Federal Register, including changes to the grain inspection and commodity fee schedules, to the standards for corn, and to several inspection equipment program requirements. A number of official agency designation notices also were reviewed for publication. OGC continued to work with and advise the

agency concerning program changes to better serve the grain industry in a more cost effective and efficient manner.

Organic Foods Production Act: OGC provided significant legal assistance in connection with the issuance of a revised proposal to implement the Organic Foods Production Act of 1990. Publication of the Department's first proposed rule on organic certification resulted in tens of thousands of comments from interested persons. OGC has continued to work with the agency as it proceeds with the rulemaking process. The rulemaking process as well as implementation of the organic program will result in additional demands for legal assistance.

Transportation Issues: OGC provided legal analysis, drafting assistance, and review on filings with the Surface Transportation Board, agreements concerning movement of agricultural commodities on waterways , new rail construction and rail access and competition issues, including proposed legislation.

Meat and Poultry Inspection Acts: Over 200 criminal cases, civil injunctions, civil seizure, and claims collection cases were prepared and referred by OGC attorneys to DOJ or otherwise handled or disposed of during fiscal year 1999. In addition, 35 administrative proceedings involving the withdrawal, suspension or denial of Federal meat and poultry inspection or custom exemption were litigated. OGC attorneys also assisted in defending agency regulations and program actions in an array of Federal civil litigation.

On September 23, 1999, the United States District Court for the District of Columbia granted USDA's motion for summary judgement in a case initiated by AFGE challenging the Food Safety & Inspection Service (FSIS) Hazard Analysis and Critical Control Points (HACCP) Based Inspection Models Project, a pilot program to test new government inspection procedures. Plaintiffs alleged that the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA) require federal inspectors to conduct with current procedures a post-mortem inspection of every livestock and poultry carcass. Judge Lamberth found that the FMIA and the PPIA do not require that inspections be conducted only according to the existing methods and that FSIS has discretion under the statutes to devise improved inspection models. Judge Lamberth found that the decision to proceed with the pilot project is a "rational policy judgement that lies well within the Secretary's discretion". On September 27, 1999, plaintiffs filed a motion for an emergency injunction pending appeal with the Court of Appeals for the District of Columbia because FSIS was to begin testing new inspection procedures on October 4, 1999. On October 6, 1999, the Court of Appeals denied plaintiffs' motion for an emergency injunction.

On September 9, 1998, a complaint and motion for temporary restraining order or preliminary injunction was filed in the United States District Court for the District of Columbia, by James V. Hurson Associates, Inc., against the Department. The action was brought in response to the publication by the Department's FSIS of a Federal Register notice announcing the elimination of routine face-to-face label approval meetings between FSIS label reviewers and representatives of food producers, often called label expediters. FSIS considered the proposed change procedural and did not employ notice and comment rulemaking procedures. Plaintiff asserted that the proposed change is substantive in nature requiring pre-decisional notice and comment under the Administrative Procedure Act (APA). On August 30, 1999, Judge Kessler issued an order in favor of FSIS and dismissing this action. In her Memorandum Opinion, Judge Kessler held that FSIS notice at issue involves only rules of agency organization, procedure or practice and that the notice and comment requirements of the APA clearly do not apply.

Our office reviewed, revised, and cleared for legal sufficiency over 100 FSIS rulemaking dockets and notices during fiscal year 1999. Many of the rulemaking dockets were associated with the Department's pathogen reduction and HACCP system rulemaking initiatives. Other dockets were

related to rulemaking to further streamline the food safety and inspection system regulations. Some of the more significant rulemaking dockets reviewed by our office were rules of practice; regulation of retained water in raw meat and poultry products; the irradiation of meat and meat food products; food and color additives approved for use in the meat and poultry products; new performance based regulations for sanitation requirements in meat and poultry establishments.

OGC attorneys also assisted FSIS in its work on proposed legislation and in the preparation of legislative reports and testimony related to food safety matters, including those related to the interstate shipment of state - inspected products, and country of origin labeling.

Animal and Plant Quarantine Laws and Wildlife Services: During FY 1999, OGC reviewed, assisted in drafting and cleared for legal sufficiency approximately 115 proposed or final dockets or notices for publication in the Federal Register. Significant rulemaking matters involved regulations governing the transportation of equines to slaughter; regulations concerning the interstate movement of cattle because of Johne's disease; amendments to scrapie regulations governing the interstate movement of sheep and goats; regulations concerning Karnal bunt compensation; adjustment of Agriculture Quarantine and Inspection and Veterinary Services user fees; amendments to the noxious weed regulations to clarify their effect on interstate commerce; adding requirements for compliance agreements to the Mexican Haas avocado regulations; regulations governing the interstate movement of cattle, bison and goats due to tuberculosis; regulations governing the importation of wood chips; regulations governing the National Poultry Improvement Plan; regulations governing the importation of various agricultural commodities, including fuji apples from Korea, pork and pork products from Mexico, high temperature forced air treatment for citrus, and irradiation as a treatment for imported fruits and vegetables.

Numerous criminal, civil, and claims collection cases involving APHIS matters were referred to DOJ or otherwise handled during the fiscal year. For example, OGC has provided considerable assistance to DOJ in connection with a criminal investigation involving the falsification of phytosanitary certificates for beans, popcorn, sunflower seeds, lentils, and other plant products. This investigation is ongoing. Maintaining the integrity of APHIS' phytosanitary certification program is of considerable importance to APHIS programs, and especially to international trade in agricultural products. OGC also spent numerous hours defending litigation brought against Wildlife Services division involving the National Environmental Policy Act (NEPA), the Migratory Bird Treaty Act, and the Endangered Species Act. In addition, OGC was able to successfully conclude litigation at the District Court level concerning APHIS' regulations governing the importation of logs, lumber, and unmanufactured wood products. The District Court found that APHIS' Supplemental Environmental Impact Statement met NEPA requirements, and the court lifted the injunction it had previously placed on issuance of import permits under the regulations. The plaintiffs have appealed this decision to the 9th Circuit Court of Appeals.

Perishable Agricultural Commodities Act: OGC devoted substantial resources to providing legal services in connection with the Perishable Agricultural Commodities Act (PACA). OGC received 23 new enforcement referrals in FY 1999 and attorneys filed 20 new administrative enforcement cases. In FY 1999, OGC collected approximately $302,000 in civil penalties levied in administrative enforcement actions under the authority of the PACA. Four enforcement cases included proceedings regarding the "responsibly connected" status of principals in companies that were the subject of enforcement action. In addition, OGC received referrals of 6 civil cases for referral to the Department of Justice and referred six cases to DOJ in FY 1999. In addition to the prosecution of regulatory violations of PACA in FY 1999, attorneys issued opinions in 68 disputes between private party litigants in the perishable agricultural commodities industry under PACA's reparations provisions, and reviewed decisions written by PACA specialists who had been trained by OGC in 92 other reparation decisions. OGC attorneys worked on a number of investigations and case referrals alleging that inspection certificates were altered for a fraudulent purpose in violation of the PACA . These cases and two cases alleging that sellers

misrepresented the type or kind of produce to their customers were the most significant cases that OGC worked on in the PACA program in FY 1999. OGC provided legal counsel to PACA with regard to its work with Canada and Mexico to develop a forum for the resolution of disputes in the sale of perishable agricultural commodities in foreign commerce. OGC attorneys continue to participate in the initial stages of investigations of PACA cases as the agency pursues more investigations of fraud or commercial bribery which require legal advice and counsel regarding particular fact or evidentiary issues that may arise during the investigation and preparation of the case. OGC worked with PACA on the preparation of regulations regarding reparation rules of practice and user fees. In addition, OGC participated in a number of training seminars to prepare investigations for their role in administrative proceedings and to update regional supervisors on recent developments in the law.

Packers and Stockyards Act: During FY 1999, OGC received 13 referrals from the Grain Inspection, Packers and Stockyards Administration (GIPSA), Packers and Stockyards Program. These referrals seek the issuance of a complaint for the enforcement of the requirement of the Packers and Stockyards Act (P&SA). In FY 1999, seven new enforcement actions were filed and OGC collected approximately $189,055 in civil penalties levied in administrative enforcement actions alone. OGC provided substantial legal resources to P&S in the preparation of cases alleging anti-competitive practices or trade practices violations. As P&S increases its emphasis on investigation and enforcement of competition issues under section 202 of the P&S Act, the agency seeks OGC counsel and participation very early in the investigation of a case. OGC involvement in the preparation of cases at this early stage is a significant factor in the increased need for OGC resources in this area of P&S's work. Additionally, the preparation of econometric or statistical evidence for the presentation of the Department's case at hearing also requires much more extensive and resource intensive OGC involvement in these cases. In FY 1999 the Department issued complaints in significant cases against two livestock packers. In one case, the Department alleges that the packer altered its formula by which it calculated the price to be paid for hogs without informing the hog producers who were selling under the formula of the change. That formula change resulted in a lower price for the hogs sold by those producers in most cases. The other case alleges that a large packer altered its buying practices and failed to bid or purchase cattle from a feedyard after the manager of the feedyard wrote a newspaper column critical of the packer. Both of these cases allege violations of section 202 of the Packers and Stockyards Act.

In addition to its work in enforcement actions, OGC received 3 reparation referrals and continued to work with P&S staff to prepare and draft decisions in these cases involving commercial disputes between private parties. In FY 1999 OGC assisted in the review and, when requested, the drafting, of legislation regarding livestock trade practices issues. Also, OGC attorneys provided legal advice to the Department's task force to address the crisis in hog prices at the end of 1998 and the first quarter of 1999 and participated in the White House task force on those issues. In FY 1999 OGC provided legal services in the interpretation of the P&SA's statutory trust provisions and provided legal advice on 4 matters involving the statutory trust or pay out in custodial accounts matters. OGC provided legal services to P&S on issues involving the Clear Title Provision of the Food Security Act of 1985, reviewing submissions or providing legal opinions in 8 matters referred for interpretation of those provisions. OGC provided substantial legal resources to P&S in rulemaking relating to the weighing of feed in live poultry contracts and the non-reporting of price as a condition of sale and has participated, when requested, in the drafting of regulations.

Concentration: In the past fiscal year, the Secretary has placed special emphasis on the issues related to concentration and consolidation of agricultural businesses. In FY 1999 OGC attorneys participated in the Department's Committee on Concentration issues and acted as liaison between DOJ and various agencies of the Department in the review of a number of mergers and acquisitions in agricultural businesses, including the Monsanto/DeKalb and Cargill/Continental acquisitions. OGC staff coordinated the response of the various agencies of the Department to information requests from DOJ related to a number

of merger or acquisition reviews. This area of the OGC workload is growing rapidly as the number of mergers and acquisitions in agricultural businesses increases.

Capper-Volstead: The Capper-Volstead Act (7 U.S.C. 291, 292) permits persons engaged in the production of agricultural products as farmers to join together in producer associations for the purpose of collective bargaining, handling and marketing of the members' products. The Act confers a limited exemption to the antitrust laws for the associations and gives the Secretary of Agriculture authority to issue cease and desist orders upon a finding that any such association engages in monopoly or restraint of trade in interstate or foreign commerce to such as extent that the price of the product is unduly enhanced. The Secretary has delegated his authority to the Capper-Volstead Committee which OGC provides legal counsel. In FY 1999, OGC attorneys responded to 4 requests from the public regarding the requirements of the Act and provided legal advice and counsel at the request of the members of the Committee.

Future Outlook: The Secretary continues to emphasize his initiative to address concerns regarding concentration and consolidation in agricultural businesses. GIPSA is continuing its investigation of procurement practices of beef and hog slaughter facilities and increasing their enforcement efforts with regard to competition and unfair trade practices enforcement of section 202 of the P&S Act. The PACA program continues to require extensive legal resources to pursue more complex intensive enforcement of trade practice violations such as fraud or bribery. The concentration initiative and the move of the agencies into more complex trade practice enforcement will require the use of extensive legal resources.

INTERNATIONAL AFFAIRS, COMMODITY PROGRAMS AND FOOD ASSISTANCE PROGRAMS

Commodity Credit Corporation (CCC), Farm Service Agency (FSA), and Domestic Commodity-Related Program Activities: During this past year, OGC provided a significant amount of assistance with respect to commodity loan, producer income and production adjustment programs authorized by various statutes, including the Agricultural Adjustment Act of 1938, the CCC Charter Act, the Food Security Act of 1985, and the Federal Agriculture Improvement and Reform Act of 1996. This assistance included the provision of extensive legal advice to Department officials concerning issues arising from the private national settlement between tobacco companies and States in which approximately $5 billion is being distributed to producers through private trusts and the drafting of proposed legislation to assist in the release of Departmental data essential to the orderly distribution of these funds. Substantial assistance was also provided in assisting FSA officials in developing an emergency conservation program for producers in drought-affected areas for crops, such as cranberries in New England, which have not historically been the focus of assistance by the Department. Assistance was also provided in the drafting and review of proposals for the expansion of the Conservation Reserve Enhancement Program to increase participation to eight States with a Federal commitment of $1.1 billion. Significant resources were expended with regard to efforts to address the severe decline in agricultural commodity prices and the devastation caused by droughts and other natural disasters. Most notably, these efforts included: (1) the legal analysis for establishing the Small Hog Operation Program; (2) aiding in the resolution of numerous issues that arose under the Marketing Assistance Loan and Loan Deficiency Payment Program; (3) the review of numerous income and disaster assistance proposals that were eventually enacted as a part of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (1999 Act); and (4) the review of the regulations which implemented the provisions of the 1999 Act.

Foreign Agricultural Service (FAS) and CCC International Activities: During FY 1999, OGC has supported the work of the Foreign Agricultural Service (FAS) in the implementation of a number of major international trade and foreign assistance initiatives. OGC involvement in the international trade area includes assisting the Office of the United States Trade Representative concerning the enforcement

of the commitments received in the Uruguay Round negotiations that established the World Trade Organization (WTO). Similarly, OGC was extensively involved in the preparation of proposals of the United States (U.S.) regarding agricultural issues and the review of other related proposals prepared in the context of the upcoming Seattle Round of WTO negotiations. OGC provided extensive advice to FAS officials concerning numerous WTO dispute-related matters and participated in WTO consultations, WTO panel considerations, and WTO appeals involving various trade disputes. These included: (1) Japanese phytosanitary issues; (2) Canadian dairy export subsidies and access for U.S. products; (3) ensuring European Union (EU) compliance with the WTO decision striking the ban on imports of meat produced with growth-promoting hormones; (4) Foreign Sales Corporation issues; and (5) access for U.S. beef to South Korean markets. OGC was instrumental in the formulation of revisions to the International Plant Protection Convention and preparation for transmittal of the revised convention to the Senate for ratification of U.S. acceptance. OGC continues to be actively involved in providing legal services with respect to other FAS-administered programs. OGC is extensively involved in providing legal advice in connection with the export credit, supplier credit, and facilities guarantee programs. During the past year, OGC has also been involved in the implementation of a large number of food assistance agreements involving the donation of agricultural commodities abroad, including wheat acquired by CCC under its surplus removal authority, at levels unequaled in the past 25 years and the monetization of the commodities by Private Voluntary Organizations. The implementation of these agreements involves extensive review of draft agreements, commodity procurement and ocean transportation issues, and cargo loss and damage claims. OGC also provided assistance in reviewing legislation authorizing Presidential waivers of sanctions on trade with India and Pakistan; preparing the principal draft of a waiver and the accompanying decision memorandum for the President to use in issuing a waiver to exempt certain CCC programs from these sanctions; and advising officials of various Executive Branch agencies, including officials at the National Security Council and the Department of State, of the legal ramifications of these sanctions and waivers with respect to CCC activities.

Food Assistance Programs: During this past year, OGC attorneys worked closely with the Food and Nutrition Service (FNS) and Congressional staff to draft and review various legislative proposals for the domestic food assistance programs, including many incorporated in the William F. Goodling Child Nutrition Reauthorization Act of 1998 (Goodling Act), P.L. 105-336. In particular, OGC provided counsel regarding proposed legislation mandating the interoperability of electronic benefit transfer (EBT) cards to require that, by October 1, 2002, electronic benefits issued in any State may be used in retail food stores in any other State. OGC assisted in the formulation of legislation to restore Food Stamp Program eligibility for certain elderly, minor and disabled aliens and trans-border native Americans who had been made ineligible under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), P.L. 104-193. OGC also assisted in the development of proposals to address disaster assistance in areas where natural forces or mechanical failures affect the electronic issuance of benefits, to improve the management of retail food stores participating in the Food Stamp Program and to deny public assistance benefits to persons who may have participated in Nazi persecution.

The implementation of the PRWORA continues to generate substantial legal work, including litigation involving: (1) the rights of various categories of aliens to receive food stamp benefits; (2) the ability of State agencies to use information collected from participants as a tool to report illegal aliens to immigration and law enforcement authorities; and (3) the effect of PRWORA on the confidentiality rights of program participants. OGC participated in the development of an advance warning letter to New York regarding the denial of access to Food Stamp Program applicants under PRWORA and closely monitored litigation brought by program applicants based on the same issues. OGC also participated substantially in the settlement of Food Stamp Program quality control liabilities for 22 State agencies based on eligibility determination error rates for FY 1998 resulting in agreements by the States to expend in excess of $27 million to improve program management.

Review of regulations was again a priority for OGC in FY 1999. OGC cleared for legal sufficiency a total of 55 separate Federal Register publications concerning the domestic food assistance programs. OGC reviewed implementation of many fundamental changes to the Child Nutrition Programs resulting from the enactment of the Goodling Act, including the implementation of childcare service to an entirely new group of beneficiaries- at risk youths in after-school care. In connection with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), OGC reviewed a major regulation concerning the purchase of infant formula and the provision of millions of dollars in rebate income to the Program. This rule provides clear guidelines to State agencies and infant formula manufacturers designed to ensure the fiscal integrity and continued viability of the competitive bidding system for rebates. OGC also reviewed a final rule incorporating the personal responsibility provisions of PRWORA, implementing the work and training requirements of the statute. Additionally, OGC cleared final regulations implementing PRWORA's amendments which impose reciprocal disqualification for retailers and vendors in the Food Stamp and WIC Programs resulting in the denial of repetitious appeal rights.

In connection with the Special Nutrition Programs, OGC undertook substantial research into the policies of the Internal Revenue Service with respect to the recognition of the tax exempt status of religious organizations in order to provide advice regarding the implementation of new statutory limitations on the status of eligible child care sponsors participating in the Child and Adult Care Food Program (CACFP). In State litigation, OGC provided important clarification to counsel, as well as the courts, regarding the trust character that attaches to federal funds held by child care sponsors to help assure that these funds remain available for nutrition assistance rather than being diverted to satisfy sponsors' non-program debts. OGC assisted in the development of a training program for FNS staff at the headquarters and regional levels to help improve the management of the CACFP and subsequently participated in the resulting training sessions. OGC also provided counsel regarding the legal issues related to the demand of a cereal manufacturer that the current rule governing the maximum sugar content for WIC eligible cereals be altered to disregard sugar appearing naturally in fruits which are added to cereal.

Litigation involving the Department with respect to food assistance programs continues to be a significant element of work (14 open cases). There were eight new court challenges filed in FY 1999 with regard to the domestic food assistance programs. Among other issues, litigation in State courts, United States District Courts and United States Courts of Appeal challenged: (1) the statutorily-mandated ineligibility for food stamp benefits of divorced spouses claiming eligibility on the basis of their ex-spouses' Social Security earning records alleging interference with the fundamental constitutional right to marriage; (2) the policies of the Secretary of Agriculture, the Secretary of the Treasury and the New York State Welfare Commissioner alleging the inadequacy of the Treasury Offset Notice used to initiate collection of claims under the Debt Collection Improvement Act of 1996 and that claims were improperly certified to USDA by the State for federal tax offset; (3) the denial of an exclusion of the value of a vehicle for Food Stamp Program purposes when the vehicle is used for charitable activities for which the household receives reimbursement; and (4) the method of calculating civil money penalties in lieu of disqualification of stores authorized to accept food stamps. In addition, 98 retailer/wholesaler judicial review cases were filed.

RURAL DEVELOPMENT

The Community Development Division provided legal advice to the Rural Housing Service (RHS), the Risk Management Agency (RMA), the Rural Business-Cooperative (RBS) Service, the farm lending arm of the Farm Service Agency (FSA), and the National Sheep Improvement Center in all their major areas of activity. For FY 1999, the Division closed 4343 work items with fewer attorneys than in previous years.

Many changes continue to emanate from the Debt Collection Improvement Act which affect all of the loan programs for which the Division provides advice. The division addressed issues regarding electronic fund transfers (EFT) for the Rural Housing Service, Rural Business and Cooperative Service, and the Rural Utilities Service that resulted in one EFT process for sending government funds in excess of $100,000 to closings. Additionally, the division addressed several issues for credit bureau reporting, cross servicing, and offset.

Farm Service Agency Farm Loan Programs (FLP): Several attorneys of the Division played an extensive role in developing major regulations implementing FSA's Preferred Lender Program and streamlining the entire FSA Guaranteed Loan Program. Under the Preferred Lender Program, lenders with a proven track record with USDA guaranteed loans process and request guarantees with reduced paperwork and supervision requirements.

The Division provided significant assistance to FSA and its contractor in streamlining and reinventing its Direct Farm Loan Programs regulations. When finalized, this accomplishment will substantially reduce FSA's published regulations while making them clearer to the agency's customers.

The Division also was instrumental in clearing for publication a proposed rule amending and streamlining the Department's Certified Mediation Program. The regulations provide a uniform set of requirements for all 21 states which participate in the program. This program was cited for efficiency and effectiveness in the Vice President's report of the National Performance Review, Creating a Government that Works Better and Costs Less.

Considerable time was spent assisting DOJ in defending a major class action suit challenging administrative offsets taken from producer entities by the Farm Program (FP) section of FSA, and applied to the delinquent FSA Farm Loan Program (FLP) account of a participating member of the borrower-entity.

With assistance from the Civil Rights Division of OGC, this Division continued to provide FLP and OGC field offices with advice on how to implement administrative civil rights settlements and a consent decree so as to be consistent with the enabling statute.

The Division worked with FSA in proposing rules revising the servicing requirements for Indian Tribal Land Acquisition Loans. In addition, the Division worked closely and extensively with FSA to develop forms and procedures for foreclosing delinquent FSA loans to individual Native Americans.

Rural Housing Service: The Division was heavily involved in the reinvention and rewriting of the environmental regulation which covers both RHS and RBS. The regulation was completely rewritten, updated, and condensed. It now contains, for the first time, procedures for handling hazardous materials matters under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and its subsequent amendments. This proposed regulation will also serve as a model for the new environmental regulation for FSA.

Attorneys with the Division worked with the Department of Housing and Urban Development and the Department of Veterans Affairs to streamline the process and coordinate documentation for making single family housing loans to Native Americans on Indian reservations. The Division also worked with the Internal Revenue Service to obtain rulings exempting from income taxation certain grants to low-income single family housing borrowers.

The Division provided detailed review, legal advice, and supervision in over 15 proposed and final debarments and suspensions of contractors involved in housing programs for RHS.

The Division participated in the preparation of a proposed rule streamlining the single family housing Mutual Self-Help Program regulation to make the program more understandable to and less burdensome on the public. This program helps groups of low-income rural residents become homeowners through an investment of personal labor. The program has been expanded to 43 states and helps 1500 rural families build homes each year.

The Division assisted the United States Attorney's Office in reaching a major settlement agreement of a class action against the agency concerning the moratorium rights of single family housing borrowers in Vermont.

In the multi-family housing area, the Division worked on the eight multi-family housing prepayment suits that collectively would permit every pre-1989 multi-family housing project to prepay their loan and remove all low income tenants including one class action which was successfully defended. In the Multi-Family Housing direct loan area, the Division was instrumental in assisting RHS in the reinvention of all of its regulations.

Significant time was spent assisting the Office of Community Development revising regulations for the designation of five new rural empowerment zones and 20 new rural enterprise communities which were authorized by title IX of the Taxpayer Relief Act of 1997 and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999, respectively.

Rural Business-Cooperative Service (RBS): The Division began advising the Community Facilities Division regarding the new Rural Community Development Initiative. This intra-agency initiative involves agencies in RHS, RBS, and RUS. The initiative will assist national entities in training nonprofit and community organizations in undertaking housing, community facilities, community and economic development projects.

Comprehensive assistance was given to RBS and the Economic Development Administration (EDA) in setting up new guarantee programs for oil and gas exploration and steel and iron ore companies.

The Division reviewed approximately 40 cooperative agreements for the Rural Business and Cooperative Service.

Risk Management Agency (RMA): The Division was heavily involved in the initiatives proposed by Congress to reform the Federal crop insurance program. There have been nine different legislative reforms drafted by the Senate and the House. The Division provided technical drafting assistance and legal advice at meetings with Congressional staffers. The process began in February 1999 and is expected to continue well into the FY 2000.

Significant time was spent in litigating a class action suit in North Dakota filed by durum wheat producers who were contesting the Federal Crop Insurance Corporation's (FCIC) action in denying reinsurance for their Crop Revenue Coverage durum wheat policies. Also, significant time was spent in litigating a False Claims Act case in Minnesota involving numerous elevators, reinsured companies, agents, and loss adjusters.

During the year the Division worked on the revision or development of 27 crop insurance policies through the rulemaking process and the development or revision of approximately 30 other FCIC pilot crop insurance programs and private insurance company crop insurance programs.

Other assistance to FCIC and RMA included legal review, advice and drafting, and defending before the Board of Contract Appeals regarding appeals brought by private insurance companies reinsured by FCIC,

and negotiating settlements and preparing settlement agreements on behalf of FCIC in cases involving denial of insurance claims and failures of private insurance companies to comply with FCIC approved policies. The Division reviewed and approved the institution of 11 debarment and suspension actions for RMA and instituted 17 disqualification actions against insured producers.

National Sheep Industry Improvement Center: The Division assisted the National Sheep Industry Improvement Center Board and Executive Director in negotiating a memorandum of understanding with RBS, establishing an intermediary relending program through a grant, negotiating several credit reform issues with the Office of Management and Budget, sanctions against foreign producers, environmental compliance, and Strategic Plan issues. The United States sheep industry is in dire straits and this is the only national program that is focusing on this industry.

Rural Utilities Service (RUS) Electric, Telecommunications, and Water and Waste Water Programs: OGC was required to provide a wide range of legal services to the rural utility programs of RUS and the Rural Telephone Bank (RTB) during FY 1999. In particular, substantial legal services were required in documentation of RUS loans and grants, in servicing and collection issues associated with the $38 billion RUS electric and telecommunications loan portfolio, and with a series of projects that responded to the dynamic changes occurring in the electric and telecommunications industries. These projects include mergers and alliances; corporate reorganizations; the unbundling of transmission, generation, and distribution services; the restructuring of existing power supply arrangements and the development of the new power marketing arrangements. The projects raised many new and complex legal issues as RUS undertakes to protect the feasibility of and security for its outstanding loans and strengthen its borrowers' financial and operating position as competition and deregulation, introduced with the Energy Policy Act of 1996 and the Telecommunications Act of 1994, are increasingly impacting the industry.

During FY 1999, RUS introduced a fundamentally new loan guarantee program pursuant to which RUS provided guarantees to two private sector lenders for loans targeted to electric distribution borrowers. OGC was required to negotiate, draft, and prepare all documents needed to implement the new program. To streamline the program, OGC drafted the documents in a manner permitting automated preparation using a state-of-the-art computerized document assembly system developed by OGC. Utilizing this system, in the month of August, OGC documented over forty separate loan guarantees totaling $500 million, which represented additional lending authority granted to RUS during the last quarter of the fiscal year. OGC also completed the negotiation and drafting of fundamentally new security arrangements, structured as indentures, designed to facilitate private market financing for three large power supply borrowers. Each of the projects, which have taken more than a year to complete, required the development of new financial tests reflecting the unique requirements of the borrower's corporate and financial structure.

In the area of loan collection activities, OGC provided legal support for a number of projects involving both borrower bankruptcies and the exercise of debt compromise authority by RUS. For example, during FY 1999, the Administrator exercised compromise authority to resolve the financing problems of two power supply borrowers which, because of the high cost of RUS funded investment in nuclear power plants and the pressures of competition, faced defaults on government debt of close to $800 million. OGC worked closely with RUS to develop both a corporate and financial restructuring of the borrowers that protected the government's financial and programmatic interests. OGC also provided litigation support in the bankruptcy of a large Louisiana power supply borrower. The bankruptcy, which has been ongoing for five years, involves $2.7 billion in government loans and some 700 creditors and has spawned numerous issues in a variety of judicial and regulatory forums. In August, the principal parties reached agreement on a plan of reorganization which will resolve this case.

OGC worked closely with RUS on a number of complex corporate restructuring projects which are designed to allow borrowers to operate more effectively in the changing industry. An example of these projects includes the virtual merger of two large Minnesota power supply borrowers. The project required, among other matters, substantial revision in the terms of the RUS required wholesale power contracts, the security arrangements for RUS loans, and the governing structure of the surviving entity. OGC was also required to dedicate considerable resources to the corporate restructuring of two power supply borrowers in the southwest. In one case, the borrower is undertaking to merge with another power supplier to resolve serious financial problems that jeopardize the interests of RUS and other lenders. In the other, the borrower is seeking to unbundle generation and transmission functions and to reform its power supply arrangements with its members in order to accommodate state consumer choice legislation. Both projects raise a range of issues associated with protecting the feasibility of and security for RUS loans totaling hundreds of millions of dollars.

In the RUS telecommunications program, OGC worked closely with RUS in the development of a series of new policies and regulations addressing the many changes occurring in the telecommunications industry. As an example, OGC provided considerable legal services in drafting of 7 C.F.R. part 1744, a proposed rule to amend RUS regulations concerning the accommodation of the government's lien on the telecommunication's facilities of its borrowers. The rule is designed to facilitate the access of the most credit worthy RUS borrowers to private market funding to be used in financing a broad range of telecommunications services. The proposed regulation required the drafting of streamlined new loan and security instruments.

OGC also provided legal services in connection with the operations of RTB. Examples range from advising on issues regarding the privatization of the RTB to providing advice and technical drafting services on revisions to the RTB bylaws that affect the capital structure and the rights of certain classes of stockholders of RTB.

In the water and waste water program, legal services were required in connection with a number of cases in litigation in which municipalities and other public bodies seek to condemn or otherwise take water and waste water systems financed by RUS, notwithstanding federal statutory protections afforded those systems. OGC also provided advice and assistance in connection with the sale of water and waste water systems financed with RUS grants to for-profit entities. Finally, OGC worked closely with RUS on a number of water and waste water regulations including the complete rewrite of water and waste water loanmaking and servicing regulations.

NATURAL RESOURCES

Forest Service (FS) Programs: OGC provided advice to assure compliance with federal environmental and administrative laws for protecting public lands and assets while maintaining on-going federally permitted activities and contract programs.

In the forest management program area, OGC provided litigation support to DOJ in collecting millions of dollars in damages owed the government by defaulting timber sale purchasers. OGC provided extensive assistance to DOJ in the trial of a case concerning the collection of millions of dollars in damages owed the government. OGC and DOJ are preparing for another trial concerning the collection of millions more in damages owed the government. OGC also assisted in limiting contractual damages payable by the client agency for environmentally protective actions. OGC provided legal assistance on drafting a revised timber contract cancellation rule and also in drafting a revised timber sale contract. OGC provided legal assistance on the defense of approximately 20 lawsuits challenging environmental suspensions, modifications and cancellations and alleging the right to takings compensation pursuant to the Fifth Amendment to the U.S. Constitution.

The nationally controversial timber sale program in Alaska continues to require significant legal services. Attorneys both in the Washington and Juneau field office are assisting with litigation claims of $1.5 billion arising from denial of contract claims on the Alaska Pulp Corporation (APC) 50-year timber sale contract on the Tongass National Forest. APC's aggressive litigation stance required the commitment of significant OGC time and resources to defend against its $1.5 billion claim and its tremendous discovery effort.

OGC provided legal advice and assistance to FS on the implementation of pilot projects aimed at harvesting timber while simultaneously advancing forest resource management objectives. FS received statutory authority to enter into twenty-eight projects or stewardship contracts, whereby, under one contract, timber would be harvested and contractors would provide certain services designed to achieve land management goals, including road & trail maintenance, watershed restoration and restoration of wildlife habitat.

In addition, OGC continued to provide significant legal services to FS in interpreting the Forest Resources Conservation and Shortage Relief Act of 1990, as amended, concerning the export of timber from the United States. OGC has briefed members of the Department and Congress, and has assisted FS in drafting a rule to implement the Act.

OGC advised FS on the legal authorities available to address the increasing number of requests from commercial entities seeking access to the National Forest to collect plant samples for possible medicinal use and commercial marketing. OGC will assist FS in drafting and reviewing contract forms and clauses to assure that collectors of plants and other forest products comply with environmental laws as well as the law governing the disposal by FS of forest products. OGC will participate with FS in an interagency policy group addressing issues arising out of the commercial collection of plants on federal lands.

OGC advised on planning issues with respect to those forest plans currently undergoing revision. The number of revisions should increase. Compliance with the Quincy Library Group pilot project (section 401 of the FY 1999 Interior Appropriations Act, P.L. 105-277) and Sierra Nevada framework also requires OGC advice. OGC will continue to advise FS regarding proposed amendments related to the Columbia Basin Ecosystem Project and the Northwest Forest Plan. OGC also provided and will continue to provide substantial assistance to the Department and FS concerning revision of the land and resource management planning regulations and various transportation and roads initiatives. In addition, providing preventive law advice to harmonize Endangered Species Act (ESA) compliance with the procedural requirements of the National Environmental Policy Act (NEPA) and the National Forest Management Act (NFMA), requires continued OGC attention, particularly with wide-ranging species such as salmon and Indiana bats and possibly, lynx. OGC will continue to advise on interagency efforts to streamline ESA and NEPA compliance. Approximately 100 cases challenging FS decisions are pending, and the current trend of increased litigation is expected to continue.

In real property matters, OGC continues to provide legal assistance to FS. The most significant activity concerns the proposed Federal acquisition of the Baca Ranch in the State of New Mexico. The Baca Ranch is a 97,000 acre inholding within the Santa Fe National Forest and contains nationally significant scenic, geologic and wildlife resources. The United States and the owners of the Ranch have reached agreement on a purchase contract calling for the payment of $101 million in consideration. In addition to the contract negotiations, OGC is working with the Congress on authorizing legislation. Once accomplished, the Baca Ranch will be the largest single land purchase in the history of FS. Additionally, OGC has provided an increasing amount of advice to FS in its activities related to hydro power projects, in part due to the approximately 200 relicensing proceedings at Federal Energy Regulatory Commission (FERC) occurring in the next 10 years for projects located on National Forest System (NFS) lands and FS's effort to obtain fair market value for the use of national forest lands for hydro power projects.

OGC continues to provide legal services regarding settlement of several Indian claims including those of Chugach Alaska Corporation, and the New Mexico Pueblos of Sandia, Santo Domingo, San Ildefenso and Santa Clara. Numerous land exchanges and other purchase cases have been processed, and work continues on rights-of-way issues including those arising under R.S. 2477.

In the minerals area, OGC provided extensive legal services to FS in determining the consistency of mineral development with statutes governing millions of acres of land administered by FS which were acquired under New Deal programs. OGC also devoted significant resources in successfully prosecuting a challenge to the validity of mining claims for more than one thousand acres of land in a National Recreation Area located for deposits of pumice which allegedly had special and distinct value for stone washing of fabric. OGC also provided advice to FS and the Department of Interior on the issue of a company's right to dispose of mining waste on lands administered by FS in connection with a mining project involving lands administered by FS and the Bureau of Land Management.

OGC continues to be heavily involved in advising FS on legal issues related to increasingly contentious grazing activities on National Forest System lands. OGC has assisted DOJ in the steadily growing number of lawsuits challenging grazing permit administration under ESA, the Clean Water Act, NEPA and NFMA.

In Congressional matters, OGC provided extensive assistance in drafting legislation relating to several land exchanges and the Administration's fiscal year 2000 budget for FS and in reviewing and analyzing numerous provisions of the 2000 Department of the Interior and Related Agencies Appropriations bill, including provisions relating to the Interior Columbia Basin and the survey and manage provisions in the Northwest Forest Plan Amendments. OGC also provided substantial assistance in drafting and reviewing numerous pieces of legislation introduced by members of Congress relating to payments to states.

OGC provided critical legal assistance to FS Legislative Affairs staff in preparation for, and follow up to, numerous high profile Congressional hearings. OGC also assisted FS Legislative Affairs staff and the Secretary's office in responding to numerous document requests from Congressional Committees and requests for information on a number of matters, including the Sierra Nevada Conservation Framework planning effort, the development and issuance of the Tongass Land Management Plan Record of Decision and the denial of contract claims on the Alaska Pulp Corporation's 50-year timber sale contract. In addition, OGC represented five Departmental witnesses at a series of closed session, investigative hearings before the Warner Creek Task Force chartered by the House Resources Committee to investigate matters relating to the 1996 Warner Creek timber sale and protest.

In the recreation area, OGC provided extensive assistance to DOJ in the successful defense of FS's noncommercial group use regulation. Several courts, including the Ninth Circuit, upheld the regulation in lawsuits challenging its constitutionality under the First Amendment. OGC also provided legal assistance in connection with several special uses reengineering initiatives, including furnishing advice on insurance requirements for special use permits and streamlining the process for noncommercial group use applications. Additionally, OGC assisted in the development of cost recovery regulations for the special uses program and an interim flat fee policy for outfitting and guiding in the Alaska Region of FS.

OGC provided substantial assistance to the Department on issues relating to compliance with applicable pollution control laws. In particular, OGC assisted the Department in the creation of the USDA Hazardous Materials Policy Council and in the related internal reorganization of the hazardous materials management program. In addition, OGC provided assistance and advice to the Department and FS on the cleanup of hazardous waste sites on National Forest System lands. OGC brought responsible parties into negotiations to obtain early and substantial contributions to cleanup costs thereby avoiding the

expense and inefficiency of recovering costs from responsible parties after a federally funded cleanup is completed. During FY 1999, with representation from OGC, millions of dollars worth of cleanup work was accomplished on National Forest System lands by private parties under enforceable agreements with the Department and FS. In addition, OGC provided advice and assistance to FS on the recovery of hundreds of thousands of dollars of past costs from responsible parties in hazardous waste cases that would otherwise have been borne by the public.

Legal assistance was provided on litigation against responsible parties to recover damages for injured or lost natural resources on National Forest System lands. OGC also played a substantial role in advising the Department on compliance with applicable pollution control standards, including negotiating compliance agreements with the United States Environmental Protection Agency (EPA) and State environmental enforcement agencies. For example, OGC assisted in negotiating a Resource Conservation and Recovery Act (RCRA) consent Agreement between the Agricultural Research Service and EPA regarding hazardous waste management at the Plum Island Animal Disease Center in New York, including a Supplemental Environmental Project involving a conversion of former waste water treatment plant lagoons into wetland habitat. OGC also provided the Department with advice to protect the Department's interests regarding hazardous materials issues which arose in the context of land transfers and acquisitions. For example, OGC provided substantial assistance in protecting the interests of the Department in connection with the cleanup of contaminated lands that have been and will be transferred from the Army to FS at the Midewin National Tallgrass Prairie in Illinois. Finally, OGC provided significant legal services in connection with legislative initiatives, including Superfund Reauthorization and Resource Conservation and Recovery Act reform.

OGC also provided substantial legal assistance regarding other federal laws such as Native American treaty rights and religious freedom, and historic and archaeological resource protection. OGC continues to provide legal advice to assure compliance with federal administrative laws such as the Administrative Procedure Act, the Paperwork Reduction Act, the Freedom of Information Act, the Privacy Act, the Federal Advisory Committee Act and executive orders and other authorities governing federal decision making and in implementation of FS's multiple administrative appeal processes.

Natural Resource Conservation Service (NRCS) Programs: OGC provided legal advice and services to the NRCS for its programs for natural resource conservation on private or other non-Federal farm, range, pasture and nonindustrial forest lands including programs authorized by the Federal Agriculture Improvement and Reform Act of 1996. The 1996 Act provides for approximately $2.5 billion in conservation funding for the 1996-2002 period. OGC continues to provide extensive legal services to NRCS and the Secretary in implementing new or amended regulations and program procedures.

OGC also provides legal counsel to NRCS in the enforcement of the conservation compliance provisions of the Food Security Act of 1985. OGC assists NRCS in determinations for enforcement and for granting statutorily-authorized variances. OGC defended the agency in various environmental challenges to the implementation of the conservation provision of the Food Security Act, including programs changes resulting from the 1996 Act. Significant legal services were provided to defend against challenges under the ESA to the implementation of conservation programs in the Platte River Basin and in South Dakota.

OGC continues to provide legal services in support of the Wetlands Reserve Program (WRP). To date, that program has acquired easements on 785,024 acres. Last year, 119,900 acres were added to the program roles, and there were 4,377 projects undertaken in the past year. OGC reviews titles for easement acquisitions as well as restoration contracts. One significant ongoing project is the Bar-T-Bar Ranch in Arizona where the NRCS is in partnership with the Arizona Department of Fish and Game, and FS, to protect a significant National Forest inholding worth in excess of $20 million.

OGC provided legal counsel to the NRCS in promulgating the agricultural pollution and natural resources conservation elements of the President's Clean Water Action Plan, including the joint EPA/USDA Strategy for Animal Feeding Operations, and in defending those elements in litigation.

LEGISLATION, LITIGATION, AND GENERAL LAW

Legislation: During the FY 1999, the Legislative Division conducted legal reviews of 325 legislative reports on bills introduced in Congress or proposed by the Administration and written testimony of 600 witnesses appearing before Congressional committees on behalf of the Administration. The Division prepared and assisted in the preparation of draft bills and amendments for the Secretary, members of Congress, Congressional committees, and agencies within the Department. Extensive assistance was provided to Department policy officials in drafting and analyzing various legislative proposals, including proposals in connection with the the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (Pub. L. No. 106-78); the Plant Protection Act (HR 1504); reforming the Federal Crop Insurance Program including the Crop Insurance for 21st Century Act (S. 529), the Crop Insurance Improvement Act of 1999 (S. 629), and the Administration's Federal crop insurance reform proposal; Secure Rural Schools and Community Self-Determination Act of 1999 (H.R. 2389); the Administration's proposal for the consolidation of the animal health inspection and quarantine laws; and the Administration's proposal to allow state inspected meat and poultry to enter interstate commerce. The Division conducted and coordinated legal reviews and provided technical assistance to USDA legal and policy officials in the drafting and clearance of legislation and ancillary legislative materials.

Litigation: OGC is responsible for development and communication of the Department's position in cases on appeal. During FY 1999, Litigation Division attorneys were assigned full responsibility for 32 appellate cases, and obtained favorable results in 17 of the cases and unfavorable results in 4 of the cases. One case was settled. The other 10 appellate cases are awaiting briefing schedules, or are fully briefed and argued, or are waiting to be scheduled for oral argument in the near future.

The Litigation Division briefed and argued IBP, Inc. v. Glickman. On August 13, 1999, the United States Court of Appeals for the Eighth Circuit reversed a decision of the Secretary and held that a purchasing arrangement between IBP, the world's largest meatpacker, and a group of Kansas feedlots did not violate the Packers and Stockyards Act. The Court noted that, to violate the Act, a trade practice must be unfairly or unjustly discriminatory and not merely discriminatory. Under this standard, the court concluded that the purchasing arrangement does not potentially suppress or reduce competition sufficient to be proscribed by the Act.

The Litigation Division prepared briefs in Peter A. Lang and Nancy Anne Lang d/b/a Safari West v. United States Department of Agriculture. On July 16, 1999, the Court of Appeals for the Ninth Circuit affirmed a decision by the Secretary assessing a civil penalty and issuing a cease and desist order from handling animals in violation of the Animal Welfare Act. Substantial evidence supported the Secretary's finding that Peter Lang failed to handle an animal in his care as expeditiously as possible and in a manner that does not cause behavioral stress.

The Litigation Division briefed Irene Russo d/b/a Jay Brokers v. United States Department of Agriculture. Irene Russo d/b/a Jay Brokers sought review of the Secretary's order revoking her license under PACA. In the revocation order, the Judicial Officer determined that Russo made false statements to consignors for a fraudulent purpose in connection with handling produce on a consignment basis and that she was involved in a joint venture with Produce Distributors, Inc., in which they shared profits resulting from the violations.

The Litigation Division prepared briefs and presented oral argument in Allred's Produce v. United States Department of Agriculture. On July 1, 1999, the United States Court of Appeals for the Fifth Circuit affirmed the decision of the Secretary revoking Allred's PACA license for failing to make full payment promptly to its produce suppliers. The Court found Allred's argument against the revocation, that the PACA did not conform to the current customs and practices of the industry, unavailing. Furthermore, the Court allowed the Secretary to consider new violations as relevant evidence in consideration of the appropriate sanction. Finally, the Court held that the 1995 amendments to the PACA requiring notification to the licensee prior to beginning an investigation did not apply to investigations commenced before the passage of the amendments.

Litigation Division attorneys also gave substantial assistance in DOJ preparations to present the Government's positions in lawsuits. For example:

Sierra Club v. Peterson, is the latest decision in a twenty-year series of lawsuits concerned with timber and water management practices in the National Forests in Texas. A Fifth Circuit panel, in a split decision, found that it was appropriate for the District Court to conduct a trial de novo to examine the condition of the forests years after timber management activities had been conducted. DOJ has filed a motion for en banc review of the panel's decision.

In United States v. Cal-Almond, Inc., the government filed suit against Cal-Almond, Inc., seeking to recover the unpaid balance of advertising assessments under the Almond Marketing Order for the crop years 1988-1989 through 1991-1992. Cal-Almond did not pay these assessments while it unsuccessfully challenged the constitutionality of the advertising assessment provisions. During the course of the constitutional challenge, the district court dismissed the government's collection action. The government subsequently moved the district court for relief from judgment to get the action reinstated. The district court held that Federal Rule of Civil Procedure 60(b)(5), upon which the government partially relied, does not apply because a case relied upon as precedent in rendering the present judgment was subsequently reversed. The district court also rejected the government's argument that manifest injustice would result if Cal-Almond reneged on its promise to pay the past due assessments if its legal challenges were found to be without merit. The government appealed to the Ninth Circuit, and DOJ has fully briefed the case.

Finally, but certainly of equal importance, OGC's appellate lawyers prepared the Department of Agriculture's recommendations to the Solicitor General on whether to appeal 50 adverse decisions of various trial courts during FY 1999. In sum, the Litigation Division's attorneys were responsible for a total of 82 appellate cases during the last fiscal year.

General Law Division (GLD): The Division is responsible for handling administrative claims filed under the Federal Tort Claims Act (FTCA) where the amount of the claim is in excess of $100,000, or where the issues involved are unique, unusual, or complex. During FY 1999, the Division received 65 new administrative claims, and 70 claims were pending at the end of FY 1999. During FY 1999, 42 FTCA cases were filed in Federal court and at the end of FY 1999, 133 FTCA cases were in litigation. The Division continued to provide litigation support to with respect to all such pending FTCA suits.

The Division, along with attorneys from DOJ, represented USDA employees, in both their official and individual capacities, in several civil actions in which the employees were sued for alleged violations of constitutional or Federal statutory rights and in which judgments against these employees were sought in their individual capacities, as well as judgments against USDA or the United States. The joint effort aided in the dismissal or other favorable resolution of some of these actions, while some remain ongoing. As litigants appear to become more aggressive in seeking monetary compensation, it is anticipated that there will be an increase in the number of these actions in the future.

In FY 1999, resources were devoted to legal issues related to the implementation of the Support Services Bureau (SSB). The SSB was to have performed the administrative support functions of the Rural Development mission area, the Farm Service Agency, and the Natural Resources Conservation Service. The proposed implementation of the SSB raised labor law, personnel law, and fiscal law issues which the division addressed.

The Division provided representation in cases before the Merit Systems Protection Board. Additionally, the Division rendered advisory opinions and provided legal services in numerous areas including: conflicts of interest; fund-raising; the acceptance of gifts; property management; advisory committee activities; delegations of authority; subpoenas; personnel; Whistleblower Protection Act matters; Paperwork Reduction Act; the Administrative Procedure Act; and similar matters.

During FY 1999, legal services were provided on 197 Freedom of Information Act (FOIA) and Privacy Act requests and appeals, a large proportion of which involved complex requests presenting numerous legal issues and informal advice to agencies and other components of OGC with respect to initial requests and procedures. Client agencies continue to require attention in implementation of the provisions of the Electronic FOIA Amendments of 1996. The Division handled an increasing volume of FOIA requests for its own records. By the end of FY 1999, 27 new FOIA and Privacy Act suits had been filed and 42 such suits remained pending. Also, a new trend has become evident in which the Department is sued to prevent release under FOIA of information claimed to be exempt as privacy-protected, thus exposing the Department to simultaneous suits by opposing parties urging inconsistent positions.

The Division rendered substantial legal services in connection with establishment and revision of Privacy Act systems of records, and coordinated Office-wide review of OGC's own systems of records. Involvement in management of Federal Records Act and other issues stemming from expanded automation continues. As the Department increasingly employs the use of the Internet in its activities, it is anticipated that the Division will have a larger workload in the area of computer privacy and cyber-security.

In FY 1999, the Division responded to an increased number of requests for legal assistance related to labor issues within the Department. The Division provided advice to USDA agencies regarding issues arising under the Federal Service Labor Management Relations (FSLMR) statute, both as to ongoing agency management and as to the proposed consolidation of USDA components into the Support Services Bureau. In addition, the Division advised OGC managers regarding issues arising from the consolidation, under the supervision of the Federal Labor Relations Authority, of the field units of exclusive recognition under FSLMR by the American Federation of Government Employees (AFGE) within OGC. Further, after consolidation, the Division provided assistance to OGC managers regarding issues arising from the negotiation of interim agreements with the AFGE local representing the consolidated unit, as well as final provisions of the collective bargaining agreement (CBA) that will apply to bargaining unit employees of the field regions of OGC. Also, the Division has and will continue to provide advice relating to the provisions of the interim agreements and CBA; to review and to comment on proposals from the Union; to review and to draft management proposals; and to assist with the implementation of interim agreements and, eventually, the final CBA.

The office provided a sustained rate of legal services in FY 1999 to the National Appeals Division (NAD) regarding procedural, Equal Access to Justice Act (EAJA), and general administrative law matters. The Division concluded the final rulemaking for NAD rules of procedure in (7 CFR part 11). The Division continues to provide information to the field and coordination of OGC litigation work nationwide regarding legal issues arising from the NAD organic statute, such as exhaustion of administrative remedies, jurisdiction of the district courts, implementation and effective date of NAD determinations, and applicability of other law, such as EAJA and the Administrative Procedure Act, to NAD

proceedings. Additionally, to the extent EAJA has been held to NAD proceedings in the 8th Circuit, OGC field offices have had to devote greater resources to responding to EAJA applications and to assisting agencies with NAD appeals.

Section 741 of the FY 1999 Agriculture Appropriations Act authorized USDA administrative adjudication of certain civil rights complaints, and in FY 1999 the Division drafted and supervised the promulgation of an interim final rules of procedures to govern those procedures (7 CFR part 15f).

The Division provided ongoing advice to the research, education, and economic (REE) agencies of USDA with respect to the implementation of new stakeholder input, plan-of-work, 1890 matching, and research and extension formula fund integration requirements contained in the Agricultural Research, Extension, and Education Reform Act of 1998, Pub. L. No. 105-185 (AREERA). This involved review of Federal Register notices and rulemakings, as well as the issuance of legal opinions. This activity will continue in FY 2000, particularly with respect to the new integrated research, education, and extension competitive grants program authorized by AREERA and funded for the first time in FY 2000. In FY 2000, the Division anticipates significant need for REE agency advice regarding new requirements for release of data held by grantees and cooperators once OMB finalizes rules implementing these new freedom of information requirements required by the FY 1999 Omnibus Appropriations Act.

Also within the REE area, the Division reviewed 16 competitive grants programs requests for proposals (RFP) during FY 1999, including one for the new Secondary Agriculture Education Challenge Grants Program. Each RFP was reviewed for compliance with the program authority and other applicable statutes and regulations.

The Division continued to provide advice to USDA agencies in FY 1999 regarding affirmative action and minority preference programs as the law and government regulations, particularly in the procurement sector, continue to evolve in this area.

In FY 1999, the Division provided sustained advice to the Office of the Chief Information Officer (OCIO) with respect to enhancing the effectiveness of that Office and the effectiveness of USDA information technology policies and acquisitions as a whole. Most efforts in FY 1999 involved the provision of advice on legal issues arising from the Y2K computer problem: advising OCIO and agencies on the provisions of the Year 2000 Information and Readiness Disclosure Act and the Y2K Act; participating in contingency planning efforts; and responding to OMB and White House requests for USDA legal authorities for emergency assistance and reconstitution of Y2K-related damaged systems. The Division anticipates further demands for legal assistance in the wake of January 1, 2000, and any resulting Y2K-related failures, litigation, or contract claims.

The Division issued many verbal and written opinions on fiscal law issues helping all USDA agencies to fulfill their missions. These issues included the use of appropriated funds for such purposes as the travel of Federal and non-Federal persons; leasing of real property; advisory and assistance services; personal services; uniforms, meals and refreshments; and miscellaneous items including tote bags, lapel pins, and magnets. An increasing number of issues related to the Antideficiency Act and to transfer of appropriations. The Division also was called upon repeatedly to advise USDA agencies on the proper use of instruments (contracts, grants, cooperative agreements, memoranda of understanding, and others) and the proper terms and conditions necessary to document their obligations and agreements.

During FY 1999, USDA awarded 14,448 contracts obligating more than $1,030,644,988 billion for the acquisition of services, supplies, and construction to support agency operations. The Division provided legal advice to all USDA agencies concerning such acquisitions. This assistance included drafting and reviewing regulations; reviewing solicitation documents; handling mistake-in-bid and protest matters;

providing advice during all phases of the acquisition process; providing advice regarding performance matters; and providing the assistance necessary to assert or defend contract claims. Of particular interest this year were major systems acquisitions for the National Finance Center and for Department-wide software licensing. In addition, the Division assisted contracting agencies and the Office of Small and Disadvantaged Business Utilization in implementing changes that resulted from the amendment of the Federal Acquisition Regulation.

The Division represented USDA in 11 matters before the Agriculture Board of Contract appeals. These matters were brought pursuant to the Contract Disputes Act and involved issues relating to entitlement to, and quantum of, adjustments in the price of contracts entered into by USDA contracting officers. The Division also assisted DOJ in litigating 12 contract appeals filed or pending at the Court of Federal Claims during the year, and one case before the Federal Circuit Court of Appeals. In addition, they provided assistance to DOJ in miscellaneous other contract-related litigation including 13 cases before U.S. District Courts or state courts, four qui tam actions under the False Claims Act, and one protest filed before the Court of Federal Claims.

The Division represented USDA agencies in 42 protests filed at the General Accounting Office, including in some cases multiple protests by the same protester. In addition, the Division provided advice or assistance in approximately eight agency level protests.

Under the direction of the Division, applications for patents were prepared on inventions by USDA employees with the objective of obtaining patent protection for the Government. Seventy-seven patent applications were prepared and submitted to the U.S. Patent and Trademark Office during FY 1999. Seventy patents were obtained. Eight applications were abandoned, and ten cases otherwise were closed.

CIVIL RIGHTS

Civil Rights Division: The Division played the lead role in the most significant civil rights litigation and settlement in the history of the Department. Timothy C. Pigford, et al. v. Dan Glickman, is a class action filed by African American farmers who had filed administrative complaints of discrimination with USDA between 1983 and February 21, 1997, alleging race discrimination in Farm Service Agency (FSA) credit and benefit programs. The Court entered an order certifying the class on October 9, 1998. The companion case, Cecil Brewington, et al. v. Dan Glickman, is a class action filed by African American farmers who had filed administrative complaints of discrimination with USDA between February 21, 1997, and the date filing of the lawsuit, alleging race discrimination in FSA programs after January 1, 1983. The Division worked with DOJ to achieve a fair settlement of this litigation. A preliminary agreement consolidating and settling Pigford and Brewington was approved by the Court on January 5, 1999. The Division worked with DOJ in preparing for the March 2, 1999, fairness hearing. After the court approved the consent decree on April 14, 1999, the Division proposed a process and worked with FSA and DOJ to develop a process, including the use of a litigation support firm, for implementing the Department's responsibilities with respect to the claims filed pursuant to the consent decree.

A great deal of the Division resources go into representing the Department before the Equal Employment Opportunity Commission (EEOC) in administrative class actions alleging employment discrimination by the Department. For example, in Clifford J. Herron, et al., v. Dan Glickman, U.S. Department of Agriculture , the class was certified on April 3, 1998. By an Order of Administrative Judge (AJ) Adria Zeldin, dated August 14, 1998, the class was defined as "All African American Farm Service Agency employees denied promotion or the opportunity for promotion to the GS-13, GS-14, and GS-15 grade levels since October 1, 1995." The class complaint alleges that the Farm Service Agency (FSA) discriminates against African Americans in their promotion and advancement to the GS-13, GS-14, and GS-15 grade levels. The class complaint also alleges disparate impact and disparate treatment against

African Americans through the use of discriminatory national personnel policies and practices. There was a nine day trial and the Division is awaiting the judges decision.

The Civil Rights Division provided legal assistance in the following cases:

Denison Rauw v. Daniel Glickman, Secretary, Department of Agriculture. On April 13, 1998, the complainant filed a complaint as a class agent against FS. The complainant states that she represents ". . . similarly situated EEO complainants who are subjected to similar reprisal (everybody) and failure of the agency to follow EEOC regulations." The case is at the certification stage. There is a pending motion not to certify the class.

Allen Spencer, et al. v. Daniel Glickman, Secretary, Department of Agriculture. The complaint alleges that African-Americans at the United States Department of Agriculture have been discriminated against on the following bases: race (African-American), color (black), and reprisal. The issues of the class complaint are that African American employees are discriminated in promotions, selections, performance appraisals, awards, training programs, and that class members have been subjected to a hostile work environment. The case is at the certification stage. There is a pending motion to change venue.

Donnelly v. Glickman. A Title VII complaint filed in Federal District Court in the Northern District of California. In their complaint, plaintiffs allege that Region 5 of the Forest Service failed to remedy a sexually hostile work environment for women. In an Order dated February 24, 1997, as amended, the Court certified a class of non-supervisory female employees of Region 5 who allegedly have been or are subjected to a sexually hostile work environment at any time since February 1, 1994. Plaintiffs and the Agency are currently involved in settlement negotiations. On August 13, 1999, the National Federation of Federal Employees, Forest Service Council (NFFE-FSC), filed a Motion to Intervene in the present case, in order to permit the NFFE-FSC to represent bargaining unit employees in these settlement negotiations. Both Plaintiffs and the Agency opposed the NFFE-FSC's motion. Oral arguments on this issue was held on September 29, 1999, and we are currently awaiting the Court's decision.

Region Hispanic Working Group (RHWG). This is an informal class action (negotiation) against Region 5 of the Forest Service. The EEO complaint alleges discrimination on the basis of national origin (Hispanic) in promotions and selections, a hostile work environment, and reprisal. Plaintiffs and the Agency are currently in settlement negotiations. NFFE-FSC has also filed an Unfair Labor Practice charge against the Agency for its participation in the settlement negotiations without the presence of the union. The Agency is currently working with the union to provide them with information regarding the settlement negotiations.

Sedillo v. Glickman [Formerly Lopez]. A formal EEO class complaint against the Forest Service, nationwide, alleging discrimination based on national origin (Hispanic) in promotions, selections, awards, training and performance evaluations. Complaint also alleges a hostile work environment. Both parties are currently engaged in discovery solely on the issue of class certification. Discovery is set to end on January 4, 2000. After discovery, the EEOC will determine whether the complaint should be certified as a class action.

Miera v. Glickman. Formerly a class action complaint against Region 3 of the Forest Service (NM, Arizona) alleging discrimination based on national origin (Hispanic) in promotions, selections, awards, training and performance evaluations. Complaint also alleges a hostile work environment and reprisal. On September 28, 1999, the EEOC issued a Recommended Decision recommending dismissal of the class complaint for failure to meet three of the four requirements of class certification.

In addition to EEO class actions, the Division represented Department agencies in EEO cases and assisted DOJ, and assisted Assistant United States Attorneys in representing the Department in employment discrimination cases filed in Federal court.

The Division continues its work of drafting and reviewing regulations to further the Department's civil rights reform efforts. At the request of the Assistant Secretary for Administration, the Division crafted the initial draft of a number of nondiscrimination Departmental Regulations (DRs) to further the effort to reform the Department's civil rights enforcement program. The DRs were issued by the USDA Office of Civil Rights (CR) as the originator and the Division reviewed the DRs several times for legal clearance. The final regulations were issued on March 3, 1999.

Also, the Division reviewed comments and finalized the proposed published regulations governing nondiscrimination in programs and activities conducted by USDA. The final regulation has been published.

The Division completed work with GLD to develop the published regulation to authorize the creation of a Minority Farm Registry. The Division also worked with GLD to ensure timely review and ultimate clearance of the following policies: Reprisal Procedure - Early Resolution Process for Allegations of Reprisal (in Employment Complaints); HRM Bulletin: 752-3, Policy on Discipline-Discrimination Cases; Departmental Accountability Policy. The Division commented on portions of the delegations of authority regulations relating to civil rights.

After meeting with congressional staffers concerned with the Department's policy of requiring recipients (assisted programs, such as under school lunch program) to post the USDA Nondiscrimination poster, which included the words "sexual orientation," the Associate General Counsel directed the division to draft a revised Equal Opportunity Public Notification Policy. The Division presented the revised departmental regulation to CR to initiate the clearance process. The revised departmental regulation has been finalized and approved.

The Division worked with field offices to ensure to the extent possible Departmental representation in actions pending in federal court and cases pending before EEOC to the field.

The Division finalized the proposed charter for Small Farms Advisory Committee.

Shortly after enactment of the statute of limitations waiver legislation, Agricultural, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999, Pub. L. No. 105-277, § 741, 112 Stat. 2681, and the preliminary settlement of the Pigford, the Division acted to advance the Department's desire to settle long-standing discrimination complaints, while protecting the Department from future litigation risk. The Division issued a memorandum to Department officials indicating that settlement agreements declared void by DOJ because of the running of the statute of limitations could not be implemented, notwithstanding the congressional waiver of the statute of limitations. The original agreements were void *ab initio*. To settle the cases, the Division noted that the Department must enter into new agreements with those claimants. Working with CR, the Division drafted and helped negotiate revised settlement agreements thereby resolving several long-standing complaints against the Department. The Associate General Counsel directly negotiated with the Chief Administrative Law Judge (ALJ) at the Department of Housing and Urban Development (HUD) the formal logistical and legal arrangement between HUD and USDA in which HUD ALJs will conduct hearings and adjudicate cases brought under the provisions of the statute of limitations waiver statute that allow for claimants to seek a hearing before an ALJ. The Associate General Counsel negotiated procedures related to the process with the Chief ALJ, and worked with OGC and USDA officials to negotiate terms of, and to ensure execution and implementation of, the reimbursable agreement between USDA and HUD. Along with the General Law

Division, the Associate General Counsel reviewed the reimbursable agreement for the Department. The Associate General Counsel worked with Department officials to ensure timely execution and adequate resources to cover the agreement. Over 60 such hearings have been requested to date. The Division and OGC field offices will represent the Department in these hearings.

The Division advised the General Counsel, the CR Director, and other senior Department officials of proposed settlements or settlement agreements that could not be implemented because of the violation of the Anti-Deficiency Act, DOJ opinions, or other relevant law, and recommended corrective action.

The Division is drafting the charter and bylaws for the establishment of for National and State Outreach Councils as Federal advisory committees. As Federal advisory committees the National and State Outreach Councils will enjoy full participation of community based organizations and non-governmental organizations.

The Division continued its work of reviewing for legal sufficiency proposed decisions adjudicating program discrimination complaints drafted by the Office of Civil Rights (CR). The Division reviewed proposed decisions, mostly cases involving farmers alleging discrimination by FSA. The Division also worked with the CR Director to craft settlement agreements with respect to five pending administrative complaints. The Division has developed a boilerplate settlement agreement to be used as a model in settling program discrimination complaints.

The Division established an OGC Civil Rights Team. The team consists of 34 OGC attorneys from across the country. Prepared, with staff assistance, the Civil Rights Team Newsletter which included numerous updates on 1999 Term Supreme Court decisions, new EEOC 1614 regulations, and new EEOC guidances.

The Division delivered presentations to members of Congress, congressional staffers, and interest (customer) groups on a number of topics, including implementation of Pigford.

REGIONAL OFFICES

OGC currently has five regional and thirteen branch offices which provide legal services to numerous USDA agencies with field organizations, such as the Agricultural Marketing Service, Farm Service Agency, Rural Housing Service, Forest Service, Food and Nutrition Service, Risk Management Agency and Natural Resources Conservation Service.

The OGC field offices provide legal advice and services on a wide range of legal matters. Generally, attorneys in the field locations advise USDA officials who have been charged with program implementation duties at the regional, state and local level. Field attorneys also provide a wide range of assistance to the United States Attorney concerning the conduct of litigation in which USDA agencies are involved. OGC field offices provide essential services in nationally significant litigation in coordination with the Washington OGC office and with the Department of Justice. Civil Rights issues, debt collection matters, natural resource litigation, Food Stamp Program violations and Farm Service Agency program matters form the core workload of the field attorneys.

Field attorneys provide legal services in connection with, and legal representation on, cases before administrative law judges of the Agriculture Board of Contract Appeals, the Interior Board of Land Appeals, the Federal Energy Regulatory Commission, the Equal Employment Opportunity Commission, the Merit System Protection Board, and the National Appeals Division. The types of cases include contract appeals, mining and patent contests, hydro-electric licensing procedures, Title VII employee

complaints, appeals of adverse personnel actions, and appeals of farmers aggrieved by adverse decisions on certain farm programs.

Examples of types of litigation and other matters handled by the field include the following cases.

Pacific Region:

The Pacific Region assisted in the collection of several significant claims arising out of fires on the National Forests. The amount recovered exceeded $10 million plus nearly 1000 acres of land in the Mokelumne Wilderness Area. All of the cases were settled before trial.

The Pacific Region provided legal services in a wide range of ethics and civil rights matters, including matters arising under the Bill of Rights of the U.S. Constitution. This included handling approximately 20 litigative matters involving civil rights, including administrative adjudications before the EEOC, Title VII lawsuits in federal court, and the handling of two class action matters, one in federal court and one at the administrative level. In one federal court lawsuit, a favorable ruling after a 12-day federal court trial was received. In addition, the Pacific Region is the only region with a Civil Rights Team, which assists in providing coordinated legal advice in this area. The Pacific Region gave training and attended meetings in an effort to increase understanding of legal issues involving civil rights.

The Pacific Region provided legal services in connection with the FERC re-licensing proceedings. This is one of the fastest growing areas of legal services work because many projects need re-licensing and because licensees prefer to enter into collaborative efforts, where all parties are represented by counsel, hoping for a resolution without litigation. This is also a highly complex area of law. The Region has represented FS in several collaborative efforts. In addition, the Region has asserted, on behalf of FS, several important positions, including that a license amendment that changes instream flow requirements is subject to 4(e) conditions set by FS, obtaining late intervention in where FS was a cooperating party but FERC had rejected FS 4(e) condition anyway, and asserted that FERC cannot reject FS 4(e) conditions where some project facilities are located on NFS lands, two cases involving removal of existing dams, defending against a claim of federal reserved water rights by a FERC licensee, and participating in several hydropower conferences.

During FY 1999, legal services were provided in connection with farm and rural development programs, particularly in the resolving a number of million dollar delinquent farm loans and in assisting in correcting serious problems with several multiple family rental housing projects, including problems arising from fraud and misappropriation of money by the project sponsors, and efforts to prepay the indebtedness in order to be able to sell the property or charge rent that would make the facilities not affordable for the low income tenants for which the project funds were authorized. The Region provided services provided to the FCIC and RMA, particularly in the area of fraud in the crop insurance program. The Region provided legal services to FNS in connection with a substantial number of judicial challenges to retail store disqualifications.

The Pacific Region provided legal services in connection with significant environmental concerns and with numerous lawsuits. The environmental concerns included the administration of special areas such as Lake Tahoe, Hells Canyon, the Quincy Library Group area, and the Columbia River National Scenic Area, and the Sierra Nevada. The litigation involves a significant amount of highly controversial litigation, including challenges to the Northwest Forest Plan and the Tongass Land Management Plan revision. The Region was involved in at least seven cases that were the subject of published opinions by the courts of appeals. The Region assist in ADR and, in one case, have nearly completed a settlement involving four national forests that is very beneficial to the United States and helps FS achieve a higher

level of protection for threatened and endangered species, all without the rancor that has permeated a lot of environmental litigation.

Mountain Region:

The Mountain Region provides considerable assistance in the implementation of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) enforcement initiative. The Mountain Region manage a caseload consisting of over 90 different active matters which range from cases in litigation, such as the Bunker Hill Natural Resource Damages lawsuit in the Coeur D'Alene Basin, to administrative cleanup orders on consent, such as the Grouse Creek Mine Site in Idaho. During the last fiscal year, the Mountain Region CERCLA team either completed or initiated settlements with private parties to have cleanups implemented at several different sites on National Forest System lands. These settlements, when fully implemented, will involve expenditures in excess of $10 million. The Mountain Region CERCLA team also played in integral role in creating training programs during the last fiscal year for FS personnel who participate in the CERLCA program.

The Mountain Region has continued to work closely with FS and DOJ in the litigation of reserved instream flow cases throughout the Western United States as well as working aggressively on the settlement of these cases. Last year they were successful in defending, before the Idaho Supreme Court, a lower court's ruling which recognized reserved instream flows for three wilderness areas in Idaho, the Hells Canyon National Recreation Area, and several wild and scenic rivers. The Region is working on negotiated resolutions to reserved water rights litigation in Montana, Utah, Arizona, New Mexico, and Colorado and are aggressively working to protect consumptive water uses on National Forest System lands. In addition to this work, considerable resources have been devoted to protecting instream flow uses and dependent riparian resources during the forest plan and project authorization process. Aquatic resource protection on National Forest System lands is extremely controversial in the Western states, as these states view the use of water to be solely under the jurisdiction of state water laws, which disfavor instream use of water. The Mountain Region has worked on legal opinions and have been successful in litigation concerning the rights of private parties to use federal lands to access privately held water rights under the Federal Land Policy and Management Act (FLPMA) and pre-FLPMA statutes.

During FY 1999, the Region has devoted considerable resources to assisting FS in responding to Endangered Species Act (ESA) listings and proposed listings for the steelhead and bull trout, Indiana Bat, and the lynx. The lynx listing, which may become effective January 8, 2000, impacts more than 50 national forests across the northern tier of the United States. A task force, which includes representatives from the Mountain Region, Forest Service, Fish and Wildlife Service, Department of Justice, and the Department of the Interior Solicitor's Office, has developed a coordinated approach and strategy to meet both the consultation requirement for the lynx under the ESA and FS obligations under the National Forest Management Act and the National Environmental Policy Act. Other fish and wildlife issues involving questions of viability, monitoring, and plan amendments have required significant involvement.

The Mountain Region continues to be extensively involved in providing legal counsel on Native American issues. During FY 2000, the issue of whether Native American treaty rights permit the use of motorized equipment in Congressionally designated non-motorized wilderness areas in the boundary Waters Canoe Area Wilderness by tribal members was resolved in favor of the wilderness regulation in two separate decisions issued in May and October 1999 by the Federal District Court in Minnesota. Both District court decisions have been appealed by the Native Americans to the Federal Court of Appeals for the Eighth Circuit.

Access, road, and recreational use issues continue to dominate litigation. These issues include access sought by private parties across FS lands and access sought by FS on behalf of the public across private lands. The Mountain Region successfully defended these cases on behalf of the Forest.

The Mountain Region won a mineral contest against 19 association placer claims for pumice, significantly reducing the amount of compensation claimants will receive in the $300 million takings claims in Federal Claims Court. The Region continues to be involved in litigation concerning grazing in several regions of FS. New challenges to grazing are focused on the adequacy of Biological Opinions completed under the ESA.

The Mountain Region continues to be involved in both the acquisition of wetlands easement under WRP and in issues involving compliance actions necessary to protect the interests of the United States in the easements acquired. Also, the region has spent considerable time on multi-million dollar timber contract litigation arising out of suspension of harvesting operations during the region-wide 16 month injunction of 1995-96.

Following a review of litigation cases in Idaho,The Region along with the United States Attorney's office and Forest Service representatives in Region 4 met to evaluate how we could achieve better results in future cases by improving the quality of agency decisions. Following the meeting, a joint action plan was developed by the participants. A major emphasis of the plan was increased focus on administrative appeals and working closely with the regional appeals staff to assure the appeals decisions and projects are legally defensible. This has resulted in higher quality administrative appeal decisions, and more requests from various national forests within Idaho for OGC assistance during project development.

The Mountain Region has successfully pursued civil penalties under the Archaeological Resources Protection Act (ARPA) in a number of cases where violators have damaged archaeological resources on National Forest System Lands. Because ARPA violations often occur in conjunction with other offenses, OGC's cooperation and collaboration with Department of Justice attorneys is instrumental in resolving these cases. For the affected National Forest and Ranger District, ARPA cases are significant since civil penalties collected under the ARPA can be used for the restoration and repair of damaged archaeological sites. OGC has cooperated and collaborated with the Archaeology and Ethnography Program, National Park Service, in the development of ARPA training and source materials.

During FY 1999, the Mountain Region was extensively involved in providing legal counsel on air and water pollution issues. Interested publics, including at least one state government, have begun to utilize the limited waivers of federal sovereign immunity, and the citizen suit provisions, in both the Clean Air Act and the Clean Water Act as mechanisms to directly affect National Forest management.

The Mountain Region participated in a host of administrative litigation proceedings during the past fiscal year. There was an increase in EEOC and MSPB matters and new 15f Civil Rights Hearings for the first time applicable to USDA's commercial, farm lending Agencies (principally RDA and FSA). One major MSPB employee termination was decided in a client agency's favor, with the matter currently on appeal.

The attorneys on the commercial team in the Denver office continue to provide significant legal services to Rural Development in the six state service area in connection with the granting and servicing of direct and guaranteed loans, including the issuance of loan closing instructions, reviewing and drafting of loan documents, and negotiating agreements with attorneys for borrowers and guaranteed lenders in regard to various legal issues. In addition, the attorneys have provided substantial assistance to DOJ and FSA in the handling of bankruptcy, foreclosure, and collection cases and in the reduction of the number of outstanding million dollars delinquent cases, in particular in the State of Arizona.

Central Region:

The Central Region has devoted significant legal and support resources to assisting the Rural Development Centralized Servicing Center, and Rural Development in the State of Mississippi in efforts to reduce the housing loan delinquency rate, which is currently the highest in the nation. The state currently has an inventory of 40,000 loans, of which close to 23 percent are delinquent. Current goals are to attain the capability to process 200 or more non-judicial foreclosures monthly until the delinquency rate is reduced and the backlog eliminated.

The Central Region has devoted considerable legal resources to RUS, with respect to litigation respecting rural water systems. Notable among cases of this type was a $12,000,000 project covering Washington and Benton Counties, Arkansas, which required a wide variety of legal services proceeding the completion of the system in September, 1999. Additional litigation was required respecting two other rural water systems, one of which was placed into receivership.

Substantial resources were spent in defending litigation now arising out of the Wetland Reserve Program. The initial case was mediated by DOJ, OGC and NRCS personnel. Having seen an increasing number of WRP violations by landowners, more litigation in this area is expected in the future.

In addition, the Region provided substantial direct supervision for Louisiana's program to contract out FSA farm program foreclosure cases to private attorneys. Previous to the initiation of the contracting out program, Louisiana had the highest farm loan delinquency rate in the nation. Under the contracting out program, 206 cases have been referred to private counsel for collection, with 188 suits filed, resulting in collection of $5,450,275. The costs of this collection total $159,167, or a cost factor of about 3%. Louisiana is now down to number six in terms of overall delinquency rate, the rate having been reduced from 32.9% to 19.4%.

The Region provided substantial assistance to FCIC and RMA involving approximately $6.5 million in disputed indemnity payments. Following an investigation into crop appraisal procedures in the Coastal Bend area of Texas, FCIC sought to recover substantial amounts of indemnity payments from crop insurance companies. The Region obtained settlements in several of these cases and are representing the agency in the remaining cases before the USDA Board of Contract Appeals.

The Central Region has begun to handle a substantially increased amount of administrative personnel litigation in behalf of various USDA agencies before the EEOC and the MSPB, as well as personnel litigation filed in the Federal courts, in addition to non-employment program discrimination complaints arising under Section 741 of the Agriculture Appropriations Act of 1999.

Southern Region:

The Southern Region has become increasingly involved in environmental issues and litigation involving both FS and NRCS. Several novel cases were presented that involved the scope of FS management obligations with respect to Congressionally designated Wild and Scenic Rivers flowing through national forests. Considerable time was spent by the environmental attorneys in the Atlanta Regional Office dealing with district court and appellate litigation involving the necessity of FS to gather species population data rather than merely monitoring habitat. The 11th Circuit decision in Sierra Club v. Martin necessitated national re-evaluation of FS policy, with Atlanta office attorneys playing an important advisory role.

The Southern Region continued to deal with legal issues surrounding implementation of WRP by NRCS. One such case in Florida involved thousands of acres in a predominantly agricultural area, with resulting

issues involving payment of relocation costs for migrant farm workers and unforseen environmental consequences to migratory birds.

Considerable time and effort spent in handling Board of Contract Appeals matters, including a series of timber sale contract cancellations necessitated by environmental challenges to FS projects. Other Board cases handled in the Region included a complex, million-dollar appeal by FS general contractor on the El Portal Visitors Center on the Caribbean National Forest, and a large and growing number of reinsurance contract claims filed against RMA.

The Southern Region has the nation's largest portfolio of single family housing cases handled by the Rural Housing Service's Centralized Servicing Center (CSC), and the majority of the states with the highest account delinquencies. Accordingly, all offices of the Region continued to provide counsel and support to CSC. These activities were principally pertaining to CSC's operations relating to the processing of bankruptcy actions and the liquidation of delinquent accounts. The numbers of borrowers with bankruptcy litigation has more than quadrupled in the past year. All offices in the Region have created a model procedure for bankruptcy case referrals and follow-ups that has kept this large volume current.

Client agencies in the Rural Development Mission Area have increased the volume of guaranteed loans and have leveraged increasingly scarce direct loan funds by participating with other lenders in the financing of eligible projects, particularly in the Community Facility Program. As a result, this Region has become increasingly involved in the drafting of loan closing conditions and loan documents. In addition, the Southern Region has become heavily involved in the negotiation and drafting of agreements between our client agencies and the private lenders that participate in the financing of these projects.

The Southern Region continues to experience a substantial increase in requests for assistance from client agencies to handle MSPB and EEOC administrative proceedings, as well as providing assistance to the Department of Justice in the defense of actions brought under Title VII of the Civil Rights Act.

Northern Region:

During FY1999, this Region experienced a surge of cases that required our attorneys to function as trial counsel. They consisted of proceedings before the EEOC, MSPB and Agriculture Board of Contract Appeals (AGBCA). The matters before the AGBCA involved reinsurance claims against the FCIC. In addition there were claims against the NRCS under the Contract Disputes Act. In addition, the Region received several program discrimination claims under Section 741 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 which are tried before the HUD Office of Administrative Law Judges. These cases are extremely demanding in terms of the amount of attorney time that is required.

The Region successfully defended NRCS in what we believe is the largest contract claim ever made against the Agency $5.6 million. The Region found what appeared to be a false entry in one of the complainant's job diaries. Forensic examination established that the entry had not, in fact, been made when it was purported to be made. The matter was brought to the attention of the U.S. Attorney's office. As a result, the complainant's employee who made the false entry entered a plea agreement with the U.S. Attorney whereby he plead guilty to a fraudulent misrepresentation charge, and the complainant dismissed its claim with prejudice in consideration of a promise not to criminally prosecute the complainant for the actions of its employee.

[The prepared statement and biography of Norman G. Cooper, Director of National Appeals Division follow:]

NATIONAL APPEALS DIVISION

Statement of Norman G. Cooper, Director

Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you to discuss the fiscal year 2001 budget request for the National Appeals Division.

INTRODUCTION

The National Appeals Division--NAD--was established by the Secretary of Agriculture pursuant to the Reorganization Act of 1994. The Act consolidated the appellate functions and staffs of several USDA agencies to provide for appeal hearings of adverse agency decisions, and review of appeal determinations by the NAD Director. NAD appeals currently involve program decisions of the Farm Service Agency, Risk Management Agency, Natural Resources Conservation Service, Rural Business-Cooperative Service, Rural Housing Service, and Rural Utilities Service. NAD is headquartered in Alexandria, Virginia, and has regional offices located in

Indianapolis, Indiana; Memphis, Tennessee; and Lakewood, Colorado. NAD's staff of 133 includes 75 hearing officers Nationwide.

MISSION

Our mission is to conduct evidentiary administrative appeal hearings and reviews arising out of program decisions of specific USDA agencies. Our strategic goal is to conduct timely hearings and issue timely and well-reasoned determinations that correctly interpret applicable regulations. NAD's mission is statutorily specific, but the administration of such is dynamic and challenging, given the complexities of changing laws, regulations and policies.

FISCAL YEAR 2001 BUDGET REQUEST

NAD is requesting $12,610,000 in direct appropriations for fiscal year 2001. This request represents an increase of $903,000 over the fiscal year 2000 current estimate. The increase is comprised of $589,000 for training costs, and $314,000 for pay costs.

NAD employees must possess a broad, in-depth knowledge of many areas, including adjudication procedures as well as the laws and regulations of subject agencies. The hearing and review officers must stay abreast of changes in the law,

regulations and agency policies, in order to issue determinations that withstand challenge in the Federal courts. Continuous training and development is essential to providing the public a competent and fair administrative appeal system that recognizes the rights of program participants and promotes the lawful operations of agency programs. NAD's budget request for training will be used to sustain high-quality skills development that is critical to accomplishing our goal.

We are also requesting $314,000 for pay costs in order to maintain current staffing levels. In the last five years, our funding level has gone from $11,846,000 to a level of $11,707,000. During this time, NAD has absorbed approximately $1,454,000 in pay costs. This trend adversely impacts NAD's ability to execute its mission. To help offset these costs, NAD offered four buyouts in fiscal year 1997, and has reduced costs through attrition and other cost reduction initiatives. Additional pay cost absorption will negatively affect our ability to provide an effective administrative appeals system.

CONCLUSION

NAD's administrative appeals process is a cost-effective means for USDA program participants to have adverse agency decisions fairly and impartially adjudicated in a timely manner consistent with the intent of Congress. The initiatives in the fiscal year 2001 budget will help ensure that we accomplish our mission in a more efficient and effective manner--making correct determinations and continuing to assure the rights of all participants in appeals. The initiatives provide the groundwork for accomplishing the goals and objectives outlined in NAD's Strategic Plan and Annual Performance Plan. More importantly, these initiatives assure farmers, ranchers, cooperatives, agencies, and others an avenue to a fair and equitable adjudicative process.

That concludes my statement, and I look forward to working with the Committee on the fiscal year 2001 National Appeals Division budget.

Norman G. Cooper
Director
National Appeals Division

Norman Cooper was appointed by Secretary Glickman and assumed responsibilities as Director, National Appeals Division (NAD), effective October 15, 1995. Prior to joining USDA, Mr. Cooper served since 1992 as assistant general counsel with the Department of Veterans Affairs, representing the Secretary of Veterans Affairs before the U.S. Court of Veterans Appeals.

From 1989 to 1991, Mr. Cooper was the senior legal officer for the Commander-in-Chief of the United States Forces in Korea and was recognized by the Department of Defense and the Republic of Korea for his efforts in negotiating modifications to the Status of Forces Agreement.

Mr. Cooper served in the Army Judge Advocate General's Corps for over 25 years, retiring in the grade of Colonel. Among his many key military assignments, he was Chief, Criminal Law Division and Chief, Government Appellate Division. During his army career, he managed several legal offices, including those at Fort Lee, Virginia, and Fort Polk, Louisiana. He also served as a military circuit judge, associate professor of law, special hearing officer, and a trial lawyer. Mr. Cooper is a Vietnam veteran and was awarded the Bronze Star Medal and the Air Medal for Service with the 1st Cavalry Division (Airmobile).

Mr. Cooper and his wife, Kay, reside in Burke, Virginia, with their children, David and Katherine.

Academic and Publication Background

- ***Academic Degrees/Certifications*** Mr. Cooper is a graduate of The Citadel, received a Masters Degree in international relations from the University of Southern California and earned his law degree at Duke University. Mr. Cooper is a graduate of the Judge Advocate General's School and received special academic recognition at the Industrial College of the Armed Forces.

- ***Publications*** Mr. Cooper has authored a number of legal articles, which have been published and cited in textbooks and judicial decisions.

Professional Affiliations

Mr. Cooper is a member of the bars of the United States Supreme Court, the Court of Appeals for the Federal Circuit, the United States Court of Veterans Appeals, the United States Court of Appeals for the Armed Forces, and is an active member of the bar in the District of Columbia.

[Questions submitted for the record for the National Appeals Division follow:]

QUESTIONS SUBMITTED BY MR. SKEEN

National Appeals Division

FINAL RULES AND REGULATIONS

Mr. Skeen: It has now been at least two years since the final rules and regulations to implement the appeals process have been under review within the Department. Have the rules and regulations been finalized? If so, please provide a summary of the final rules and regulations for the record. If not, please explain the reasons for the delay.

Response: National Appeals Division's--NAD's--final rules and regulations for the record-7 CFR Part 11-was published 64FR 33367, June 23, 1999 and is available on the Website. The address is www.nad.usda.gov/nadregs.htm.

[The information follows:]

Rules and Regulations

Federal Register
Vol. 64, No. 120
Wednesday, June 23, 1999

This section of the FEDERAL REGISTER contains regulatory documents having general applicability and legal effect, most of which are keyed to and codified in the Code of Federal Regulations, which is published under 50 titles pursuant to 44 U.S.C. 1510.

The Code of Federal Regulations is sold by the Superintendent of Documents. Prices of new books are listed in the first FEDERAL REGISTER issue of each week.

DEPARTMENT OF AGRICULTURE

Office of the Secretary

7 CFR Parts 1 and 11

National Appeals Division Rules of Procedure

AGENCY: National Appeals Division, Office of the Secretary, USDA.

ACTION: Final rule.

SUMMARY: On December 29, 1995, the National Appeals Division (NAD) in the Office of the Secretary published an interim final rule to implement Title II, Subtitle H, of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, by setting forth procedures for program participant appeals of adverse decisions by United States Department of Agriculture (USDA) agency officials to NAD. The deadline for receipt of comments was March 28, 1996. Nineteen timely public comments were received in response to the interim final rulemaking.

The Secretary now issues a final rule for the rules of procedure of NAD and for the technical change regarding authentication of NAD records by the NAD Director. The interim final rulemaking document also included conforming changes to the former appeal rules of USDA agencies whose adverse decisions are now subject to NAD review. This final rulemaking document does not contain final rules for the conforming changes. Those final rules will be issued by the respective agencies at a later date.

DATES: *Effective Date:* This final rule is effective July 23, 1999.

Applicability Date: This rule applies to all agency adverse decisions issued after July 23, 1999, all agency adverse decisions on which timely NAD appeals have not yet been taken, and pending NAD appeals.

FOR FURTHER INFORMATION CONTACT: L. Benjamin Young, Jr., General Law Division, Office of the General Counsel, United States Department of Agriculture, STOP 1415, 1400 Independence Avenue SW, Washington, DC 20250–1415; 202/720–4076; e-mail: benjamin.young@usda.gov.

SUPPLEMENTARY INFORMATION:

Classification

This final rule has been reviewed under E.O. 12866, and it has been determined that it is not a "significant regulatory action" rule because it will not have an annual effect on the economy of $100 million or more or adversely and materially affect a sector of the economy, productivity, competition, jobs, the environment, public health or safety, of State, local, or tribal governments or communities. This final rule will not create any serious inconsistencies or otherwise interfere with actions taken or planned by another agency. It will not materially alter the budgetary impact of entitlements, grants, user fees, or loan programs, or the rights and obligations of recipients thereof, and does not raise novel legal or policy issues arising out of legal mandates, the President's priorities, or principles set forth in E.O. 12866.

Regulatory Flexibility Act

USDA certifies that this rule will not have a significant impact on a substantial number of small entities as defined in the Regulatory Flexibility Act, Pub. L. 96–534, as amended (5 U.S.C. 601 *et seq.*).

Paperwork Reduction Act

USDA has determined that the provisions of the Paperwork Reduction Act, as amended, 44 U.S.C., chapter 35, do not apply to any collections of information contained in this rule because any such collections of information are made during the conduct of administrative action taken by an agency against specific individuals or entities. 5 CFR 1320.4(a)(2).

Background and Purpose

On December 27, 1994 (*see* 59 FR 66517), the Secretary of Agriculture noticed that the NAD was established pursuant to Title II, Subtitle H of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Pub. L. No. 103–354, 7 U.S.C. 6991 *et seq.* ("the Reorganization Act"). NAD was assigned responsibility for all administrative appeals formerly handled by the National Appeals Division of the former Agriculture Stabilization and Conservation Service (ASCS) and by the National Appeals Staff of the former Farmers Home Administration (FmHA), appeals arising from decisions of the former Rural Development Administration (RDA) and the former Soil Conservation Service (SCS), appeals arising from decisions of the successor agencies to the foregoing agencies established by the Secretary, appeals arising from decisions of the Commodity Credit Corporation (CCC) and the Federal Crop Insurance Corporation (FCIC), and such other administrative appeals arising from decisions of agencies and offices of USDA as may in the future be assigned by the Secretary.

This final rule sets for the jurisdiction of the NAD, and the procedures appellants and agencies must follow upon appeal of adverse decisions by covered USDA program "participants" as defined in detail in 7 CFR part 11.

Response to Comments and Changes to Interim Final Rule

Nineteen comments were received by March 28, 1996 in response to the request for comments on the interim final NAD rule. In response to these comments, minor changes have been made to the interim final rule. Additionally, a few other changes to the interim final rule have been made to reflect subsequent Congressional and USDA action established in the Risk Management Agency and to clarify some aspects of the rule as a result of the application of the interim final rule since it was promulgated.

The following explanation is given for those sections of the interim final rule that have been changed. Responses to comments not addressed in the explanation of changes follow.

Effective Date

The provisions of the interim final rule applicable to NAD Director review (7 CFR 11.9) were made effective retroactively to October 20, 1994, the date on which the Secretary established NAD. The purpose of the retroactive application of that section was to provide an administrative mechanism

for reconsideration of Director reviews during the transition from the old to the new appeals system where appellants had not received notice or copies or agency requests for review of hearing officer decisions. At this point, USDA has determined that any difficulties with prior decisions should have been resolved. In order to remove any ambiguity regarding the finality of Director review decisions, USDA accordingly is not making § 11.9 of this final rule retroactive.

Section 11.1 Definitions

Agency. Section 194 of the Federal Agriculture Improvement and Reform Act of 1996, Pub. L. No. 104–127, amended the Reorganization Act by adding a new section 226A (7 U.S.C. 6933) authorizing the Secretary to establish an Office of Risk Management to supervise the Federal Crop Insurance Corporation (FCIC) and other crop insurance-related programs. The Secretary implemented this provision with Secretary's Memorandum 1010–2 issued on May 3, 1996, which established the Risk Management Agency (RMA). Since the RMA has taken over FCIC supervisory functions formerly assigned to the Farm Service Agency (FSA), USDA has added RMA to the definition of "agency" in this final rule.

Given that the Reorganization Act was enacted more than four years ago, USDA has deleted obsolete references to the former Agricultural Stabilization and Conservation Service (ASCS), Farmers Home Administration (FmHA), and Soil Conservation Service (SCS) from the definition of "agency." However, to ensure any matters that may arise from those former agencies remain within the jurisdiction of NAD, appropriate reference has been made to include a "predecessor" of a named agency within the definition of "agency."

USDA has deleted the Rural Development Agency (RDA) from the definition of "agency" as that agency no longer exists.

In many States and at the national office level, decisions relating to programs of the Rural Housing Service (RHS), Rural Business-Cooperative Service (RBS), and Rural Utilities Service (RUS) may be issued under the auspices of "Rural Development." Accordingly, USDA adds Rural Development (RD) to the definition of "agency" to avoid any confusion as to whether such decisions are subject to appeal to NAD.

Participant. For USDA response to comments and amendments regarding the participation of parties in NAD proceedings other than the agency and the appellant, see the preamble text below addressing new § 11.15 of the rule.

USDA also amends this section to clarify that participants in proceedings before State Tobacco Marketing Quota Review Committees ("Tobacco Committees) under section 361, *et seq.*, of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1361, *et seq.*) are excluded from the definition of "participant" in § 11.1. In creating the NAD, Congress repealed several statutory appeal processes in section 273 of the Reorganization Act, but did not repeal these statutory appeal and judicial review provisions for decisions of the Tobacco Committees. Accordingly, in order to construe the statutes harmoniously, USDA concludes Congress did not intend for NAD review to supersede the specific statutory review process for decisions of the Tobacco Committees, and amends the NAD rule to give effect to this interpretation.

Section 11.4 Inapplicability of Other Laws and Regulations

Three comments were received from the same commenter concerning the applicability of the provisions of the Administrative Procedure Act (APA) regarding formal adjudicative proceedings (5 U.S.C. 554–57, 3105) and the Equal Access to Justice Act (EAJA) (5 U.S.C. 504) to NAD proceedings. The commenter suggests that 5 U.S.C. 559 requires that the formal adjudication provisions of the APA apply to NAD proceedings, and therefore, by its terms, EAJA also applies to NAD proceedings.

For the reasons set forth in the preamble to the interim final rule, it is the position of USDA that Congress did not intend for either the APA or the EAJA to apply to NAD proceedings. This is the same position that USDA took with respect to the applicability of the APA and EAJA when it was addressed in the regulations applicable to appeals before the former Farmers Home Administration National Appeals Staff. *See* 53 FR 26401 (July 12, 1988).

In *Lane* v. *U.S. Dept. of Agriculture*, 120 F.3d 106 (8th Cir. 1997), the court disagreed with the USDA position regarding the applicability of the APA and EAJA, holding that 5 U.S.C. 559 required application of both Acts to NAD proceedings. Consequently, USDA will apply the holding in *Lane* to NAD appeals which arise within the 8th Circuit. For adverse decisions arising outside of the 8th Circuit, USDA will continue to assert the inapplicability of NAD and EAJA, and NAD will not process EAJA applications filed in such appeals.

By definition, USDA EAJA regulations at 7 CFR part 1, subpart J, apply to any adjudication that USDA is required to conduct under the formal adjudication provisions of the APA. 7 CFR 1.183(a)(1)(i). Accordingly, EAJA applications on 8th Circuit NAD appeals have been processed by USDA in accordance with the USDA EAJA regulations at 7 CFR part 1, subpart J, and will continue to be processed in accordance with those regulations with one change.

Under EAJA, it is the agency, not the adjudicative officer, that is the final agency decisionmaker on an administrative EAJA application. 5 U.S.C. 504(a)(3). A NAD Hearing Officer clearly falls within the definition of "adjudicative officer" under the USDA EAJA regulations (7 CFR 1.180(b)); however, the Secretary has delegated to the Judicial Officer (with the exception of covered proceedings arising before the Board of Contract Appeals) his authority to review decisions of adjudicative officers as the final agency decisionmaker under EAJA (7 CFR 1.189). Concurrently with the promulgation of this final rule, the Secretary by separate memorandum will reassign, from the Judicial Officer to the NAD Director, his authority to make final agency determinations under EAJA for initial EAJA determinations rendered by NAD Hearing Officers. This delegation will apply prospectively to initial EAJA determinations issued by NAD Hearing Officers after the date the memorandum is signed.

As the holding of the 8th Circuit in *Lane* makes apparent, the right of a NAD appellant under EAJA to recover attorneys fees incurred in NAD proceedings will not rise or fall on the basis of whether or not USDA promulgates a regulation accepting or denying the applicability of the APA and EAJA. Further, as a result of *Lane*, the statement in the interim final rule regarding the inapplicability of the APA and EAJA no longer has universal application.

Accordingly, USDA has determined to remove any references to the APA or EAJA from the final rule in order to eliminate the issue of rulemaking from what is a pure matter of statutory construction involving the relationship of the Reorganization Act, the APA, and EAJA. The removal of references to the APA and EAJA, however, does not mean that USDA now finds the APA and EAJA applicable to NAD proceedings. As indicated above, USDA will continue to assert that the APA and EAJA do *not* apply to NAD appeals except where required by judicial ruling.

Section 11.5 Informal Review of Adverse Decisions

Section 11.5(a) of the interim final rule provides that a participant first must seek county or area committee review of any adverse decision issued at the field service office level by an officer or employee of FSA, or any employee of such county or area committee. In the context of the USDA reorganization with the combination of the former Farmers Home Administration and the Agricultural Stabilization and Conservation Service into FSA, confusion has surrounded this provision with respect to its applicability to the former FmHA farm credit programs. As a result of reorganization, very few farm credit decisions would come within the scope of this requirement in any case. Accordingly, to clarify the scope of the provision, language has been added excepting farm credit programs from its coverage. Any inconsistency with the interim final rule at 7 CFR part 780 will be corrected when that rule is finalized but in the meantime NAD will apply these rules in determining the acceptability of an appeal to NAD of a farm credit decision by FSA.

Section 11.6 Director Review of Agency Determinations of Appealability and Right of Participants to Division Hearing

Paragraph (a)(1) of § 11.6 is amended to correct an omission in the interim final rule that led to a discrepancy between the statement in the preamble to that rule and the text of that rule. The preamble of the interim final rule provided that a request for Director review of an agency determination that a decision is not appealable must be personally signed by the participant, just as the case with a participant request for a hearing and request for Director review of a Hearing Officer determination. However, the language of section 11.6(a)(1) did not expressly state that such requests must be personally signed. Section 11.6(a)(1) now makes clear that the participant must personally sign the request for Director review of an agency determination of non-appealability.

Further, with respect to the need for personal signature for certain actions, USDA clarifies that the reasonable interpretation of this requirement is vested in the NAD Hearing Officers or Director in individual cases. While it is not a statutory jurisdictional prerequisite for perfecting a timely appeal, it is reasonable to expect that authorized representatives seeking to file appeals before NAD would check the rules of the forum for filing requirements. Even though the requirement is expressed using the term "personally," it also is reasonable to interpret that term as applying to a responsible officer or employee of an entity where the definition of "participant" in § 11.1 encompasses an "entity" as well as an "individual."

Section 11.8 Division Hearings

Section 11.8(b)(6) is ambiguous with respect to the options of a NAD hearing officer when a party fails to show up at a hearing. Section 11.8(b)(6)(i)(B) states that if the hearing officer elects to cancel the hearing, he can accept evidence into the record from any party present and then issue a determination, whereas § 11.8(b)(6)(ii) suggests that the hearing officer must allow the absent party an opportunity to respond to any such evidence admitted prior to rendering a determination. USDA has modified the language of § 11.8(b)(6)(i)(B) to make the acceptance of evidence clearly subject to § 11.8(b)(6)(ii) prior to issuing a determination.

Section 11.9 Director Review of Determinations of Hearing Officers

The word "Associate" in § 11.9(d)(3) is changed to "Assistant" to reflect the curent organization of NAD.

Section 11.15 Participation of Third Parties and Interested Parties in Division Proceedings

Several commenters, either reinsurance companies or organizations commenting on behalf of reinsurance companies, requested that reinsurance companies be notified of and allowed to participate in NAD proceedings on participant appeals of FCIC decisions where the outcome of the NAD proceeding would affect policies held by reinsurance companies. For example, if FCIC declares an insured ineligible for crop insurance, a reinsurance company may cancel a previously existing policy as a result of that decision; however, if the insured then successfully appeals to NAD and the FCIC decision is overturned, the reinsurance company now will have a policy on its books that it had thought removed and it may not have received any notice of the NAD appeal or decision.

One commenter also objected to the change from the proposed rule in the interim final rule that required a bank holding a guaranteed loan to jointly appeal with the borrower any adverse decision. The commenter argued that the borrower was the individual directly affected and thus should be able to appeal an adverse decision related to a guaranteed loan independently from the lender.

In addition to the concerns raised by these commenters, NAD also has experienced difficulties in the appeal process where the interests of parties other than the appellant and the agency are involved.

Accordingly, a new § 11.15 has been added to the rule to provide procedures for handling these types of situations involving the interests of other parties in a NAD appeal.

The new § 11.15 recognizes that there are two types of situations where parties other than the appellant or the agency may be interested in participating in NAD proceedings. In the first situation, a NAD proceeding may in fact result in the adjudication of the rights of a third party, e.g., an appeal of a tenant involving a payment shared with a landlord, an appeal by one recipient of a share of a payment shared by multiple parties, or an appeal by one heir of an estate. In the second situation, there may be an interested party that desires to receive notice of and perhaps participate in an appeal because of the derivative impact the appeal determination will have on that party, e.g., guaranteed lenders and reinsurance companies.

These two different types of situations require separate procedures. Thus, in the first type where the actual rights of a third party are being adjudicated, USDA has termed such a party a "third party" and provided a new § 11.15(a) to provide for the participation of a "third party." After an appellant files an appeal, if the agency, appellant, of NAD itself identifies a third party whose rights will be adjudicated in an appeal, NAD will issue a notice of the appeal to the third party and provide such party with an opportunity to participate fully as a party in the NAD proceeding. Participation will include the right to seek Director review of the determination of the Hearing Officer. USDA believes the participation of a third party under § 11.15 also gives the third party the right to seek judicial review of the final NAD determination. If the third party receiving notice declines to participate, he will be bound by the final NAD determination as if he had participated. The intent of this provision is to include all parties in the initial NAD appeal and prevent a secondary appeal by a third party who did not receive notice of the appeal, but who is adversely affected by the agency implementation of the NAD determination of appeal, and who thus would then be entitled to an appeal of his own that could lead to a contradictory result.

For example, the agency determines a recipient sharing in a payment with two

other parties is entitled to 25% of the payment, and the recipient appeals. NAD determines that the agency decision was erroneous, and the agency implements by according the appellant 50% of the payment. The first NAD determination would not be binding as to the other two recipients, thus giving rise to secondary appeals, unless the other two recipients had notice and opportunity to participate in the first appeal.

In the second type of situation, new § 11.15(b) provides for the participation of guaranteed lenders and crop reinsurers as "interested parties" in an appeal where the actual rights of such interested parties under a USDA program are not being adjudicated (i.e., the appeal would not lead to an agency implementation decision that would give rise to NAD appeal rights for them), but such parties would be impacted by the outcome. Interested parties are not entitled under this new provision to request Director review of a hearing officer determination. It also is the position of USDA that such participation of an "interested party" does not give rise to a right by such "interested party" to judicial review of the final NAD determination.

In light of these changes, USDA is striking the requirement in the definition of "participant" in § 11.1 of the interim final rule that guaranteed lenders jointly appeal to NAD with borrowers.

With respect to the comments suggesting that reinsurers should be notified of NAD appeals taken by insureds, that topic should be addressed in agency rules and not the rules pertaining to NAD itself. NAD does not have the resources, capability, or function to carry out that mission.

Other Comments

As indicated above, the other CFR sections amended by the interim final rule and that are not a part of this final rule will be issued as final rules at a later date. Comments received on those rules are not addressed below except to the extent that they are related to a provision of 7 CFR part 11. Comments related to other parts of the interim final rule, or other agency rules (such as those for mediation), will be referred to the appropriate parties for further consideration.

Crop Insurance Issues

One commenter expressed concern that the revision of 7 CFR part 400, subpart J, in the interim final rule eliminated the rights of appeal previously contained in 7 CFR 400.92. The commenter questioned whether the more general language of the interim final rule provided for appeal rights coextensive to those in 7 CFR 400.92.

Except with respect to the provision for notification to the reinsurance company in 7 CFR 400.92(f), USDA believes that the specified rights of appeal outlined in 7 CFR 400.92 are covered by the NAD appeal regulations contained in this final rule. Further, the notification issue has been dealt with partially in this final rule by providing reinsurance companies the right to participate in NAD appeals as detailed above.

One reinsurance commenter also expressed the view that if allowed to participate in a NAD appeal it also should be allowed to request Director review of a hearing officer's decision. The comment reflected a concern that the agency would not timely request Director review of a hearing officer's decision and thus leave the reinsurer at risk. USDA does not adopt this recommendation because only program participants receiving adverse decisions from an agency have a statutory right to appeal under the NAD statute; since a reinsurer is not the recipient of the adverse decision, it may not be a NAD appellant able to request hearings and Director review. However, as interested parties, USDA is allowing reinsurers to participate in the hearing and Director review process.

One commenter on behalf of crop insurers suggested that the interim final rule be revised to allow reinsurance companies to appeal to NAD where a matter would not be subject to appeal to the Agriculture Board of Contract Appeals (AGBCA). The NAD process was established as a forum primarily for producer appeals, not as a forum for contractual and quasi-contractual matters. USDA at this time does not perceive a gap between a reinsurance company's right of appeal to the AGBCA and the availability of participant appeals to NAD by recipients of FCIC or RMA adverse decisions; therefore, a safety provision in this NAD final rule to cover appeals not taken by the AGBCA is neither required nor appropriate.

Mediation

Several commenters addressed issues regarding mediation. The mediation process between participants and agencies is not the subject of this final rule. Mediation is relevant to this rule only with respect to the determination of when a participant's right to appeal to NAD begins to toll. Comments regarding the length of time agencies allow for mediation to be requested and the length of time they permit for mediation to continue therefore are outside the scope of this rule and are not addressed herein.

Section 11.5(c)(1) of the interim final rule provides that a participant request for mediation or alternative dispute resolution (ADR) stops the running of the 30-day period after an adverse decision in which a participant may appeal that decision. Once mediation or ADR has concluded, this provision provides that the participant then has the remaining balance of the 30 days to appeal. Finding this process prone to confusion, four commenters suggested that the termination of mediation without settlement should in some way be construed as a new adverse decision with a full 30 days to seek NAD review of the decision. This suggestion does not comport with the concept of mediation. First of all, the mediator is not an agency decisionmaker and the results of the mediator's work is not therefore an agency decision. Second, mediation does not result in decisions; it results either in a mutually acceptable solution to all parties or a termination of the mediation with no resolution of the dispute. The NAD statute does not provide for a new 30-day period for a NAD appeal to begin at the conclusion of the mediation process.

One of the commenters, however, suggested that agencies issue a new adverse decision at the conclusion of mediation, with a notice of appeal rights. This adverse decision would replace the initial adverse determination and start the 30-day clock running anew for a NAD appeal. Such a mandate on USDA program agencies is beyond the scope of this final rule.

Three commenters suggested that § 11.5 of the rule provide that agencies notify participants of the balance of time remaining for appeal at the conclusion of mediation. Two commenters suggested that it would be inappropriate for the mediator to perform this task for reasons of liability and impartiality.

USDA agrees that it would be inappropriate to require the mediator to provide such notice; however, USDA does not adopt the suggestion that agencies should be required to give such notice. Agency notices to participants of appeal rights are beyond the scope of this final rule.

One commenter suggested that participants be billed for their share of the costs of medication. That subject is beyond the scope of this final rule.

Required Informal Agency Review

One commenter suggested that the required informal review by a county or area committee as a prerequisite to a NAD appeal, as set forth in § 11.5(a),

should be dropped because it results in additional costs and delays for participants. USDA declines to remove this provision.

Notification of Appeal Rights for Adverse Decisions Determined Non-Appealable

One commenter suggested that agencies be required to provide participants with notice of appeal rights to NAD under § 11.6(a) of agency determinations that an adverse decision is not appealable. USDA agrees that information on such appeal rights should be given by agencies when a decision is issued with a statement that it is not appealable. As with other notice requirements, however, USDA does not mandate this requirement on agencies in this final rule.

"Reasonably Should Have Known"

One commenter objected to the requirement in § 11.6(b)(1) that a participant must request an appeal within 30 days after "the participant reasonably should have known that the agency had not acted within the timeframes specified by agency program regulations". The commenter suggested that the agency should have specified timeframes to respond to participant requests, application, or inquiries; that participants should be notified of agency deadlines so that they can monitor them and know when to appeal; and that, alternatively, that if an agency fails to respond by deadlines, participant requests or applications should be automatically approved.

The purpose of the above-quoted phrase in § 11.6(b)(1) is to bring finality to agency decisions and programs by requiring appellants to appeal within 30 days of an agency missing a deadline specified in published agency regulations. Participants are deemed to have knowledge of published laws and regulations. If a regulation states that the agency will act on a given application in 60 days, a participant may not rest on his or her rights for a year before appealing to NAD because the agency never acted on the applications. Requiring an agency to specify timeframes for all actions in regulations, or to notify participants of such timeframes, is beyond the scope of this rule and the mission of NAD. Finally, USDA by general rule cannot establish automatic award of applications for failure to act on them where contrary to statute or principles of sovereign immunity.

"Adverse Decision"

Two commenters suggested that § 11.8(b) should be revised to allow participants 30 days to appeal upon receiving a *written* decision from the agency including: a clear statement of the adverse decision, a citation of the regulatory basis for the adverse decision, a notification of appeal rights, notification of the proper agency from which to appeal the adverse decision, notification of the proper reviewing officer to whom the appeal must be sent, and notification of mediation rights. One of the commenters further suggested that the definition of "adverse decision" be changed to "adverse final decision" so that preliminary adverse letters to participants—which a given agency may not regard as starting the 30-day clock—will not start the 30-day clock until the adverse decision is made officially by the agency.

These suggestions by the commenters appear to reflect several concerns. First, one commenter takes issue with our view, stated in the preamble to the interim final rule, that the requirement fro notice of an agency adverse decision in § 274 of the Reorganization Act is not a prerequisite for NAD jurisdiction. Placing the requirement for a written decision in § 11.8(b)(1), as suggested, implicitly would provide that notice and allow the participant a fair amount of time to develop his or her appeal. Second, there is a concern that agencies will seek to trigger the 30-day clock with oral decisions that participants will not understand as triggering their appeal rights. Third, agencies often do not view some actions as the adverse decisions for which appeal rights run and thus participants may prematurely appeal. Fourth, the suggested required content for an adverse decision is needed for the written determinations so that participants understand all their rights and clearly understand what the adverse decision is and the basis therefor.

USDA declines to adopt these suggestions for several reasons. While well-intentioned, these suggestions would be a triumph of form over substance spawning unnecessary litigation over who got what notice when. First and foremost, USDA interprets the statute to provide a clear intent on the part of Congress to afford participants the right to appeal *de facto* decisions rendered by an agency failure to act. The definition of "adverse decision" in section 271(1) of the Reorganization Act expressly includes "the failure of an agency to issue a decision or otherwise act on the request or right of the participant." To require a written decision from the agency before a participant may appeal essentially stops a participant's ability to appeal agency inaction, contrary to Congressional intent.

Second, if an administrative decision adversely affects a participant, it is an adverse decision subject to appeal under the statute regardless of whether the agency has sent out the formal letter with formal appeal rights. Each agency subject to NAD jurisdiction handles decisions in various ways and to attempt to specify that only "final" adverse decisions will count does not provide for an efficient NAD appeals process. (This, of course, does not mean that an agency may not recall and re-issue an earlier decision, in which case the 30-day clock begins to run anew).

Finally, with respect to the fairness of the appeal by providing the basis therefore, USDA sees no intent on the part of Congress to allow agencies to hold up the processing of appeals by failing to provide the basis for the decision. Section 11.8(c)(ii) in fact is written to require the agency to provide NAD with a copy of the adverse decision and a written explanation, including regulatory and statutory citation, once an appeal is filed in the event the participant was unable to get that information beforehand. If the agency does not furnish the information at that point, it merely runs the danger of losing the appeal for lack of information. At least, however, the participant has gotten his appeal before NAD whereas requiring the agency to provide that information to the participant before he or she may appeal to NAD effectively would prevent the participant from even filing an appeal.

Copies of Agency Record

Two commenters suggested changes to §§ 11.8(a) and 11.8(b)(1) to require agencies to notify an appellant of the appellant's right to an agency record after the appellant has filed an appeal, to require the agency to provide the hearing officer with a copy of the agency file to be placed automatically in the record, to require the agency to provide a copy of the agency record upon request, and to provide specific procedures for how an appellant could obtain the agency record. One commenter also suggested adding language to § 11.8(c)(5)(ii) to require the agency to present similar information, as well as additional information on the basis of the decision, at the hearing itself.

USDA declines to adopt these comments. They are either already covered specifically in the cited sections of the rule or else are covered within the language of the rule in a way that allows flexibility for agency and NAD response. Appellants are placed on notice of their

right to request and receive copies of the agency record by this final rule itself and a further requirement for agencies to provide such notice is beyond the scope of this rule. Further, requiring the agency to present such information at the hearing runs contrary to the statutory requirement that the appellant must prove the agency decision erroneous. This places the burden of going forward in the appeal on the appellant. If the agency fails to provide an adequate response to the appellant by failing to provide informataton, it runs the risk of losing the appeal.

Notice of Director Review

Section 11.9(b) requires the Director to notify all parties of receipt of a request for Director review and section 11.9(c) requires a party to submit responses to a request for Director review within 5 business days of receiving a copy of the request for Director review.

One commenter suggested clarifying how the Director is to provide notification under § 11.9(b), and suggested inserting the word "their" in § 11.9(c) presumably to distinguish the running of the 5 business days from the receipt of the Director review itself by the Division from the 5 business days from receipt of a *copy* by the other parties. USDA declines to adopt either of these comments. The method of notification should remain within the discretion of the Director and § 11.9(c) is clear without further amendment.

Basis for Determinations

Three commenters suggested removal or revision of the phrase "and with the generally applicable interpretations of such laws and regulations" in § 11.10(b) to reflect that generally applicable interpretations of laws and regulations should not be the sole basis for agency adverse decisions. These commenters were concerned that § 11.10(b) is inconsistent with the principle that adverse decisions must be based on regulations promulgated in accordance with notice-and-comment rulemaking procedures. For the reasons set forth in explanation of § 11.10(b) in the preamble to the interim final rule, USDA finds this language appropriate and declines to remove it as requested in the comments. Further, USDA notes that inclusion of this language does not reflect an intent to bind NAD to arbitrary interpretations of statutes or regulations by agency officials. Any unpublished, generally applicable interpretations of laws and regulations may be relied upon only to the extent permitted by the APA and interpretations thereof by relevant caselaw. NAD is bound to decide appeals in accordance with law; therefore, if an interpretation is not permissible under the APA, then NAD cannot rely upon that interpretation to sustain an agency decision.

Reconsideration

One commenter suggested that appellants be given 15 days, instead of 10 days, to request the Director to reconsider his determination under § 11.11. USDA declines to change this provision.

Section 11.11 was added to the interim final rule to reflect the inherent authority of a decisionmaker under general principles of law to review his or her decisions to correct errors. These are errors (such as citation to the wrong dates, wrong amounts, wrong regulations, or wrong statutes), not changes of interpretations or opinions, and as such should be quickly detectable upon reading the determination and reviewing the record. A request for reconsideration under this provision should not require a great deal of time for research, and rarely should require additional time for gathering information and evidence since this is not another step in the appeal process.

Implementation

One commenter suggested that § 11.12(a) was vague about how implementation would occur, thus allowing agencies to obstruct the implementation process. The commenter suggested amending § 11.12(a) to incorporate the implementation language from the old National Appeals Staff rules of procedure (7 CFR 1900.59(d) (1–1–95)) that provided that implementation meant the taking of the next step by the agency that would be required by agency regulations if no adverse action had occurred.

USDA indicated in the preamble to the interim final rule its position that implementation meant taking the next step. However, that interpretation of implementation comes from the farm credit appeals system that is now under the auspices of NAD. NAD also reviews decisions related to farm programs, disaster assistance, soil and water conservation programs, and crop insurance. Given the variety of programs now covered by NAD that were not subject to the "next step" rule, USDA declines to adopt any express guidance regarding implementation at this time until experience with a unified appeals process provides a clear picture of what uniform implementation rule would work for all agencies under the jurisdiction of NAD.

Discrimination Complaints

One commenter suggested that NAD develop a process for consolidating program appeals with related civil rights complaints. USDA declines to adopt this suggestion. The rights and remedies available to NAD appellants under USDA statutes and regulations are much different than those available to individuals asserting discrimination claims against USDA under civil rights laws of governmentwide applicability. USDA already has a separate administrative process for review of discrimination complaints. NAD does not have the ability or capacity to undertake consolidated civil rights appeals that exceed the scope of the purpose for which it was established.

List of Subjects

7 CFR Part 1

Administrative practice and procedure, Agriculture, Reporting and recordkeeping requirements.

7 CFR Part 11

Administrative practice and procedure, Agriculture, Agricultural commodities, Crop insurance, Ex parte communications, Farmers, Federal aid programs, Guaranteed loans, Insured loans, Loan programs, Price support programs, Soil conservation.

For the reasons set out in the preamble, Title 7 of the Code of Federal Regulations is amended as set forth below.

PART 1—ADMINISTRATIVE REGULATIONS

1. The authority citation for part 1 continues to read as follows:

Authority: 5 U.S.C. 301 and 552. Appendix A also issued under 7 U.S.C. 2244; 31 U.S.C. 9701, and 7 CFR 2.75(a)(6)(xiii).

2. Section 1.20 is revised to read as follows:

§ 1.20 Authentication.

When a request is received for an authenticated copy of a document which the agency determines to make available to the requesting party, the agency shall cause a correct copy to be prepared and sent to the Office of the General Counsel which shall certify the same and cause the seal of the Department to be affixed, except that the Hearing Clerk in the Office of Administrative Law Judges may authenticate copies of documents in the records of the Hearing Clerk and that the Director of the National Appeals Division may authenticate copies of documents in the records of the National Appeals Division.

PART 11—NATIONAL APPEALS DIVISION RULES OF PROCEDURE

Part 11 is revised to read as follows:

PART 11—NATIONAL APPEALS DIVISION RULES OF PROCEDURE

Sec.

11.1 Definitions.
11.2 General statement.
11.3 Applicability.
11.4 Inapplicability of other laws and regulations.
11.5 Informal review of adverse decisions.
11.6 Director review of agency determination of appealability and right of participants to Division hearing.
11.7 *Ex parte* communications.
11.8 Division hearings.
11.9 Director review of determinations of Hearings Officers.
11.10 Basis for determinations.
11.11 Reconsideration of Director determinations.
11.12 Effective date and implementation of final determinations of the Division.
11.13 Judicial review.
11.14 Filing of appeals and computation of time.
11.15 Participation of third parties and interested parties in Division proceedings.

Authority: 5 U.S.C. 301; Title II, Subtitle H, Pub. L. 103–354, 108 Stat. 3228 (7 U.S.C. 6991 *et seq.*); Reorganization Plan No. 2 of 1953 (5 U.S.C. App.).

§ 11.1 Definitions.

For purposes of this part:

Adverse decision means an administrative decision made by an officer, employee, or committee of an agency that is adverse to a participant. The term includes a denial of equitable relief by an agency or the failure of an agency to issue a decision or otherwise act on the request or right of the participant within timeframes specified by agency program statutes or regulations or within a reasonable time if timeframes are not specified in such statutes or regulations. The term does not include a decision over which the Board of Contract Appeals has jurisdiction.

Agency means:

(1) The Commodity Credit Corporation (CCC);

(2) The Farm Service Agency (FSA);

(3) The Federal Crop Insurance Corporation (FCIC);

(4) The Natural Resources Conservation Service (NRCS);

(5) The Risk Management Agency (RMA);

(6) The Rural Business-Cooperative Service (RBS);

(7) Rural Development (RD);

(8) The Rural Housing Service (RHS);

(9) The Rural Utilities Service (RUS) (but not for programs authorized by the Rural Electrification Act of 1936 or the Rural Telephone Bank Act, 7 U.S.C. 901 *et seq.*);

(10) A State, county, or area committee established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h (b)(5)); and

(11) Any predecessor or successor agency to the above-named agencies, and any other agency or office of the Department which the Secretary may designate.

Agency record means all the materials maintained by an agency related to an adverse decision which are submitted to the Division by an agency for consideration in connection with an appeal under this part, including all materials prepared or reviewed by the agency during its consideration and decisionmaking process, but shall not include records or information not related to the adverse decision at issue. All materials contained in the agency record submitted to the Division shall be deemed admitted as evidence for purposes of a hearing or a record review under § 11.8.

Agency representative means any person, whether or not an attorney, who is authorized to represent the agency in an administrative appeal under this part.

Appeal means a written request by a participant asking for review by the National Appeals Division of an adverse decision under this part.

Appellant means any participant who appeals an adverse decision in accordance with this part. Unless separately set forth in this part, the term "appellant" includes an authorized representative.

Authorized representative means any person, whether or not an attorney, who is authorized in writing by a participant, consistent with § 11.6(c), to act for the participant in an administrative appeal under this part. The authorized representative may act on behalf of the participant except when the provisions of this part require action by the participant or appellant personally.

Case record means all the materials maintained by the Secretary related to an adverse decision. The case record includes both the agency record and the hearing record.

Days means calendar days unless otherwise specified.

Department means the United States Department of Agriculture (USDA).

Director means the Director of the Division or a designee of the Director.

Division means the National Appeals Division established by this part.

Equitable relief means relief which is authorized under section 326 of the Food and Agriculture Act of 1962 (7 U.S.C. 1339a) and other laws administered by the agency.

Ex parte communication means an oral or written communication to any officer or employee of the Division with respect to which reasonable prior notice to all parties is not given, but it shall not include requests for status reports, or inquiries on Division procedure, in reference to any matter or proceeding connected with the appeal involved.

Hearing, except with respect to § 11.5, means a proceeding before the Division to afford a participant the opportunity to present testimony or documentary evidence or both in order to have a previous determination reversed and to show why an adverse determination was in error.

Hearing Officer means an individual employed by the Division who conducts the hearing and determines appeals of adverse decisions by any agency.

Hearing record means all documents, evidence, and other materials generated in relation to a hearing under § 11.8.

Implement means the taking of action by an agency of the Department in order fully and promptly to effectuate a final determination of the Division.

Participant means any individual or entity who has applied for, or whose right to participate in or receive, a payment, loan, loan guarantee, or other benefit in accordance with any program of an agency to which the regulations in this part apply is affected by a decision of such agency. The term does not include persons whose claim(s) arise under:

(1) Programs subject to various proceedings provided for in 7 CFR part 1;

(2) Programs governed by Federal contracting laws and regulations (appealable under other rules and to other forums, including to the Department's Board of Contract Appeals under 7 CFR part 24);

(3) The Freedom of Information Act (appealable under 7 CFR part 1, subpart A);

(4) Suspension and debarment disputes, including, but not limited to, those falling within the scope of 7 CFR parts 1407 and 3017;

(5) Export programs administered by the Commodity Credit Corporation;

(6) Disputes between reinsured companies and the Federal Crop Insurance Corporation;

(7) Tenant grievances or appeals prosecutable under the provisions of 7 CFR part 1944, subpart L, under the multi-family housing program carried out by RHS;

(8) Personnel, equal employment opportunity, and other similar disputes

with any agency or office of the Department which arise out of the employment relationship;

(9) The Federal Tort Claims Act, 28 U.S.C. 2671 *et seq.*, or the Military Personnel and Civilian Employees Claims Act of 1964, 31 U.S.C. 3721;

(10) Discrimination complaints prosecutable under the nondiscrimination regulations at 7 CFR parts 15, 15a, 15b, 15e, and 15f; or

(11) Section 361, *et seq.*, of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1361, *et seq.*) involving Tobacco Marketing Quota Review Committees.

Record review means an appeal considered by the Hearing Officer in which the Hearing Officer's determination is based on the agency record and other information submitted by the appellant and the agency, including information submitted by affidavit or declaration.

Secretary means the Secretary of Agriculture.

§ 11.2 General statement.

(a) This part sets forth procedures for proceedings before the National Appeals Division within the Department. The Division is an organization within the Department, subject to the general supervision of and policy direction by the Secretary, which is independent from all other agencies and offices of the Department, including Department officials at the state and local level. The Director of the Division reports directly to the Secretary of Agriculture. The authority of the Hearing Officers and the Director of the Division, and the administrative appeal procedures which must be followed by program participants who desire to appeal an adverse decision and by the agency which issued the adverse decision, are included in this part.

(b) Pursuant to section 212(e) of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Pub. L. 103-354 (the Act), 7 U.S.C. 6912(e), program participants shall seek review of an adverse decision before a Hearing Officer of the Division, and may seek further review by the Director, under the provisions of this part prior to seeking judicial review.

§ 11.3 Applicability.

(a) *Subject matter.* The regulations contained in this part are applicable to adverse decisions made by an agency, including, for example, those with respect to:

(1) Denial of participation in, or receipt of benefits under, any program of an agency;

(2) Compliance with program requirements;

(3) The making or amount of payments or other program benefits to a participant in any program of an agency; and

(4) A determination that a parcel of land is a wetland or highly erodible land.

(b) *Limitation.* The procedures contained in this part may not be used to seek review of statutes or USDA regulations issued under Federal Law.

§ 11.4 Inapplicability of other laws and regulations.

(a) Reserved.

(b) The Federal Rules of Evidence, 28 U.S.C. App., shall not apply to proceedings under this part.

§ 11.5 Informal review of adverse decisions.

(a) *Required informal review of FSA adverse decisions.* Except with respect to farm credit programs, a participant must seek an informal review of an adverse decision issued at the field service office level by an officer or employee of FSA, or by any employee of a county or area committee established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act, 16 U.S.C. 590h(b)(5), before NAD will accept an appeal of a FSA adverse decision. Such informal review shall be done by the county or area committee with responsibility for the adverse decision at issue. The procedures for requesting such an informal review before FSA are found in 7 CFR part 780. After receiving a decision upon review by a county or area committee, a participant may seek further informal review by the State FSA committee or may appeal directly to NAD under § 11.6(b).

(b) *Optional informal review.* With respect to adverse decisions issued at the State office level of FSA and adverse decisions of all other agencies, a participant may request an agency informal review of an adverse decision of that agency prior to appealing to NAD. Procedures for requesting such an informal review are found at 7 CFR part 780 (FSA), 7 CFR part 614 (NRCS), 7 CFR part 1900, subpart B (RUS), 7 CFR part 1900, subpart B (RBS), and 7 CFR part 1900, subpart B (RHS).

(c) *Mediation.* A participant also shall have the right to utilize any available alternative dispute resolution (ADR) or mediation program, including any mediation program available under title V of the Agricultural Credit Act of 1987, 7 U.S.C. 5101 *et seq.*, in order to attempt to seek resolution of an adverse decision of an agency prior to a NAD hearing. If a participant:

(1) Requests mediation or ADR prior to filing an appeal with NAD, the participant stops the running of the 30-day period during which a participant may appeal to NAD under § 11.6(b)(1), and will have the balance of days remaining in that period to appeal to NAD once mediation or ADR has concluded.

(2) Requests mediation or ADR after having filed an appeal to NAD under § 11.6(b), but before the hearing, the participant will be deemed to have waived his right to have a hearing within 45 days under § 11.8(c)(1) but shall have a right to have a hearing within 45 days after conclusion of mediation or ADR.

§ 11.6 Director review of agency determination of appealability and right of participants to Division hearing.

(a) *Director review of agency determination of appealability.* (1) Not later than 30 days after the date on which a participant receives a determination from an agency that an agency decision is not appealable, the participant must submit a written request personally signed by the participant to the Director to review the determination in order to obtain such review by the Director.

(2) The Director shall determined whether the decision is adverse to the individual participant and thus appealable or is a matter of general applicability and thus not subject to appeal, and will issue a final determination notice that upholds or reverses the determination of the agency. This final determination is not appealable. If the Director reverses the determination of the agency, the Director will notify the participant and the agency of that decision and inform the participant of his or her right to proceed with an appeal.

(3) The Director may delegate his or her authority to conduct a review under this paragraph to any subordinate official of the Division other than a Hearing Officer. In any case in which such review is conducted by such a subordinate official, the subordinate official's determination shall be considered to be the determination of the Director and shall be final and not appealable.

(b) *Appeals of adverse decisions.* (1) To obtain a hearing under § 11.8, a participant personally must request such hearing not later than 30 days after the date on which the participant first received notice of the adverse decision or after the date on which the participant receives notice of the Director's determination that a decision is appealable. In the case of the failure

of an agency to act on the request or right of a recipient, a participant personally must request such hearing not later than 30 days after the participant knew or reasonably should have known that the agency had not acted within the timeframes specified by agency program regulations, or, where such regulations specify no timeframes, not later than 30 days after the participant reasonably should have known of the agency's failure to act.

(2) A request for a hearing shall be in writing and personally signed by the participant, and shall include a copy of the adverse decision to be reviewed, if available, along with a brief statement of the participant's reasons for believing that the decision, or the agency's failure to act, was wrong. The participant also shall send a copy of the request for a hearing to the agency, and may send a copy of the adverse decision to be reviewed to the agency, but failure to do either will not constitute grounds for dismissal of the appeal. Instead of a hearing, the participant may request a record review.

(c) If a participant is represented by an authorized representative, the authorized representative must file a declaration with NAD, executed in accordance with 28 U.S.C. 1746, stating that the participant has duly authorized the declarant in writing to represent the participant for purposes of a specified adverse decision or decisions, and attach a copy of the written authorization to the declaration.

§ 11.7 Ex parte communications.

(a)(1) At no time between the filing of an appeal and the issuance of a final determination under this part shall any officer or employee of the Division engage in *ex parte* communications regarding the merits of the appeal with any person having any interest in the appeal pending before the Division, including any person in an advocacy or investigative capacity. This prohibition does not apply to:

(i) Discussions of procedural matters related to an appeal; or

(ii) Discussions of the merits of the appeal where all parties to the appeal have been given notice and an opportunity to participate.

(2) In the case of a communication described in paragraph (a)(1)(ii) of this section, a memorandum of any such discussion shall be included in the hearing record.

(b) No interested person shall make or knowingly cause to be made to any officer or employee of the Division an *ex parte* communication relevant to the merits of the appeal.

(c) If any officer or employee of the Division receives an *ex parte* communication in violation of this section, the one who receives the communication shall place in the hearing record:

(1) All such written communications;

(2) Memoranda stating the substance of all such oral communications; and

(3) All written responses to such communications, and memoranda stating the substance of any oral responses thereto.

(d) Upon receipt of a communication knowingly made or knowingly caused to be made by a party in violation of this section the Hearing Officer or Director may, to the extent consistent with the interests of justice and the policy of the underlying program, require the party to show cause why such party's claim or interest in the appeal should not be dismissed, denied, disregarded, or otherwise adversely affected on account of such violation.

§ 11.8 Division hearings.

(a) *General rules.* (1) The Director, the Hearing Officer, and the appellant shall have access to the agency record of any adverse decision appealed to the Division for a hearing. Upon request by the appellant, the agency shall provide the appellant a copy of the agency record.

(2) The Director and Hearing Officer shall have the authority to administer oaths and affirmations, and to require, by subpoena, the attendance of witnesses and the production of evidence. A Hearing Officer shall obtain the concurrence of the Director prior to issuing a subpoena.

(i) A subpoena requiring the production of evidence may be requested and issued at any time while the case is pending before the Division.

(ii) An appellant or an agency, acting through any appropriate official, may request the issuance of a subpoena requiring the attendance of a witness by submitting such a request in writing at least 14 days before the scheduled date of a hearing. The Director or Hearing Officer shall issue a subpoena at least 7 days prior to the scheduled date of a hearing.

(iii) A subpoena shall be issued only if the Director or a Hearing Officer determined that:

(A) For a subpoena of documents, the appellant or the agency has established that production of documentary evidence is necessary and is reasonably calculated to lead to information which would affect the final determination or is necessary to fully present the case before the Division; or

(B) For a subpoena of a witness, the appellant or the agency has established that either a representative of the Department or a private individual possesses information that is pertinent and necessary for disclosure of all relevant facts which could impact the final determination, that the information cannot be obtained except through testimony of the person, and that the testimony cannot be obtained absent issuance of a subpoena.

(iv) The party requesting issuance of a subpoena shall arrange for service. Service of a subpoena upon a person named therein may be made by registered or certified mail, or in person. Personal service shall be made by personal delivery of a copy of the subpoena to the person named therein by any person who is not a party and who is not less than 18 years of age. Proof of service shall be made by filing with the Hearing Officer or Director who issued the subpoena a statement of the date and manner of service and of the names of the persons served, certified by the person who made the service in person or by return receipts for certified or registered mail.

(v) A party who requests that a subpoena be issued shall be responsible for the payment of any reasonable travel and subsistence costs incurred by the witness in connection with his or her appearance and any fees of a person who serves the subpoena in person. The Department shall pay the costs associated with the appearance of a Department employee whose role as a witness arises out of his or her performance of official duties, regardless of which party requested the subpoena. The failure to make payment of such charges on demand may be deemed by the Hearing Officer or Director as sufficient ground for striking the testimony of the witness and the evidence the witness has produced.

(vi) If a person refuses to obey a subpoena, the Director, acting through the Office of the General Counsel of the Department and the Department of Justice, may apply to the United States District Court in the jurisdiction where that person resides to have the subpoena enforced as provided in the Federal Rules of Civil Procedure (28 U.S.C. App.).

(3) Testimony required by subpoena pursuant to paragraph (a)(2) of this section may, at the discretion of the Director or a Hearing Officer, be presented at the hearing either in person or telephonically.

(b) *Hearing procedures applicable to both record review and hearings.* (1) Upon the filing of an appeal under this part of an adverse decision by any

agency, the agency promptly shall provide the Division with a copy of the agency record. If requested by the applicant prior to the hearing, a copy of such agency record shall be provided to the appellant by the agency within 10 days of receipt of the request by the agency.

(2) The Director shall assign the appeal to a Hearing Officer and shall notify the appellant and agency of such assignment. The notice also shall advise the appellant and the agency of the documents required to be submitted under paragraph (c)(2) of this section, and notify the appellant of the option of having a hearing by telephone.

(3) The Hearing Officer will receive evidence into the hearing record without regard to whether the evidence was known to the agency officer, employee, or committee making the adverse decision at the time the adverse decision was made.

(c) *Procedures applicable only to hearings.* (1) Upon a timely request for a hearing under § 11.6(b), an appellant has the right to have a hearing by the Division on any adverse decision within 45 days after the date of receipt of the request for the hearing by the Division.

(2) The Hearing Officer shall set a reasonable deadline for submission of the following documents:

(i) By the appellant:

(A) A short statement of why the decision is wrong;

(B) A copy of any document not in the agency record that the appellant anticipates introducing at the hearing; and

(C) A list of anticipated witnesses and brief descriptions of the evidence such witnesses will offer.

(ii) By the agency:

(A) A copy of the adverse decision challenged by the appellant;

(B) A written explanation of the agency's position, including the regulatory or statutory basis therefor;

(C) A copy of any document not in the agency record that the agency anticipates introducing at the hearing; and

(D) A list of anticipated witnesses and brief descriptions of the evidence such witnesses will offer.

(3) Not less than 14 days prior to the hearing, the Division must provide the appellant, the authorized representative, and the agency a notice of hearing specifying the date, time, and place of the hearing. The hearing will be held in the State of residence of the appellant, as determined by the Hearing Officer, or at a location that is otherwise convenient to the appellant, the agency, and the Division. The notice also shall notify all parties of the right to obtain an official record of the hearing.

(4) Pre-hearing conference. Whenever appropriate, the Hearing Officer shall hold a pre-hearing conference in order to attempt to resolve the dispute or to narrow the issues involved. Such pre-hearing conference shall be held by telephone unless the Hearing Officer and all parties agree to hold such conference in person.

(5) Conduct of the hearing. (i) A hearing before a Hearing Officer will be in person unless the appellant agrees to a hearing by telephone.

(ii) The hearing will be conducted by the Hearing Officer in the manner determined by the Division most likely to obtain the facts relevant to the matter or matters at issue. The Hearing Officer will allow the presentation of evidence at the hearing by any party without regard to whether the evidence was known to the officer, employee, or committee of the agency making the adverse decision at the time the adverse decision was made. The Hearing Officer may confine the presentation of facts and evidence to pertinent matters and exclude irrelevant, immaterial, or unduly repetitious evidence, information, or questions. Any party shall have the opportunity to present oral and documentary evidence, oral testimony of witnesses, and arguments in support of the party's position; controvert evidence relied on by any other party; and question all witnesses. When appropriate, agency witnesses requested by the appellant will be made available at the hearing. Any evidence may be received by the Hearing Officer without regard to whether that evidence could be admitted in judicial proceedings.

(iii) An official record shall be made of the proceedings of every hearing. This record will be made by an official tape recording by the Division. In addition, either party may request that a verbatim transcript be made of the hearing proceedings and that such transcript shall be made the official record of the hearing. The party requesting a verbatim transcript shall pay for the transcription service, shall provide a certified copy of the transcript to the Hearing Officer free of charge, and shall allow any other party desiring to purchase a copy of the transcript to order it from the transcription service.

(6) Absence of parties. (i) If at the time scheduled for the hearing either the appellant or the agency representative is absent, and no appearance is made on behalf of such absent party, or no arrangements have been made for rescheduling the hearing, the Hearing Officer has the option to cancel the hearing unless the absent party has good cause for the failure to appear. If the Hearing Officer elects to cancel the hearing, the Hearing Officer may:

(A) Treat the appeal as a record review and issue a determination based on the agency record as submitted by the agency and the hearing record developed prior to the hearing date;

(B) Accept evidence into the hearing record submitted by any party present at the hearing (subject to paragraph (c)(6)(ii) of this section), and then issue a determination; or

(C) Dismiss the appeal.

(ii) When a hearing is cancelled due to the absence of a party, the Hearing Officer will add to the hearing record any additional evidence submitted by any party present, provide a copy of such evidence to the absent party or parties, and allow the absent party or parties 10 days to provide a response to such additional evidence for inclusion in the hearing record.

(iii) Where an absent party has demonstrated good cause for the failure to appear, the Hearing Officer shall reschedule the hearing unless all parties agree to proceed without a hearing.

(7) Post-hearing procedure. The Hearing Officer will leave the hearing record open after the hearing for 10 days, or for such other period of time as the Hearing Officer shall establish, to allow the submission of information by the appellant or the agency, to the extent necessary to respond to new facts, information, arguments, or evidence presented or raised at the hearing. Any such new information will be added by the Hearing Office to the hearing record and sent to the other party or parties by the submitter of the information. The Hearing Officer, in his or her discretion, may permit the other party or parties to respond to this post-hearing submission.

(d) *Interlocutory review.* Interlocutory review by the Director of rulings of a Hearing Officer are not permitted under the procedures of this part.

(e) *Burden of proof.* The appellant has the burden of proving that the adverse decision of the agency was erroneous by a preponderance of the evidence.

(f) *Timing of issuance of determination.* The Hearing Officer will issue a notice of the determination on the appeal to the named appellant, the authorized representative, and the agency not later than 30 days after a hearing or the closing date of the hearing record in cases in which the Hearing Officer receives additional evidence from the agency or appellant after a hearing. In the case of a record review, the Hearing Officer will issue a notice of determination within 45 days

of receipt of the appellant's request for a record review. Upon the Hearing Officer's request, the Director may establish an earlier or later deadline. A notice of determination shall be accompanied by a copy of the procedures for filing a request for Director review under § 11.9. If the determination is not appealed to the Director for review under § 11.9, the notice provided by the Hearing Officer shall be considered to be a notice of a final determination under this part.

§ 11.9 Director review of determinations of Hearing Officers.

(a) *Requests for Director review.* (1) Not later than 30 days after the date on which an appellant receives the determination of a Hearing Officer under § 11.8, the appellant must submit a written request, signed personally by the named appellant, to the Director to review the determination in order to be entitled to such review by the Director. Such request shall include specific reasons why the appellant believes the determination is wrong.

(2) Not later than 15 business days after the date on which an agency receives the determination of a Hearing Officer under § 11.8, the head of the agency may make a written request that the Director review the determination. Such request shall include specific reasons why the agency believes the determination is wrong, including citations of statutes or regulations that the agency believes the determination violates. Any such request may be made by the head of an agency only, or by a person acting in such capacity, but not by any subordinate officer of such agency.

(3) A copy of a request for Director review submitted under this paragraph shall be provided simultaneously by the submitter to each party to the appeal.

(b) *Notification of parties.* The Director promptly shall notify all parties of receipt of a request for review.

(c) *Responses to request for Director review.* Other parties to an appeal may submit written responses to a request for Director review within 5 business days from the date of receipt of a copy of the request for review.

(d) *Determination of Director.* (1) The Director will conduct a review of the determination of the Hearing Officer using the agency record, the hearing record, the request for review, any responses submitted under paragraph (c) of this section, and such other arguments or information as may be accepted by the Director, in order to determine whether the decision of the Hearing Officer is supported by substantial evidence. Based on such review, the Director will issue a final determination notice that upholds, reverses, or modifies the determination of the Hearing Officer. The Director's determination upon review of a Hearing Officer's decision shall be considered to be the final determination under this part and shall not be appealable. However, if the Director determines that the hearing record is inadequate or that new evidence has been submitted, the Director may remand all or a portion of the determination to the Hearing Officer for further proceedings to complete the hearing record or, at the option of the Director, to hold a new hearing.

(2) The Director will complete the review and either issue a final determination or remand the determination not later than—

(i) 10 business days after receipt of the request for review, in the case of a request by the head of an agency; or

(ii) 30 business days after receipt of the request for review, in the case of a request by an appellant.

(3) In any case or any category of cases, the Director may delegate his or her authority to conduct a review under this section to any Deputy or Assistant Directors of the Division. In any case in which such review is conducted by a Deputy or Assistant Director under authority delegated by the Director, the Deputy or Assistant Director's determination shall be considered to be the determination of the Director under this part and shall be final and not appealable.

(e) *Equitable relief.* In reaching a decision on an appeal, the Director shall have the authority to grant equitable relief under this part in the same manner and to the same extent as such authority is provided an agency under applicable laws and regulations.

§ 11.10 Basis for determinations.

(a) In making a determination, the Hearing Officers and the Director are not bound by previous findings of facts on which the agency's adverse decision was based.

(b) In making a determination on the appeal, Hearing Officers and the Director shall ensure that the decision is consistent with the laws and regulations of the agency, and with the generally applicable interpretations of such laws and regulations.

(c) All determinations of the Hearing Officers and the Director must be based on information from the case record, laws applicable to the matter at issue, and applicable regulations published in the Federal Register and in effect on the date of the adverse decision or the date on which the acts that gave rise to the adverse decision occurred, whichever date is appropriate under the applicable agency program laws and regulations.

§ 11.11 Reconsideration of Director determinations.

(a) Reconsideration of a determination of the Director may be requested by the appellant or the agency within 10 days of receipt of the determination. The Director will not consider any request for reconsideration that does not contain a detailed statement of a material error of fact made in the determination, or a detailed explanation of how the determination is contrary to statute or regulation, which would justify reversal or modification of the determination.

(b) The Director shall issue a notice to all parties as to whether a request for reconsideration meets the criteria in paragraph (a) of this section. If the request for reconsideration meets such criteria, the Director shall include a copy of the request for reconsideration in the notice to the non-requesting parties to the appeal. The non-requesting parties shall have 5 days from receipt of such notice from the Director to file a response to the request for reconsideration with the Director.

(c) The Director shall issue a decision on the request for reconsideration within 5 days of receipt of responses from the non-requesting parties. If the Director's decision upon reconsideration reverses or modifies the final determination of the Director rendered under § 11.9(d), the Director's decision on reconsideration will become the final determination of the Director under § 11.9(d) for purposes of this part.

§ 11.12 Effective date and implementation of final determinations of the Division.

(a) On the return of a case to an agency pursuant to the final determination of the Division, the head of the agency shall implement the final determination not later than 30 days after the effective date of the notice of the final determination.

(b) A final determination will be effective as of the date of filing of an application, the date of the transaction or event in question, or the date of the original adverse decision, whichever is applicable under the applicable agency program statutes or regulations.

§ 11.13 Judicial review.

(a) A final determination of the Division shall be reviewable and enforceable by any United States District Court of competent jurisdiction in accordance with chapter 7 of title 5, United States Code.

(b) An appellant may not seek judicial review of any agency adverse decision appealable under this part without

receiving a final determination from the Division pursuant to the procedures of this part.

§ 11.14 Filing of appeals and computation of time.

(a) An appeal, a request for Director Review, or any other document will be considered "filed" when delivered in writing to the Division, when postmarked, or when a complete facsimile copy is received by the Division.

(b) Whenever the final date for any requirement of this part falls on a Saturday, Sunday, Federal holiday, or other day on which the Division is not open for the transaction of business during normal working hours, the time for filing will be extended to the close of business on the next working day.

(c) The time for filing an appeal, a request for Director review, or any other document expires at 5:00 p.m. local time at the office of the Division to which the filing is submitted on the last day on which such filing may be made.

§ 11.15 Participation of third parties and interested parties in Division proceedings.

In two situations, parties other than the appellant or the agency may be interested in participating in Division proceedings. In the first situation, a Division proceeding may in fact result in the adjudication of the rights of a third party, e.g., an appeal of a tenant involving a payment shared with a landlord, an appeal by one recipient of a portion of a payment shared by multiple parties, an appeal by one heir of an estate. In the second situation, a party may desire to receive notice of and perhaps participate in an appeal because of the derivative impact the appeal determination will have on that party, e.g., guaranteed lenders and reinsurance companies. The provisions in this section set forth rules for the participation of such third and interested parties.

(a) *Third parties.* When an appeal is filed, the Division shall notify any potential third party whose rights may be adjudicated of its right to participate as an appellant in the appeal. This includes the right to seek Director review of the Hearing Officer determination. Such third parties may be identified by the Division itself, by an agency, or by the original appellant. The Division shall issue one notice to the third party of its right to participate, and if such party declines to participate, the Division determination will be binding as to that third party as if it had participated. For purposes of this part, a third party includes any party for which a determination of the Division could lead to an agency action on implementation that would be adverse to the party thus giving such party a right to a Division appeal.

(b) *Interested parties.* With respect to a participant who is a borrower under a guaranteed loan or an insured under a crop insurance program, the respective guaranteed lender or reinsurance company having an interest in a participant's appeal under this part may participate in the appeal as an interested party, but such participation does not confer the status of an appellant upon the guaranteed lender or reinsurance company such that it may request Director review of a final determination of the Division.

Done at Washington, D.C., this 14th day of June 1999.

Dan Glickman,

Secretary of Agriculture.

[FR Doc. 99-15624 Filed 6-22-99; 8:45 am]

BILLING CODE 3410-01-M

DEPARTMENT OF AGRICULTURE

Federal Crop Insurance Corporation

7 CFR Part 457

RIN 0563-AA85

Peanut Crop Insurance Regulations; and Common Crop Insurance Regulations, Peanut Crop Insurance Provisions; Correction

AGENCY: Federal Crop Insurance Corporation, USDA.

ACTION: Final rule; Correcting amendment.

SUMMARY: This document is a correction to the final rule which was published Tuesday, June 9, 1998 (63 FR 31331-31337). The regulation pertains to the insurance of peanuts.

EFFECTIVE DATE: June 23, 1999.

FOR FURTHER INFORMATION CONTACT: Gary Johnson, Insurance Management Specialist, Research and Development, Product Development Division, Federal Crop Insurance Corporation, United States Department of Agriculture, 9435 Holmes Road, Kansas City, MO 64131, telephone (816) 926-7730.

SUPPLEMENTARY INFORMATION:

Background

The regulation subject to this correction provided policy changes to better meet the needs of the insured and include the current Peanut Crop Insurance Regulations with the Common Crop Insurance Policy for ease of use and consistency of policy terms and conditions.

Need For Correction

As published, the final regulation contained an error which may prove to be misleading and is in need of clarification. Section 9(a)(3) of the Basic Provisions (§ 457.8) states that acreage which is not replanted in accordance with that subsection is not insurable. Section 9(a) of the crop provisions contained in § 457.134 provides that acreage of the insured crop damaged before the final planting date must be replanted unless FCIC agrees replanting is not practical. Section 14(d) states that total production to count from all insurable acreage on the unit will include all appraised and harvested production. Subsection (e)(1)(v) of that section, in turn, provides that appraised production will include acreage which is not replanted in accordance with the policy. The latter provision may cause confusion because it implies that such acreage is insurable in direct conflict with section 9(a). Furthermore, it is unnecessary because production to count is only calculated based on insurable acreage under section 14(d). This correction is consistent with other crop provisions providing for replanting payments.

List of Subjects in 7 CFR Part 457

Crop insurance, Peanut.

Accordingly, 7 CFR part 457 is corrected by making the following correcting amendment:

PART 457—COMMON CROP INSURANCE REGULATIONS

1. The authority citation for part 457 continues to read as follows:

Authority: 7 U.S.C. 1506(l), 1506(p).

§ 457.134 [Corrected]

2. Amend the crop provisions in § 457.134 to remove section 14(e)(1)(v) and revise section 14(e)(1)(iv) to read as follows:

14. Settlement of Claim.

* * * * *

(e) * * *

(1) * * *

(iv) For which you fail to provide production records that are acceptable to us.

* * * * *

Signed in Washington, DC, on June 16, 1999.

Kenneth D. Ackerman,

Manager, Federal Crop Insurance Corporation.

[FR Doc. 99-15940 Filed 6-22-99; 8:45 am]

BILLING CODE 3410-08-P

PERFORMANCE GOALS AND INDICATORS

Mr. Skeen: Please update the table in last year's hearing record showing the cost and average length of time for an appeal to include fiscal year 1999.

Response: The table in last year's hearing record does not have the cost and average length of an appeal. The information reported pertaining to average length of time for an appeal in the table submitted in the fiscal year 2000 Hearing Questions has been replaced by performance measures pursuant to the Government Performance and Results Act.

[The information follows:]

PERFORMANCE GOALS AND INDICATORS

PERFORMANCE GOAL AND INDICATORS	FY 1998 Actual	FY 1999 Actual	FY 2000 Target	FY 2001 Target
Conduct hearings and issue determinations within applicable time frames.				
Percent of hearings conducted within 45 calendar days.	77%	100%	100%	100%
Percent of appeal determinations issued within 30 calendar days.	70%	75%	80%	80%
Percent of review determinations issued within 30 calendar days.	37%	45%	40%	40%
Percent of Hearing Officer determinations upheld on review.	68%	77%	78%	80%

ACTIVE APPEALS

Mr. Skeen: How many active appeals do you currently have ongoing?

Response: As of February 23, 2000 we had 466 active appeals and 97 active Director reviews. Also, there are 120 cases that are suspended at the Appellants' request, pending mediation and civil rights complaints.

DIRECTOR APPEALS

Mr. Skeen: Of the total decisions issued in fiscal year 1999, how many were appealed with the Director?

Response: In fiscal year 1999, out of 1,341 cases, 611 cases were appealed to the Director.

CUSTOMER SURVEY

Mr. Skeen: Did OMB finally approve the use of the customer survey mentioned in the fiscal year 1999 hearing record? If so, what were the results of the customer survey?

Response: OMB approved NAD's customer survey on March 22, 1999-Approval number 0503-0003. Three hundred names were randomly selected, 100 from each of NAD's 3 regions, from the cases concluded in the previous fiscal year. Three hundred surveys were mailed in June 1999. By August 31, 1999, NAD had received 154 responses for a 51 percent response rate.

Questions asked on the survey and the actual responses:

1. What type of appeal did you have?

	Actual	Preferred
Face to Face	57%	66%
Teleconference	37%	27%
Record Review	6%	7%

2. What type of appeal was your preference?
See 1 above.

3. If you had a face-to-face hearing, how far did you travel to the hearing site?

	Actual	Preferred
0 - 50 miles	29%	57%
50 - 100 miles	35%	22%
100 - 150 miles	21%	16%
150 - 200 miles	6%	3%
200 - 250 miles	9%	

4. How far should you have to travel to a hearing site?
See 3 above.

5. Were the notices explaining how the appeal process worked and what was expected of you at the hearing, easy to read and understood?
Yes 67%
No 33%

6. Were the information and notices sent to you by the National Appeals Division helpful to you in preparing for the appeal hearing?
Yes 63%
No 37%

7. How would you rate the responsiveness of NAD's office personnel in answering questions regarding your appeal?
Outstanding 9%
Very helpful 34%
Not very helpful 18%
Poor 11%
No contact 28%

8. The National Appeals Division treated me with courtesy and respect.
Strongly agree 24%
Agree 46%
No opinion 12%
Disagree 9%
Strongly disagree 9%

9. I was given the opportunity to present my case and tell my side of the story at the appeal hearing.
Strongly agree 25%
Agree 49%
No opinion 9%
Disagree 8%
Strongly disagree 9%

10. Overall I would rate the National Appeals Division appeals process as fair and impartial.
Strongly agree 20%
Agree 38%
No opinion 17%
Disagree 12%
Strongly disagree 13%

11. At the conclusion of the approval process, I ultimately-:
Won my case 29%
Lost my case 71%

TRAINING BUDGET

Mr. Skeen: What circumstances require the increase of $589,000 in your training budget for fiscal year 2001?

Response: NAD hears appeals from several USDA agencies. Each agency administers a number of programs. NAD hearing officers must be familiar with these programs and must be educated in the new programs and program changes every

year. In addition, hearing officers' skills in research, analysis, decision making, critical thinking, and writing must be developed and reinforced.

NAD hearing officers are geographically dispersed; 74 hearing officers maintain 65 offices across the country. Whenever possible, NAD identifies training resources near the employee; for instance, all internet training courses were obtained from local vendors such as community colleges. There is little consistency in training content or presentation and many critical training opportunities are available only in a few locations.

In addition to individual training, NAD periodically conducts in-depth training on agency programs for all hearing and appeals officers. Tuition and travel costs have risen significantly in recent years and the outlook is for continued increases. For example, travel and lodging costs alone for NAD hearing and review officers to attend a one-week centralized training program can exceed $100,000. In an attempt to minimize costs, NAD sponsors a National training session only biennially, with slightly more economical regional sessions scheduled in alternate years.

The level of service NAD offers and the quality of NAD determinations are dependent on knowledgeable and informed hearing officers. Consistent training is essential to NAD's mission of assuring competent, fair hearings that recognize the rights of program participants and the legal requirements of USDA programs. Only a well trained cadre of competent, motivated professionals can achieve NAD's mission.

To reduce training costs, NAD has contracted with the USDA Graduate School's Amerischool in the development and implementation of Web-based, on-line training individually tailored to NAD's mission, needs, and staff competency. Once in place, this initiative is expected to yield consistent training from coast to coast, assuring the development and maintenance of similar knowledge by all employees. Ultimately, travel costs for training will be reduced. It will also provide NAD employees instant access to customized training without extended time away from the job, or nonproductive time in less effective instruction. The Amerischool project requires a significant up-front investment in content analysis, identification of critical learning needs based on job requirements, and curriculum development and testing. While on-line training promises considerable savings over time, some hardware resources must be upgraded to enable all employees access to this resource.

NAD requests $589,000 for fiscal year 2001 training. Five hundred thousand will be dedicated to partner with USDA Graduate School--AmeriSchool-to develop on-line training curriculum tailored to NAD job tasks and responsibilities that best utilizes available budget dollars and ensures that expenditures go for training and not for increasing travel and related expenses incidental to training events. This also addresses the March 1997, Evaluation Report No. 50801-2-AT USDA OIG report which found that current NAD training had not"...provided NAD's staff with information needed to reinforce their current hearing and review skills or to understand why and under what authorities agencies make decisions. As a result, hearing and review officers have made errors at the basic level and have inappropriately made decisions that are reserved by law or regulations to the agencies." Accordingly, $500,000 would be targeted to building a NAD-wide electronic infrastructure. On-line training would be developed and tailored to remedy today's concurrent challenges of timely and consistent program and decisional information, with state-of-the-art instructional technology which was not available and affordable in 1997. The remaining $89,000 would be spent on other staff training activities, to include that required for NAD employees other than hearing and appeals officers.

NAD DECISIONS

Mr. Skeen: According to published reports, NAD has reversed 86% of regional decisions that favored farmers. What is the rationale for reversing so many decisions?

Response: Each NAD appeal is adjudicated on its own merits. The basis for NAD determinations and its procedures are specified in Title 7 Code of Federal Regulations, Part 11. The NAD Director has no control over the numbers or merits of any case for which a review of a hearing officer's determination is timely requested by a party. By law, Title II, Subtitle H, of the Federal Crop Insurance Reform and Department of Agriculture Act of 1994, the Director upholds, reverses, modifies or remands hearing officer determinations on review.

If a hearing officer determines error in an agency's administrative decision, only the head of an agency may seek a review. In most cases, however, no error is found by hearing officers. In FY 99, for example, no agency error was determined by hearing officers in 75 percent of the cases appealed to NAD. If error is determined by a hearing officer, the head of the agency must state specific reasons why the hearing officer's decision is wrong, including violations of statutes and regulations. Under USDA regulations, the Director must base his decision on the laws and regulations of the agency and their generally applicable interpretations. Moreover, an appellant cannot challenge the validity of agency regulations because only a Federal court can determine that an agency regulation is invalid.

NAD has no jurisdiction over the appropriateness of agency regulations. Agencies promulgate their own regulations. Given agency expertise with respect to its own regulations, the head of an agency will select for review only those cases in which the hearing officer's determination is not consistent with the agency's laws and regulations. This results in a higher percentage of reversals of hearing officers' determinations in cases taken on review by the head of an agency. On the other hand, there is a far greater number of cases in which the hearing officer determines no agency error. In these cases, the hearing officer found that the Agency correctly applied its own regulations, and it is highly unlikely that the Director would determine on review that both the hearing officer and the agency misconstrued the latter's own requirements. Thus, there is a very low percentage of reversals of hearing officer's determinations in cases taken on review by appellants.

It is important to recognize that hearing officers are not administrative law judges, but the Director, by law, is appointed based on substantial experience in practicing administrative law. The law also places the burden on the appellant of proving the agency decision erroneous.

JUSTIFICATION FOR A REGIONAL STRUCTURE

Mr. Skeen: What is the justification for a regional structure if the director's office is going to reverse 86% of their decisions?

Response: The "regional structure" of hearing officers is established by law. In FY 1999, hearing officers issued 1,341 determinations; however, there were only 611 requests for Director review during the same period. The Director reversed the hearing officer decisions in 100 cases out of 568 review determinations issued in FY 1999; this is less than 20 percent of the cases reviewed. Hearing Officers issue the majority of NAD final determinations and their positions are justified by law and workload.

RELEVANCE OF THE 86 PERCENT AND THE 5 PERCENT

Mr. Skeen: The same report indicates that only 5% of decisions that favored the federal government were reversed. What is the relevance of the 86% and the 5%?

Response: The percentages have little meaning when considered in the context of the numbers and reasons for Director reviews,--refer to NAD's response to questions captioned under the heading "NAD Decisions"--since the Director has no control over the merits of cases he reviews.

NAD'S BIAS NOT A FACTOR IN APPEALS PROCESS

Mr. Skeen: Please tell the Committee what safeguards are in place to ensure that NAD bias is not a factor in the appeals process.

Response: The Director has issued specific guidance in a NAD Directive, which is provided for the record. Bias is not established by percentages of results, but in a failure to conform to the highest standards of integrity and objectivity in applying the law. NAD adheres to such standards.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

NATIONAL APPEALS DIVISION DIRECTIVE	No.: NAD–99–08
SUBJECT: Disqualification or Recusal from an Appeal	APPROVED: Norman D. Cooper DATE: MAR 19 1999

1 PURPOSE

The purpose of this directive is to clarify National Appeals Division (NAD) policy on disqualification or recusal from an appeal case. This policy is in addition to, and not in lieu of, any requirements regarding conflict of interest or bias imposed on United States Department of Agriculture (USDA) employees by Federal statutes (including civil rights laws), particularly 18 U.S.C. 201-209, the Standards of Ethical Conduct for Employees of the Executive Branch (5 CFR 2635), and USDA policies and regulations applicable to employee conduct.

2 AUTHORITY

7 U.S.C. 6992, 7 CFR part 11.

3 BACKGROUND

The mission of NAD is to conduct impartial administrative appeal hearings and reviews. The proper adjudication of NAD appeal cases requires an unbiased adjudicating official with no personal interest in the outcome of the case, i.e., a neutral decision maker. The question of impartiality in NAD cases usually takes on one of two forms: bias and conflict of interest. For the purpose of this directive the term "Adjudicating Official" refers to Hearing Officers, Appeals Officers, the Deputy Director for Hearings and Administration, the Deputy Director for Planning, Training and Quality Control and the Director, NAD.

4 POLICY

a Conflict of interest

A conflict of interest in an appeal can arise in several instances. Examples include, but are not limited to, cases where the Adjudicating Official has a close or familial relationship with a party to the appeal, a financial interest in the outcome of the appeal, or any other circumstance where a gain or loss to the Adjudicating Official flows directly from the appeal determination and interferes with the ability to make an impartial determination.

DISPOSAL DATE:	DISTRIBUTION:
When updated or superseded	ALL NAD Employees

As a matter of practice, the Adjudicating Official should be attentive to any conflict of interest or the appearance thereof in every case assigned. When such instances occur, Hearing Officers should notify the Assistant Director for the region that they must be recused from the appeal case. Appeals Officers will likewise notify the Supervisory Appeals Officer. When allegations of a conflict of interest are leveled at the Adjudicating Official by either party to the appeal, the Adjudicating Official will notify his/her supervisor, as appropriate and will either recuse himself/herself based on his/her own assessment of the validity of the allegations, or make note in the appeal record that the allegations are without merit. Should the Director recuse himself/herself on an appeal, the Director will assign the case to another Adjudicating Official.

b Bias

The concept of bias is more subtle than conflict of interest and more complex to deal with in that it rarely arises as a result of self-assessment by the Adjudicating Official, but usually surfaces as an allegation by a party to the appeal. In NAD appeals, bias is usually alleged as :1) a prejudgment based on prior rulings (either with the same parties or in a similar case) or attitude toward an issue, or 2) a personal bias (attitude toward a person) expressed as partiality, animosity or favoritism. Prior rulings on the same or similar case, a point of view or prejudgement about regulations, policy or law are rarely grounds for disqualification or recusal. However, personal bias, can be, if proven or admitted. The ethical responsibilities of the Adjudicating Official require recusal if personal bias will affect impartiality. When allegations of bias are made by a party to an appeal, the Adjudicating Official will either recuse himself/herself, if appropriate, or make note in the appeal record that the allegations were made but have no merit.

5 RESPONSIBILITIES OF SUPERVISORY PERSONNEL

Assistant Directors for the regions, and the Supervisory Appeals Officer should exercise good judgment in assigning or reassigning cases where there is the appearance of a conflict of interest or bias.

-END-

[The justifications of the budget request for the National Appeals Division follow:]

2001 Congressional Explanatory Notes

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

Purpose Statement

The National Appeals Division (NAD) was established by the Secretary of Agriculture on October 20, 1994, by Secretary's Memorandum 1010-1, pursuant to the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law No. 103-354. The Act consolidated the appellate functions and staffs of several USDA agencies to provide for independent hearings and reviews of adverse agency decisions.

NAD has a single mission to conduct evidentiary administrative appeal hearings and reviews arising from program operations of assigned agencies -- the Rural Development mission area, Farm Service Agency, Risk Management Agency, and the Natural Resources Conservation Service.

Headquarters for NAD is located in Alexandria, Virginia. NAD administers its appeals system through three regional offices located in Memphis, Tennessee; Indianapolis, Indiana; and Lakewood, Colorado. The hearing officers are located in 69 field locations throughout the United States, and operate out of leased office space or home offices. As of September 30, 1999, there were 128 full-time employees and two other than full-time employee. These employees were assigned as follows:

Location	Full-time Permanent	Other
Washington, D.C.	29	--
Field Units	99	2
Total	128	2

The National Appeals Division did not have any Office of the Inspector General or General Accounting Office evaluation reports during the past year.

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

Available Funds and Staff Years

1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation.....	$11,718,000	127	$11,707,000	133	$12,610,000	133

Permanent Positions by Grade and Staff Year Summary

1999 Actual and Estimated 2000 and 2001

Grade	1999			2000			2001		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
SL	1	--	1	1	--	1	1	--	1
GS-15	2	--	2	2	--	2	2	--	2
GS-14	6	3	9	6	3	9	6	3	9
GS-13	11	83	94	11	83	94	11	83	94
GS-12	2	--	2	2	--	2	2	--	2
GS-11	2	--	2	2	--	2	2	--	2
GS-10	1	--	1	1	--	1	1	--	1
GS-9	2	3	5	2	3	5	2	3	5
GS-8	2	3	5	2	3	5	2	3	5
GS-7	1	--	1	1	--	1	1	--	1
GS-6	--	4	4	--	4	4	--	4	4
GS-5	1	4	5	1	4	5	1	4	5
GS-4	--	2	2	--	2	2	--	2	2
Total Permanent Positions	31	102	133	31	102	133	31	102	133
Unfilled Positions end-of-year	-2	-3	-5	--	--	--	--	--	--
Total, Permanent Full -Time Employment, end-of-year	29	99	128	32	102	133	31	102	133
Staff Year Ceiling	31	96	127	32	102	133	31	102	133

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

CLASSIFICATION BY OBJECTS

1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$1,911,699	$1,992,000	$2,070,000
Field	5,933,258	6,186,000	6,361,000
11 Total personnel compensation	7,844,957	8,178,000	8,431,000
12 Personnel benefits	1,501,085	1,557,000	1,607,000
Total pers. comp. & benefits	9,346,042	9,735,000	10,038,000
Other Objects:			
21 Travel	328,166	329,000	329,000
22 Transportation of things	66,200	60,000	60,000
23.2 Rental payments to others	77,821	80,000	80,000
23.3 Communications, utilities, and misc. charges	370,721	382,000	382,000
24 Printing and reproduction	1,387	4,000	4,000
25.1 Advisory and assistance services	108,854	113,000	113,000
25.2 Other services	234,192	124,000	713,000
25.3 Purchases of goods and services from Government Accounts	821,858	795,000	806,000
26 Supplies and materials	129,021	70,000	70,000
31 Equipment	136,176	15,000	15,000
Total other objects	2,274,396	1,972,000	2,572,000
Total direct obligations	11,620,438	11,707,000	12,610,000
Position Data:			
Average Salary, ES positions	–	–	–
Average Salary, GS positions	$61,262	$62,968	$63,417
Average Grade, GS positions	12.20	11.99	11.99

NATIONAL APPEALS DIVISION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses of the National Appeals Division, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $25,000 is for employment under 5 U.S.C. 3109, [$11,718,000] $12,610,000.

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

Appropriations Act, 2000	$11,718,000
Budget Estimate, 2001	12,610,000
Increase in Appropriation	+892,000

Adjustments in 2000:		
Appropriations Act, 2000	$11,718,000	
Rescission under P.L. 106-113 a/	-11,000	
Adjusted Base for 2000		11,707,000
Budget Estimate, 2001		12,610,000
Increase in Appropriation		+903,000

a/ The amount is rescinded pursuant to Section 301 of the Emergency Supplemental Appropriations part of the Omnibus Appropriations Act, FY 2000 (P.L. 106-113) enacted November 29, 1999.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2000 Estimated	Pay Costs	Program Change	2001 Estimated
National Appeals Division	$11,707,000	+$314,000	+$589,000	$12,610,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1999 Actual		2000 Estimated			2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
National Appeals Division	$11,620,438	127	$11,707,000	133	+$903,000	$12,610,000	133
Unobligated Balance	97,562	–	–	–	–	–	–
Total Available Or Estimate	11,718,000	127	11,707,000	133	+903,000(1)	12,610,000	133
2000 Rescission	–	–	+11,000	–			
Total, Appropriation	11,718,000	127	11,718,000	133			

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $903,000 for the National Appeals Division ($11,707,000 available in 2000) consisting of:

(a) An increase of $589,000 for training.

This initiative is related to Goal 1 to conduct timely hearings and issue timely and well reasoned determinations which correctly interpret applicable regulations. The operating environment for NAD is complex because of the wide range of USDA programs which result in administrative appeals to NAD. Consequently, NAD employees must possess a broad, *in*-depth knowledge of many areas, especially adjudication procedures and USDA regulations and policies. Hearing and Review Officers must be trained in fact-finding skills, and possess a thorough knowledge of hearing procedures to ensure impartial and accurate determinations. Appellants and agencies are best served when hearing and appeal officers are professional and competent with respect to the law, regulations, and administrative proceedings. Sustaining consistent, quality training is critical to accomplishing NAD's mission and the performance objectives set forth in the annual performance plan. Continuous training and skill development is essential to providing the public a competent and fair administrative appeals system which recognizes the rights of program participants, and promotes the lawful operation of USDA programs. This will result in determinations which will stand up to judicial review in the federal courts.

(b) An increase of $314,000 for pay costs.

This increase is needed to maintain the current level of staffing to ensure NAD provides for independent hearings and reviews of adverse agency decisions. NAD was created in 1994 as a result of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, and was funded in fiscal year 1996 with an initial appropriation of $11,846,000. In fiscal year 1997, NAD's appropriation was decreased $128,000 to its current level of $11,718,000. NAD is adversely impacted in its ability to execute its mission by the continued absorption of pay costs. Since fiscal year 1996, NAD has absorbed approximately $1,454,000 in pay costs. To help offset these costs, NAD offered four buyouts in fiscal year 1997, and has reduced costs through attrition and other cost reduction initiatives. Additional pay cost absorption will affect the quality of service delivery to the public.

NATIONAL APPEALS DIVISION

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS

1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$258,871	3	$261,508	3	$282,629	3
Arizona	77,236	1	79,873	1	91,788	1
Arkansas	254,270	3	256,907	3	277,795	3
California	95,509	1	98,146	1	110,987	1
Colorado	749,981	11	752,618	11	798,632	11
Connecticut	87,088	1	89,725	1	102,139	1
Delaware	56,906	1	59,543	1	70,427	1
Florida	271,093	3	273,730	3	295,471	3
Georgia	254,495	3	257,132	3	278,031	3
Idaho	92,184	1	94,821	1	107,493	1
Illinois	86,672	1	89,309	1	101,702	1
Indiana	683,775	10	686,412	10	729,070	10
Iowa	183,267	2	185,904	2	203,193	2
Kentucky	158,570	2	161,207	2	177,244	2
Louisiana	267,914	3	270,551	3	292,131	3
Massachusetts	94,846	1	97,483	1	110,290	1
Michigan	140,919	2	143,556	2	158,699	2
Minnesota	253,596	3	256,233	3	277,087	3
Mississippi	352,697	4	355,334	4	381,211	4
Missouri	246,215	3	248,852	3	269,332	3
Nebraska	179,003	2	181,640	2	198,713	2
New York	–	1	–	1	–	1
North Carolina	431,551	5	434,188	5	464,962	5
North Dakota	359,094	4	361,731	4	388,932	4
Ohio	175,527	2	178,164	2	195,061	2
Oklahoma	172,263	2	174,900	2	191,631	2
Pennsylvania	175,291	2	177,928	2	195,513	2
South Carolina	109,955	1	112,592	1	127,165	1
South Dakota	86,768	1	89,405	1	101,803	1
Tennessee	851,881	11	854,518	11	906,697	11
Texas	421,919	5	424,556	5	454,942	5
Vermont	60,806	1	63,443	1	191,866	1
Virginia	172,486	2	175,123	2	74,525	2
Washington	88,060	1	90,697	1	103,140	1
West Virginia	61,254	1	63,891	1	74,996	1
Wisconsin	85,225	1	87,862	1	100,170	1
National Office	3,523,251	26	3,517,518	32	3,724,533	32
Subtotal, Available or Estimate	11,620,438	127	11,707,000	133	12,610,000	133
Unobligated balance	97,562					
Total, Available or Estimate	11,718,000	127	11,707,000	133	12,610,000	133

EXECUTIVE OPERATIONS

NATIONAL APPEALS DIVISION

STATUS OF PROGRAM

The National Appeals Division (NAD) is responsible for conducting fair and impartial administrative appeals of adverse decisions issued by certain agencies within the Department of Agriculture.

Goal 1: Conduct timely hearings and issue timely and well reasoned determinations which correctly interpret applicable regulations.

Current Activities:

Appealability Determinations - When an Agency determines that an administrative decision is not appealable, a participant may request the Director review the determination. The Director's decision is administratively final.

Pre-Hearing Conferences - NAD holds pre-hearing teleconferences that have proven effective in: 1) defining/narrowing the issues; 2) ensuring the parties understand their role in the hearing process; 3) facilitating hearings that are impartial and objective; and 4) facilitating the settlement of disputes. While benefitting the process, these conferences significantly increased the workload associated with each hearing.

Hearings and Reviews - NAD hearing officers conduct administrative hearings on appeals of adverse program decisions made by the Rural Development mission area, Farm Service Agency, Natural Resources Conservation Service, Risk Management Agency and other programs as may be assigned by the Secretary of Agriculture. Appellants have the right to an evidentiary hearing in their State of residence. After the hearing officer's determination is issued, the appellant and the affected agency may request a Director Review. Under limited circumstances, the Director may reconsider a Director Review Determination. NAD hearing officer determinations and Director Review Determinations are subject to judicial review.

Selected Examples of Recent Progress:

- NAD's Final Rules of Procedure regarding the Code of Federal Regulations were published in June 1999.
- Internet access was provided to NAD staff for researching statutes and regulations in conjunction with the processing of appeals.
- USDA Graduate school signed an agreement for NAD employees to develop on-line training.
- New file servers and software upgrades were installed in headquarters and regional offices.
- Existing office leases were certified as Y2K compliant.
- Developed the NAD Website.
- Completed the Y2K Business Continuity Plan (BCP) testing. The BCP is to provide guidance and actions to managers and staff regarding action to be taken in the event of disruptions to normal business operations.
- Completed NAD's initial quality control customer survey regarding NAD's appeals process.

[The prepared statement and biography of Paul W. Fiddick, Assistant Secretary for Administration follow:]

DEPARTMENTAL ADMINISTRATION

Statement of Paul W. Fiddick, Assistant Secretary for Administration
Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Mr. Chairman and members of the Subcommittee, I want to thank you for the opportunity to submit this statement supporting the President's budget proposal for FY 2001 for USDA Departmental Administration. We appreciate the support provided by this Subcommittee in recent years that has allowed us to continue critical operations and the additional funding to improve our civil rights effort.

As you are aware, Departmental Administration takes in a wide range of activities and responsibilities. Our mission is to provide leadership in administrative areas and to provide those services that make the programs of the Department work better. Today, I want to report to you on some of our activities over the last year and indicate some of the administrative challenges facing the Department.

CIVIL RIGHTS

The Office of Civil Rights provides overall leadership and direction to USDA agencies and employees to ensure compliance with and enforcement of prohibitions against discrimination in employment and program delivery. In addition, the National Office of Outreach maintains programs to ensure accessability to USDA programs to all qualified participants, the Office of Small and

Disadvantaged Business Utilization works to foster participation of small rural businesses in USDA program and administrative purchasing activities, and the Conflict Prevention and Resolution Center provides Departmentwide leadership and coordination in preventing and resolving conflicts through the use of appropriate dispute resolution techniques. Major civil rights activities include policy development, analysis and evaluation of Department programs and activities to assure fairness and accessability, education and technical assistance, and resolution of employment and program discrimination complaints. These activities are undertaken to ensure and enforce compliance with civil rights laws, rules, and regulations and to ensure that all USDA customers and employees are treated fairly and with dignity and respect. Where necessary, the Office of Civil Rights mandates corrective action to make sure these standards are maintained.

In 1999, the Department entered into a consent decree to settle a lawsuit Pigford vs. Glickman filed by African-American farmers alleging race discrimination in USDA program delivery.

Over 20,000 claims have been filed, and over $70 million in settlements have been paid. As a result of the consent decree, we have resolved most of the backlog of these program complaints. Of the 1,088 program cases in the backlog on January 1, 1997, all but 2 cases have been resolved or referred at the complainants request to the class complaint. USDA will continue to provide the information and support needed to process these claims as quickly as possible. In addition, new ways of decreasing the level of program complaints are being used. Early intervention, mediation, and alternative dispute resolution methods are being implemented to prevent or reduce future discrimination complaints.

OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

For FY 2001, we are requesting a program level of $10,000,000 for grants and contracts to community-based organizations and certain educational institutions to provide outreach and technical assistance to socially disadvantaged farmers. This is an increase of $1,800,000 over the program level for this year--$3,000,000 from the direct appropriation and $5,200,000 from the Fund For Rural America. The current $8,200,000 program supports 27 community-based organizations and land-grant colleges that have provided technical assistance and training to approximately 8,700 participants, primarily low-income farmers and ranchers, with a service area of 394 counties in 21 States. Our outreach efforts included town-hall meetings, workshops, and farmer field day activities that have reached more than 107,000 people. Where the program is available, it has been successful in reducing the rate of land loss among small, limited-resource farmers. The budget increase will allow additional projects to provide technical assistance and training that will help reverse the decline in the number of minority farmers and ranchers. This level would also fulfill the Civil Rights Action Team Report recommendation to fully fund this program.

SMALL AND DISADVANTAGED BUSINESS UTILIZATION

During FY 1999, the Office of Small and Disadvantaged Business Utilization initiated activities to improve the competitiveness of small food manufacturing businesses located in rural America. They began the development of a comprehensive set of educational and training materials through the University of Nebraska's Food Marketing Institute to help potential small food manufacturers understand the steps necessary to sell food commodities to USDA. During FY 2000, the test curriculum will be completed.

SMALL BUSINESS EDUCATION AND DEVELOPMENT PILOT PROGRAM

For FY 2001, we are requesting $500,000 and 1 FTE for the Office of Small and Disadvantaged Business Utilization to conduct a pilot in the Small Business Education and Development Program. The Pilot is designed to: promote and demonstrate strategies such as e-commerce for enhancing the growth and stability of small rural businesses, identify new markets for value-added agricultural products of small, limited-resource farmers, and deliver educational and technical resources to sustain the growth and development of small rural businesses. The Pilot will test strategies used to increase returns to these businesses via new crops, new markets including international markets, e-commerce, and value-added processing for aggregate producer groups. The pilot will include selected producers in two different agricultural regions and will be implemented through partnerships with the Cooperative Extension Service and other USDA sponsored programs.

CONFLICT PREVENTION AND RESOLUTION

The Conflict Prevention and Resolution Center, established in 1998, has been leading the Department's conflict prevention and resolution activities, focusing especially on the use of Alternative Dispute Resolution--ADR--for workplace and program disputes. In FY 1999 and 2000, this office has provided agencies with guidance and assistance that has led to the development of new ADR programs and expansion and improvement of others. In FY 2000, a new policy will expand the use of ADR within the EEO complaint and grievance processes, and into program and contract disputes. A conflict resolution web site was developed in FY 1999, and a training video explaining mediation will soon be available to all USDA employees. To help employees manage conflict better, the Center is developing a model conflict management training package, and in FY

2001, it will lead an aggressive effort to promote training of employees and managers. Also in FY 2001, the Center will be promoting the use of ADR in program and contract disputes and will have an increased role in providing services for the use of ADR within the EEO complaint process.

ALTERNATIVE DISPUTE RESOLUTION

In FY 2001, the President's Budget requests an additional $1,000,000 and 10 FTE to further promote effective conflict prevention and resolution activities. This increase will ensure that the Department has adequate funds for training and education, travel, ADR neutrals, and tracking functions necessary to carry out its increased activities relating to the prevention and effective management of conflict. Principal ADR functions that will be carried out include further development and refinement of ADR programs that address workplace conflict prior to the filing of EEO complaints or grievances; comprehensive roll-out of the Department's program fulfilling the EEOC's ADR requirements in both the informal and formal complaint stages of the EEO complaint process; program reviews of ADR programs that have been operating three years or more; expansion of ADR programs into conflicts with customers and other non-USDA entities; maintenance and expansion of a USDA roster of ADR neutrals; and development and enhancement of an ADR tracking system. Additionally, training in ADR awareness and conflict resolution for USDA employees will be a significant component of the fiscal year 2001 program.

EMERGENCY PLANNING AND PREPAREDNESS

In October 1998, the President directed each Federal Department to develop contingency plans to ensure the continuity of operations during a full range of potential emergencies, including

the potential for terrorist use of weapons of mass destruction. Departmental Administration was assigned the lead responsibility for the development of the USDA Headquarters Continuity of Operations Plan--COOP--which was developed with the assistance of a task force made up of representatives of each of the USDA mission areas and agencies. It covers the essential functions of USDA agencies located in 18 buildings in the National Capital Region and includes provisions for lines of succession; emergency delegations of authority--where permissible and in accordance with law; the safekeeping of vital resources, facilities, and records; emergency acquisition of resources to reestablish essential functions; and the identification of emergency relocation sites. Two exercises were conducted in the late summer and early fall to test and fine-tune the COOP Plan. However, much work remains to be done.

Included in the FY 2001 Budget is an increase of $3,050,000 and 5 FTE to ensure an adequate emergency preparedness posture at Headquarters and to begin to develop COOP Plans for critical USDA facilities and programs Nationwide. The funds will be used to acquire experienced staff; to develop emergency relocation sites; to ensure we have suitable training and security for classified materials; and to develop an ongoing program of emergency exercises to ensure that essential functions can be performed during a wide range of potential emergencies.

FEDERAL EXCESS PROPERTY PROGRAM

Section 923 of the Federal Agriculture Improvement and Reform Act of 1996, gives the Secretary of Agriculture the authority to transfer title of excess Federal personal property to any of the 1890 colleges and universities, Tribal colleges and universities, and Hispanic-serving institutions.

In FY 1999, we published in the Federal Register "Uniform Procedures for the Acquisition and Transfer of Excess Personal Property." The provisions of this policy allow the Department to furnish Federal excess personal property to the eligible institutions in support of agricultural research, education, and extension activities or for related programs. In FY 2000, we will publish and distribute a handbook to the eligible institutions to give them a better understanding of the program and conduct assistance reviews to ensure that the program works well.

BIOBASED PRODUCTS AND BIOENERGY

Last year, the President signed an Executive Order on developing and promoting biobased and bioenergy products, and set the challenge to triple the Nation's use of biobased and bioenergy products by the year 2010. In support of this commitment to promote and expand the use of bioenergy and biobased products, Secretary Glickman announced last August his commitment to buying 20,000 gallons of biodiesel for use in USDA vehicles and equipment. We have initiated an aggressive program to promote the use and benefits of biofuels. Two USDA sites, the Agricultural Research Center in Beltsville, Maryland and the Black Hills National Forest, in South Dakota, became the first locations to use B20 biodiesel in their vehicles. In FY 2000, we will use lessons learned at these two demonstration sites to expand the use of biodiesel in the USDA fleet.

In FY 2001, an increase of $330,000 and 1 FTE is requested to maintain the Biobased Products List and to fund demonstrations and case studies of biodiesel and other biobased products used by USDA. Successful implementation of the initiative will create new market demand for farm and forest commodities to bring new jobs to rural America, strengthen the rural economy, and reduce greenhouse gas emissions.

USDA RECYCLING

USDA initiated a new USDA-wide recycling program in FY 1999 to recycle ink jet cartridges. To implement this initiative, we are partnering with NISH -- formerly known as the National Institute for the Severely Handicapped -- to provide jobs for persons with disabilities. Postage paid mailing envelopes are provided to USDA employees to send used ink jet printer cartridges to NISH. These provide the start up inventory for persons with disabilities to sort, clean, refill, package and then sell the recycled cartridges. In FY 2000, we plan to expand the program to Forest Service Visitor Centers where the mailers will also be available to visitors. This initiative meets a dual purpose of recycling our waste and providing jobs for persons with disabilities. In addition to the ink jet printer cartridges, USDA recycles aluminum cans, paper, and newspapers, etc.

HUMAN RESOURCES MANAGEMENT

The Office of Human Resources Management provides Departmentwide leadership and oversight of human resources management programs of the Department. Within USDA, between 55 and 60 percent of managers and senior executives are eligible for retirement within the next 5 years. We are identifying the workforce needs of the future and putting in place planning and programs to assure that agriculture programs will have the staff to continue to operate effectively. We are also taking aggressive action to ensure non-discriminatory employment practices.

Increasingly, we are looking toward automated and web-based systems to provide personnel services and analysis over a widely dispersed USDA workforce. Specific areas under study for investment are personnel actions processing, staffing analysis, position classification, and time and

attendance reporting. The budget request includes an increase of $350,000 and 3 FTE to support the development, testing and implementation of the new human resource systems.

WELFARE TO WORK

The Office of Human Resource Management has coordinated the Department's implementation of the President's Welfare to Work Initiative. As of February 2000, USDA has hired 630 employees from the welfare rolls greatly surpassing our goal of hiring 275 welfare recipients by the year 2000.

AGRICULTURE BUILDINGS AND FACILITIES AND RENTAL PAYMENTS

The FY 2001 Budget requests $182,747,000 for Agriculture Buildings and Facilities and Rental Payments. This amount includes increases of $10,000,000 for rental payments to GSA; $6,404,000 for Building Operations and Maintenance including $5,230,000 for security services; $500,000 to support two staff years needed to carry out mandated safety, environmental, security, and Continuity of Operations projects; and $26,000,000 is included for Phase II of the South Building Modernization project.

USDA STRATEGIC SPACE PLAN

As a part of our effort to reduce costs associated with housing our Washington area employees, USDA is implementing a long term plan to consolidate USDA Headquarters into two Government-owned locations which will provide modern and safe facilities as well as enhance program operations. The Plan includes the new USDA office facility at the George Washington

Carver Center in Prince George's County, Maryland and the renovation of the South Building in downtown Washington, D.C. Construction of the Carver Center is complete and the facility was substantially occupied at the end of FY 1999.

The South Building is more than 60 years old, eligible for listing on the National Register of Historic Places. The building is in dire need of repair and renovation to make it safe, efficient, and functional. The required renovation work includes fire protection systems; abatement of hazardous materials such as asbestos, PCB light fixtures, and removal of lead paint; replacement of old, inefficient heating, ventilation and air conditioning systems for improved energy conservation and air quality; upgrade of electrical and plumbing systems; improved accommodations for disabled persons; and accommodation of modern office telecommunications systems. Construction of Phase I -- interior reconstruction of Wing 3 -- began in September 1998 and we anticipate completing and occupying this renovated space by July 2000. FY 2001 funds are requested for the construction of Phase 2 -- interior reconstruction of Wing 4. The design for Phase 2 has been completed so that a construction contract can be awarded as soon as funds become available.

HAZARDOUS MATERIALS MANAGEMENT

The Department requests $30,073,000 for the Hazardous Materials Management Program, an increase of $14,373,000 over the FY 2000 level. This amount is needed to meet USDA minimum compliance responsibilities under the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, and related State and local laws and regulations on Federal and non-Federal lands and facilities as well as to meet the USDA goal of completion of all cleanup actions by the year 2045.

We must cleanup and restore lands and facilities currently and formerly under USDA jurisdiction, custody, and control, and ensure responsible management in the use, storage, and disposal of hazardous materials and waste. USDA has cleaned up over 2,200 sites resulting from USDA activities or activities attributed to non-USDA parties. USDA's pro-active approach and its favorable results are dependent upon the availability of adequate funding to perform assessment work and to seek out and negotiate cleanup arguments with responsible parties. Over 2,000 sites remain to be completed with many being of the most costly and complicated type of cleanup actions to perform. Cleanup costs at some sites may exceed $100 million and USDA's current cost estimate to complete all work exceeds $2 billion.

The consequence of slow progress resulting from under funding is that at each of these sites, the Department may be subject to environmental enforcement actions by Federal and State regulators and lawsuits by private parties. Fines and penalties could exceed $25,000 per day and lawsuits could cost, in some cases, more than the funding needed to perform a timely cleanup action. The regulators and private parties will pursue USDA and its agencies even if the pollution was caused by a non-USDA party.

CONCLUSION

Mr. Chairman and members of the Subcommittee, this concludes my statement on the Departmental Administration budget for FY 2001. I want to reiterate our appreciation for the strong support which this Subcommittee has given us.

USDA Biographical Sketch

Paul W. Fiddick
Assistant Secretary for Administration



Paul W. Fiddick was sworn in as Assistant Secretary for Administration at the U.S. Department of Agriculture on November 16, 1999.

As Assistant Secretary for Administration, Fiddick oversees the policy and coordination of USDA's administrative activities, including human resources, ethics, procurement, small and disadvantaged business utilization, property management, headquarters operations, judicial and administrative law reviews, contract appeals, and outreach to populations under-served by USDA programs.

Fiddick has 28 years professional experience in the communications and technology industries, including 16 years as division president for two diversified public companies. He started and built a 450-employee, $23 million cash flow, $340 million asset value broadcasting enterprise; served as a business consultant to internet firms; and taught at the university level.

Prior to coming to USDA, Fiddick was the co-founder and president of the Heritage Media Corporation radio group, and vice chairman and acting president of RadioWave.com. He served on the boards of the National Association of Broadcasters and the Radio Advertising Bureau.

A resident of Dallas, Texas, and a native of Cameron, Mo., Fiddick received a bachelor of journalism degree with honors from the University of Missouri.

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[Questions submitted for the record for Departmental Administration activities follow:]

Departmental Administration

COST OF SETTLEMENTS

Mr. Skeen: What are the latest figures on the cost of reparation or settlements for past program discrimination?

Response: Under the class action law suit--Pigford v. Glickman,--nearly 3,600 black farmers have each received a $50 thousand payment for a total of $180 million. There have also been other payments of nearly $3 million and loans written-off totaling nearly $3.2 million in 1999.

FORECLOSURES

Mr. Skeen: Are foreclosures still suspended? How many foreclosures are currently pending, what states are they located in, and how much do the loans total?

Response: No further foreclosure action will be taken against any individuals until their respective program discrimination case has been closed.

OPENING OF SERVICE CENTERS ON INDIAN TRIBAL LANDS

Mr. Skeen: Did you open any additional full-time Service Centers needed on Indian Tribal lands? How many Centers are there now?

Response: USDA's Native American Working Group--NAWG--worked with the National Food and Agriculture Council and in consultation with tribal governments to make recommendations regarding the establishment of Service Centers at tribal headquarters and tribal lands. This work is necessary to ensure effective delivery of USDA programs and services to American Indian and Alaska Native Tribes and their members. There are 71 USDA Service Centers at tribal headquarters or elsewhere on tribal lands. The NAWG recommended that USDA establish 41 additional Service Centers at tribal headquarters, or elsewhere on tribal lands. The Department is reviewing this recommendation at the present time.

In addition, the Service Center initiative developed Mobile Outreach tools to allow the service center to travel to the under-served community. We purchased and outfitted two prototype Mobile Service Centers. Each contains an office, computer work stations, training space, and a reception area. We also procured prototype video network conferencing equipment to increase USDA presence in underserved communities.

ON-SITE REVIEWS

Mr. Skeen: Did you conduct any on-site reviews or complaint investigations regarding civil rights in fiscal year 1999? If so, please describe them.

Response: During fiscal year 1999, 27 on-site investigations were conducted in response to allegations of program employee discrimination. An on-site

investigation involves on-site visits, interviews with involved parties, taking of sworn statements, and collection of relevant documents and statistics. A draft report of investigations is prepared and submitted after the on-site visit. The report is then reviewed for quality control and legal sufficiency. When a report of investigation is accepted, the complaint moves to the decision stage.

NUMBER OF COMPLAINTS

Mr. Skeen: Please update the table provided to the Committee last year showing the number of complaints of program discrimination you received, and the number resolved to include fiscal year 1999 actuals.

Response: During fiscal year 1999, USDA received 793 program discrimination complaints and closed 603 program discrimination complaints. The following table shows the history of program discrimination complaints since fiscal year 1982. Data on resolution of complaints in the years 1982-1986 is not available.
[The information follows:]

History of Program Discrimination Complaints

Fiscal Year	Complaints Received	Complaints Resolved
1982	373	N/A
1983	398	N/A
1984	479	N/A
1985	460	N/A
1986	518	N/A
1987	576	533
1988	578	537
1989	645	602
1990	651	681
1991	721	622
1992	794	791
1993	824	688
1994	853	638
1995	924	818
1996	196	118
1997	532	126
1998	671	491
1999	793	603

EQUAL EMPLOYMENT OPPORTUNITY COMPLAINTS

Mr. Skeen: Please list the number of open Equal Employment Opportunity Complaints existing at the end of the four previous fiscal years and for the current year to date.

Response: The number of formal Equal Employment Opportunity Complaints existing at the end of the last four fiscal years was as follows:
[The information follows:]

FY 1996	1,391
FY 1997	1,494
FY 1998	1,546
FY 1999	1,679

As of March 2, 2000, USDA had 1,646 open formal Equal Employment Opportunity Complaints. This included 201 complaints which were on appeal with the Equal Employment Opportunity Commission, 23 that had been remanded, and 32 for which the USDA was determining compensatory damages and attorney's fees.

PROCESSING COMPLAINTS

Mr. Skeen: What are the current processing times for discrimination complaints? Has processing time been reduced?

Response: The USDA Inspector General--IG--recently evaluated the processing time for civil rights complaints. He reported that the average number of days to process accepted Equal Employment Opportunity complaint cases in fiscal year 1997 was 445 days. By fiscal year 1998, that figure was reduced to 312 days and by fiscal year 1999, the average was reduced to 222 days. With regard to program complaint processing, the IG reported that the fiscal year 1997 average processing time for accepted cases was 524 days. This figure was reduced to 293 days in fiscal year 1998 and reduced again to 174 days in fiscal year 1999. The IG also reported on the average age of open program cases which also showed a marked decline during the same period. We believe this is significant progress given that the Office of Civil Rights was constituted as an independent organization only in 1997.

FUNDING NEW FIELD SERVICE CENTERS

Mr. Skeen: How much does USDA plan to spend in fiscal years 2000 and 2001 to implement the new Field Service Centers, and what will be acquired with these investments?

Response: When the FY 2001 Budget was prepared, USDA estimated it would spend $75,000,000 in fiscal year 2000 and $137,400,000 in fiscal year 2001 for the Modernization Initiative. The agencies are determining if their contribution to this project can be funded at this estimated level in fiscal year 2000. These funds will provide for the continuation of business process reengineering

activities and information technology investments in the common computing environment and base data acquisition.

LAN/WAN/VOICE INSTALLATION

Mr. Skeen: When will you complete the LAN/WAN/VOICE installation?

Response: The project is largely completed at the field and operational level. We continue to complete installations as states continue to certify sites as local leasing and collocation issues are resolved. Due to rapid changes in technology, we will need to continually upgrade our LAN/WAN/Voice installations as we move to collocate State agencies, new telecommunications services may be required.

SERVICE CENTER MODERNIZATION

Mr. Skeen: How much of this amount does USDA plan to fund using CCC money in fiscal year 2000 and 2001?

Response: CCC contributions to the initiative are limited by cap limitations. At this time, we cannot determine how much of the Farm Service Agency estimated contributions for fiscal years 2000 and 2001 will be funding using CCC funds.

USDA STREAMLINING

Mr. Skeen: Please update the Committee on the status of USDA streamlining.

Response: From 1993 to 1999 the Department has reduced staffing over 17 percent. A key objective of this Administration is to re-engineer the Department in such a way that it is leaner and more efficient while improving the level of service provided to the public. This streamlining effort began with the reorganization in 1993. In terms of structure, there are 31 agencies and staff offices compared to 45 in 1993. State offices have been consolidated in 25 States. Over 1,000 local offices in the county-based agencies have been closed or co-located to create one-stop Service Centers, and over 250 offices and facilities have been closed in other agencies.

USDA/1890 NATIONAL SCHOLARS PROGRAM

Mr. Skeen: Please update the information provided to the Committee last year on the USDA/1890 National Scholars Program including the number of students in the program and the costs of operation in fiscal years 1999 and 2000.

[The information follows:]

USDA 1890s Scholars Program
FY 1999 Actual

Agency	Number of Scholars	Salaries/ Benefits	Tuition	Books	Computers	Summer Lodging	Travel	Total
OCIO	2	$7,749	$4,000	$500	0	$1,900	$550	$14,699
DA	3	7,569	27,186	$3,400	0	$3,500	3,400	45,055
ARS	14	74,086	311,874 *		0	0	0	385,960
CSREES	5	32,307	31,186	2,908	$1,488	0	210	68,099
ERS	4	12,000	23,200	3,550	3,000	0	0	41,750
NASS	4	34,134	19,494	3,395	4,100	0	2,408	63,531
APHIS	10	25,577	61,792	10,300	0	4,965	3,120	105,754
AMS	4	9,000	8,200	2,000	0	3,000	500	22,700
GIPSA	4	11,313	10,796 *		3,200	900	800	27,009
FSIS	5	13,900	38,935	0	0	2,042	1,847	56,724
FAS	2	3,478	2,688 *		0	2,998	464	9,628
FSA	13	53,230	54,105	9,784	0	3,600	7,120	127,839
RMA	1	5,821	2,886	600	0	0	992	10,299
RD	12	24,835	39,201	0	0	5,640	0	69,676
NRCS	11	81,000	72,500 *		0	0	0	153,500
FNS	6	35,264	22,047 *		0	20,573	5,840	83,724
FS	24	68,000	171,000	24,000	18,000	0	12,000	293,000
Subtotal	124	499,263	901,090	60,437	29,788	49,118	39,251	1,578,947

*Books included in Tuition.

USDA 1890s Scholars Program
FY 2000

Agency	Number of Scholars	Salaries/ Benefits	Tuition	Books	Computers	Summer Lodging	Travel	Total
OCIO	2	$8,089	$8,204	$500	0	$1,900	$566	$19,259
DA	5	7,569	43,688	5,000	$10,500	3,900	7,200	77,857
ARS	13	76,000	334,000 *		0	0	0	410,000
CSREES	6	39,000	37,000	3,500	2,900	0	500	82,900
ERS	2	10,000	8,600	2,000	0	0	0	20,600
NASS	4	29,800	18,480	2,875	0	0	970	52,125
APHIS	14	54,600	68,815	9,900	0	20,000	15,900	169,215
AMS	4	13,948	20,000	2,000	0	4,500	1,200	41,648
GIPSA	4	15,000	14,000 *		3,500	1,100	1,000	34,600
FSIS	3	16,100	28,000	0	0	2,138	2,147	48,385
FAS	2	8,335	8,900 *		0	4,340	1,000	22,575
FSA	15	76,018	68,433	14,255	0	18,000	20,770	197,476
RMA	1	5,822	15,000	2,000	0	0	1,000	23,822
RD	12	32,544	54,330	0	0	0	0	86,874
NRCS	11	81,000	72,500 *		0	0	0	153,500
FNS	7	40,000	23,000 *		0	25,000	6,500	94,500
FS	28	82,600	183,300	26,500	9,000	0	20,000	321,400
Total	133	596,425	1,006,250	68,530	25,900	80,878	78,753	1,856,736

*Books included in Tuition.

ALTERNATIVE DISCIPLINE PLAN

Mr. Skeen: Update the Committee on the Alternative Discipline Plan in terms of number of employees using the plan and its effectiveness.

Response: The use of alternative discipline in USDA continues without any major changes in the program. We anticipate that the use of alternative discipline will continue to rise as managers and supervisors realize its benefits in resolving misconduct problems for those employees who admit to misconduct and who voluntarily waive their rights to appeal, grieve, and complain in exchange for penalties that would not be available under traditional discipline.

In 1998, USDA revised the Alternative Discipline policy to simplify some of the procedures for implementing alternative discipline, to provide more examples based on actual cases, to establish a monitoring and certification system as part of the alternative discipline agreement, and to require that employees be notified in writing of the reason(s) they failed to fulfill the terms and conditions of the alternative discipline agreement. This policy continues in effect. We have continued to review the use of alternative discipline in agencies during Personnel Management Evaluation--PME--reviews. During fiscal year 1999, we conducted a review of alternative discipline in a Mission Area PME. We made suggestions to APHIS to assure that its use was appropriate and in conformance with Departmental guidelines. We will continue to conduct these reviews as part of our overall evaluation of personnel practices in USDA Agencies and Mission Areas.

PROCUREMENT REFORM

Mr. Skeen: Please update the status report on procurement reform submitted for last year's testimony.

Response: Improvement and streamlining of the procurement process has been an ongoing objective within Departmental Administration. We currently have underway major initiatives to review and reengineer procurement processes within USDA. We continue to implement and support the initiatives of the Office of Federal Procurement Policy and are expanding our outreach efforts to small and disadvantaged businesses. The following are some highlights of our activities:

As part of our procurement modernization efforts, we have identified significant procurement processes and system improvement opportunities and begun implementation of these improvements. We are moving towards consolidated procurement processes and systems which will provide uniform, streamlined, cost effective, and customer oriented processes for satisfying the future procurement requirements of USDA and other cross-servicing agencies.

Our aggressive Procurement Modernization Program is continuing. In fiscal year 1999, we developed a new, Internet-based Procurement Reporting System for tracking information on contracts with an award value of $25,000 or greater. This system, deployed in November 1999, also feeds information to the Federal Procurement Data System--FPDS.

In fiscal year 1999, we also succeeded in the transition to a new credit card services contractor. Despite the difficulties of this process, we issued approximately 19,000 purchase cards and approximately 60,000 fleet cards to USDA personnel. Over 1 million purchase card transactions were processed through our Purchase Card Management System--PCMS, totaling in excess of $390 million.

The second major phase of our Procurement Modernization Program involves implementing USDA's first Departmentwide corporate procurement automation system.

This system will provide electronic requisitioning, contract preparation, electronic posting of Requests for Quotations--RFQs, receipt of quotations, and award of contracts and purchase orders. It will interface with our new accounting system software and provide real-time management information on our administrative procurement activities. The new system will also improve agency interoperability and allow standardized training, and is consistent with the joint Forest Service/Bureau of Land Management "Service First" initiative. Provided funding from the USDA Working Capital Fund is approved, we plan to commence deployment of this system in fiscal year 2001. Deployment is scheduled to be completed in fiscal year 2003, allowing USDA to shut down existing outdated legacy procurement systems which provide substandard levels of functionality and are costly to operate and maintain. We recently have been advised by the supplier of our existing DOS-based contract documentation generation software that they will no longer support that product in fiscal year 2001. This event underscores the need for USDA to proceed to deploy the new corporate procurement automation system to ensure our acquisition personnel can continue to issue proper contracts in fiscal year 2001 and beyond.

We continue to expand the USDA acquisition "toolkit"--an integrated suite of automated tools providing USDA employees with a single point of access to online acquisition applications and resources. Additional external acquisition resource links such as the Department of Commerce's "Commerce Information Technology Solutions--COMMITS" website containing information on contracts with small, small disadvantaged and women-owned businesses, UNICOR, the Federal Prison Industries Schedule of Products and the Javits-Wagner-O'Day's newly established electronic ordering site, have been added. In addition to such external resource information, the "toolkit" links to the USDA web-based Procurement Reporting System, which permits on-line reporting of procurement actions, and contains information specific to the USDA Purchase Card Program and Management System.

USDA and the Small Business Administration extended their Memorandum Of Understanding--MOU--allowing USDA agencies to contract directly with 8(a) contractors on a bilateral basis. The MOU significantly reduces the amount of time required to award 8(a) contracts.

USDA continues to "step forward" in the Javits-Wagner-O'Day Act Program--JWOD. Last year we were recognized by NISH-formerly known as the National Industries for the Severely Handicapped--as leaders in new service contracts. This fiscal year we are competing for a similar award in the product arena. USDA has awarded a contract under the program for the bottling of vegetable oils for the export market. The direct result of this contract is more than 30 manufacturing jobs for persons with disabilities. Indirect results include jobs and capital resulting from the construction of a new bottling plant in rural Tennessee. Given this start in the food products industry, USDA is working next to complete a contract of similar size and results in the packaging of non-fat dried milk.

In compliance with the Acquisition Workforce requirements of Section 4307 of the Clinger-Cohen Act-Maloney Provisions, we are updating our Acquisition Workforce-Career Management Program. The program elevates the importance of having well trained contract managers by recruiting highly qualified college business graduates for entry level GS-1102 professional procurement positions. It also consists of training GS-1102/GS-1105 personnel, Contracting Officers, and Contracting Officer Representatives to a level of competency necessary to make prudent business decisions during the acquisition of goods and services.

CELEBRATION OF EXCELLENCE CEREMONY

Mr. Skeen: Did USDA conduct a Celebration of Excellence Ceremony for USDA employees in fiscal year 1999? If so, what were the costs?

Response: The Department of Agriculture held the Secretary's Honor Awards Ceremony on June 9, 1999. USDA honored 710 recipients which included 52 individuals, 4 teams, and 45 groups. The total expenditures for the 1999 Honor Awards program were $67,127.

PROPOSED PAPERLESS PERSONNEL REQUEST SYSTEM

Mr. Skeen: What is the status of the proposed paperless personnel request system? Include a timetable for implementation, an estimate of the costs, and an evaluation of the benefits.

Response: The Department's initiative to implement a "paperless" personnel request system focused around the automation of the personnel request and its related functions and processes. The system is currently being pilot tested within USDA, and is being implemented by several cross-serviced clients. Further expansion of the system's capabilities is currently on-hold, while the Department evaluates its overall Human Resources business needs in a corporate environment. Costs to date for developing and implementing the system are shown in the following table.

Fiscal Year		
1996-1998	1999	2000
$1,990,000	$1,170,000	$492,000

EARLY OUT AND BUYOUT OPTIONS

Mr. Skeen: How many USDA employees took the early out and buyout options in 1999? How many of these employees left positions that had to be refilled? Finally, what was the cost for USDA?

Response: The Department did not use the buyout authority in fiscal year 1999. We did, however, have eight agencies that made a limited use of early out authority. There were a total of 99 early out retirements taken during fiscal year 1999. There were no significant added costs associated with the early out retirements since they were approximately the same as for any employee that left USDA.

PLANS FOR EARLY OUT OR BUYOUT AUTHORITY

Mr. Skeen: Do you plan on using the early out or the buyout authority in 2000 or 2001? If so, how many employees do you think will use the early out or buyout option?

Response: We do not anticipate using the buyout authority in 2000 or 2001. We do, however, continue to make limited use of the early out retirement

authority. To date, we have a total of 53 employees who have taken early out retirements. We do not expect the number for fiscal year 2000 to be any greater than for fiscal year 1999. Currently, two requests from the Farm Service Agency are being reviewed prior to their submission to the Office of Personnel Management. We anticipate few additional requests during the remainder of the year. Since the State Extension Service offices generally operate on a fiscal year ending June 30, we may receive some early out requests as a result of cuts in their fiscal year 2000 - 2001 budgets.

NUMBER OF CREDIT CARDS ISSUED

Mr. Skeen: Please report on the number of credit cards issued in 1999 and the number issued so far in 2000.

Response: In fiscal year 1999, approximately 19,000 purchase cards were issued. In fiscal year 2000, approximately 1,000 additional cards have been issued so far, for a total of 20,000 cards.

SAVINGS THROUGH CREDIT CARDS

Mr. Skeen: What are the estimated annual savings achieved through the use of credit cards?

Response: The USDA average administrative processing cost for a paper purchase order totals $77 per transaction. Using a purchase card, under the old card procedures, we incurred an average administrative processing cost of approximately $32 per transaction. With our reengineered card system, which includes check writing, we expect to lower the processing cost to approximately $17 per transaction. Given the volume of USDA procurement transactions, the administrative cost avoidance enjoyed by USDA agencies is significant.

STATUS OF KANSAS CITY AND DAVIS

Mr. Skeen: Did you complete the collocation projects at Kansas City and Davis.

Response: The collocation project at Kansas City is scheduled for occupancy in early Spring 2000 and will be fully occupied by the Summer 2000. The Davis project is completed and fully occupied.

TARGETED DISABILITIES

Mr. Skeen: Update the information from last year's hearing record regarding employment of persons with targeted disabilities.

Response: As of September 30, 1999, the total permanent workforce at USDA was 85,418. Of this total, there were 1,017 employees with severe disabilities, or approximately 1 percent of the total workforce. Employment of persons with all reported disabilities was 6,721 or approximately 8 percent of the total workforce.

DISTRIBUTION OF MOTOR VEHICLES

Mr. Skeen: Please update the table from last year's testimony showing the distribution of the Department's vehicles by agency.

[The information follows:]

USDA DOMESTICALLY OWNED VEHICLES (As of 9/30/99)

Agricultural Marketing Service	77
Agricultural Research Service	3,005
Farm Service Agency	11
Animal and Plant Health Inspection Service	3,498
Rural Development	16
Grain Inspection, Packers and Stockyards Administration	3
Forest Service	16,725
National Agricultural Statistics Service	23
Office of the Inspector General	28
Natural Resources Conservation Service	9,948
Total Domestically Owned Vehicles	33,334

In addition to the 33,334 owned sedans, station wagons, light trucks, medium trucks, heavy trucks, buses and ambulances listed in the above table, USDA owns and operates various special purpose vehicles which include: fire trucks, trash compactors, construction equipment, trailers, motorcycles, and snowmobiles. We also operate 186 vehicles in foreign countries and lease approximately 5,900 vehicles from GSA and 342 vehicles commercially. USDA also owns and loans through the Federal Excess Property Program--FEPP-about 25,000 pieces of fleet equipment made up of trucks, buses, and heavy equipment.

DISTRIBUTION OF AIRCRAFT

Mr. Skeen: Also, please provide a table showing the Department's distribution of aircraft by agency.

[The information follows:]

DISTRIBUTION OF OWNED AND OPERATED AIRCRAFT (as of 9/30/99)

Agricultural Research Service	6
Animal and Plant Health and Inspection Services	22
Forest Service	44
Total Owned Aircraft	72

In addition, the Forest Service owns 281 aircraft which are on loan to State Forestry organizations and 28 aircraft which are on loan to museums. These organizations pay all costs associated with the aircraft. The Animal and Plant Health and Inspection Service also leased on a year round basis eight aircraft and borrowed four aircraft from cooperators. The Department has also acquired by contract, charter, lease or rental approximately $94 million in aircraft and aircraft services.

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

Mr. Skeen: Please update the table provided to the Committee last year showing the funds USDA provided to Historically Black Colleges and Universities to include fiscal year 1999 actuals and 2000 estimates.

Response: The following table reflects actual spending provide to Historically Black Colleges and Universities for FY 1998 and FY 1999. The FY 2000 funding levels are expected to be approximately the same as FY 1999.

UNITED STATES DEPARTMENT OF AGRICULTURE
Funds Provided to Support Historically Black Colleges and Universities

	FY 1998 Actual	FY 1999 Actual
Research and Development.....	$43,577	$46,048
Program Evaluation.....	2,208	2,486
Training.....	640	2,274
Facilities and Equipment.....	8,326	8,398
Fellowships, Traineeships, Recruitment, and IPA's.....	6,806	6,263
Student Tuition Assistance, Scholarships, and Other Aid...	1,601	1,775
Direct Institutional Subsidies..	27,451	28,374
1890 Liaison Officers.....	1,905	1,778
Other.....	3,754	2,828
Total.....	96,268	100,224

FUNDS TRANSFERRED TO LAND GRANT UNIVERSITIES

Mr. Skeen: Provide a table showing a complete list, by agency, of all funds being transferred to each Land Grant University for fiscal year 1999 and estimates for fiscal year 2000.

Response: The following table reflects actual spending by agency for each Land Grant University for FY 1999. The FY 2000 funding levels for these Universities are expected to be approximately the same as the FY 1999 levels.

UNITED STATES DEPARTMENT OF AGRICULTURE
FY 1999 FUNDS TRANSFERRED TO LAND GRANT INSTITUTIONS
(Dollars in Thousands)

Institution	ARS	CSREES	OCE	NASS	ERS	AMS	APHIS	GIPSA	FSA	FSIS	NRCS	FS	Rural Dev.	DA	Total
1862 Land Grant Institutions:															
Alabama A&M Univ															50
1862 Land Grant Institutions															
Auburn University	428	16,840			27		77					265			17,637
Tuskegee University															0
Univ of Alaska	1,172	4,478		11			20				68	795	26		6,570
American Samoa Community Coll		1,684													1,684
University of Arizona	131	9,249			177		21					290			9,868
Arizona State University												115			
Navajo Community College															0
Univ of Arkansas	3,710	15,240		50	26		205				56	10			19,308
Univ of Arkansas, Pine Bluff															0
Univ of California	9,808	29,487			416		349				64	183	229		34,536
D Q University															0
Colorado State Univ	893	10,188					407			156	91	702	80		12,521
Univ of Connecticut		6,251					401				118				6,770
Delaware State Univ															0
Univ of Delaware	9	4,714				8									4,731
Univ of the Dist of Columbia		1,862													1,862
Florida A&M University															0
Univ of Florida	1,493	12,392			90		82					126			14,093
Fort Valley State College															0
Univ of Georgia	370	21,050			100		267				1	504			22,892
Univ of Guam		2,138													2,138
Univ of Hawaii	1,408	9,385					4				34	105			10,996
Univ of Idaho	429	8,502									26	134			8,891
Univ of Illinois	476	23,684			5		59					153			24,377
Purdue University	2,112	18,108		87	170		634				59	181			21,351
Iowa State University	455	25,414	123	18	145		168			16	1,768		22		28,127
Kansas State Univ	844	13,840					39				120	25	550		15,418
Haskell Indian Junior College															0
Kentucky State University															0
Univ of Kentucky	43	17,700					121					35			17,899
Louisiana State Univ	766	13,592					59				428	24			14,849
Louisiana Tech University												1			
Louisiana Ag Experiment Station												157			
Southern University															0
Univ of Maine	92	7,765					8					321			8,144
Subtotal	18,931	271,970	123	166	1,156	8	2,901	0	0	172	2,835	4,126	907	0	304,663

UNITED STATES DEPARTMENT OF AGRICULTURE
FY 1999 FUNDS TRANSFERRED TO LAND GRANT INSTITUTIONS
(Dollars in Thousands)

Institution	ARS	CSREES	OCE	NASS	ERS	AMS	APHIS	GIPSA	FSA	FSIS	NRCS	FS	Rural Dev.	DA	Total
Univ of Maryland	1,466	9,869		5	20						94	40	60		11,554
Univ of Md , Eastern Shore															0
Univ of Massachusetts		7,811			250		92					292			8,445
Michigan State Univ	693	24,639			20		145				197	190			25,884
Bay Mills Community College															0
College of Micronesia		1,821													1,821
University of Minnesota	373	23,960		20	197		3				5	333			24,891
Fond Du Lac Community College															0
Leech Lake Tribal College															0
Alcorn State University															0
Mississippi State Univ	1,204	20,636			183		105				15	392	250		22,785
Lincoln University															0
University of Missouri	1,115	18,801					48				21	190	126		20,301
Montana State Univ	166	9,316					66				310	155			10,013
University of Montana													51		
Dullknife Memorial College															0
Stone Child College															0
Little Big Horn Comm Coll															0
Blackfeet Community College															0
Fort Peck Community College															0
Salish Kootenai College															0
Fort Belknap Community College															0
University of Nebraska	564	14,813					76			25	115	104			15,697
Nebraska Indian Comm College															0
Univ of Nevada Reno	12	3,316										59			3,387
Univ of New Hampshire		4,266			34							295			4,595
Rutgers, State U of N J		11,607			54						28	68			11,757
New Mexico State Univ	659	7,041		15	19		50				465	100			8,349
Crownpoint Institute of Tech															0
Southwest Indian Poly Inst															0
Inst of Amer Ind & Alaska Native Culture & Arts Dev															0
Cornell University	2,008	29,427			35	43	484				37		15		32,049
N C A&T State University															0
North Carolina State Univ	575	26,632	30				10	65			3	421			27,736
Appalachian State University NC												2			
North Dakota State Univ	1,425	8,755				185	14			50	30		162		10,621
Fort Berthold Community Coll															0
Little Hoop Community College															0
Turtle Mountain Comm Coll															0
Sitting Bull College															0
United Tribes Technical College															0
Northern Marianas College		1,640													1,640
Subtotal	10,260	324,390	30	40	778	228	1,127	65	0	75	1,320	2,641	664	0	341,525

UNITED STATES DEPARTMENT OF AGRICULTURE
FY 1999 FUNDS TRANSFERRED TO LAND GRANT INSTITUTIONS
(Dollars in Thousands)

Institution	ARS	CSREES	OCE	NASS	ERS	ASS	APHIS	GIPSA	FSA	ESS	NRCS	FS	Rural Dev.	DA	Total
Ohio State University	429	22,537		65	20		15			33	127	63			23,289
Langston University															0
Oklahoma State Univ	543	12,236			20		14					78			12,891
Oregon State University	785	12,532			29						6	3,308			16,660
Pennsylvania State Univ	194	21,137			15					18	48	91			21,503
Univ of Puerto Rico	40	12,368					12					12			12,432
Univ of Rhode Island		4,211					5					12			4,228
Clemson University	103	13,918				36	246			28	94	92			14,447
South Carolina State Univ															0
South Dakota State Univ	325	7,495									28				7,848
Oglala Lakota College															0
Sitting Bull College															0
Cheyenne River Comm College															0
Sisseton Wahpeton Comm College															0
SiTanka College										25					25
Tennessee State University															0
Univ of Tennessee	263	18,521					14					60	10		18,868
Tennessee Ag Experiment Station												38			
Prairie View A&M University															0
Texas A&M University	1,725	29,468			98		39	81		5,450	271	38		26	37,145
Texas Ag Experiment Station												84			
Utah State University	171	9,203					373	33			46	202			10,028
Univ of Vermont	195	7,886					20				151	89		151	8,432
Univ of the Virgin Islands		2,053													2,053
Va Poly. Inst. & State Univ	93	19,368			46	90	18				132	214	100		20,001
Virginia State University															0
Washington State Univ	707	15,045			150						32	131			16,155
Northwest Indian College															0
West Virginia Univ	405	8,922										185			9,512
Univ of Wisconsin	483	21,325			155		6					449	111		22,542
College of the Menominee Nation															0
Georgetown University													44		
Purdue Research Foundation													100		
Cankdeska Cikana Community College													50		
Somerset Community College													50		
Heritage College													50		
Mississippi Valley State College											50				
Mt Wachusett Community College													15		
University of Northern Iowa													195		
Boise State University															
Northeast Louisiana University													58		
Mount Vernon College, Ohio													2,000		
Chipola Junior College, Florida													1,000		
Fajardo Community College PR													2,100		
Woodbury College, VT													2,045		
Troy State University													350		
Alabama Southern Community College													238		
University of Arizona Board of Regents													121		
Indiana State University													330		
West Shore Community College													291		
University System of Nevada													332		
Western Oklahoma State College													304		
University of South Carolina													70		
South Dakota State University													297		
University of Tennessee Medical Center													320		
Midland College													346		
University of Virginia													230		
Marshall University Research													308		
Southern Arkansas University													200		
University of Kentucky Research Foundation													48		
LeCourse Oneida Comm Coll															0
Univ of Wyoming	84	4,442			173		55	25			4	43			4,823
Subtotal	6,472	342,670	0	65	846	66	787	139	0	5,563	989	5,152	11,691	177	262,857
Grand Total	35,403	740,090	153	371	2,580	301	4,815	204	0	5,810	5,144	11,019	13,264	177	809,044

UNITED STATES DEPARTMENT OF AGRICULTURE
FY 1999 FUNDING TO LAND GRANT INSTITUTIONS
(Dollars in Thousands)

Institution	ARS	CSREES	NASS	ERS	AMS	APHIS	GIPSA	FAS	FSA	FNS	FSIS	NRCS	FS	Rural Dev.	DA	Total
1890 Land Grant Institutions:																
Alabama A&M University	3.2	4,199.7			5.0	3.4			3.1		20.2	146.0	826.0	205.9	102.5	5,514.9
Alcorn State University	178.8	3,446.5	14.7			25.3	3.0	603.3	96.3		2.8	688.0	4.0	26.0	200.0	5,288.9
Delaware State Univ.	542.3	1,497.8		13.3		4.0			13.8		5.6	176.0		175.0	150.5	2,578.2
Florida A&M University	0.4	2,989.8			4.0	116.2		24.3	15.9	17.5	24.9	119.0	638.4		100.0	4,050.4
Fort Valley State College	0.7	4,776.9		14.6		62.0		14.3	5.7		24.0	154.0		200.0	100.0	5,352.1
Kentucky State University	0.4	4,717.7							5.8			136.0	14.7		94.3	4,968.9
Langston University	520.0	3,903.1						280.8	6.2		24.3	221.0	7.0		231.0	5,193.4
Lincoln University	0.4	4,745.6	12.5			250.0	1.7	25.0	69.1			243.0	491.2		105.1	5,943.6
North Carolina A&T State University	3.3	6,470.0		13.0		26.9		800.4	118.9	5.2	16.5	150.0	44.5	175.0	91.4	7,914.9
Prairie View A&M University	9.5	6,021.8					7.8	7.0	19.9			238.0	51.6	150.0	143.5	6,649.1
South Carolina State University	0.4	3,511.0		25.3		7.7		4.1	9.2	9.7		157.0		109.0	701.4	4,534.8
Southern University & A&M College		3,637.6			65.8	27.7	2.1				17.0		184.0		102.5	4,036.6
Tennessee State University	482.9	5,142.3	11.6	22.9		7.1			21.2			133.0	47.8	200.0	102.3	6,171.0
Tuskegee University	46.6	4,219.8		15.3	13.1	211.1		490.6			18.5	256.0	432.1	150.0	175.7	6,028.8
University of Maryland Eastern Shore	241.8	2,719.0			4.0	1.5		904.6	23.9		7.0	16.0			0.0	3,917.8
Univ. of Arkansas, Pine Bluff	545.8	3,298.4			1.6	154.6	7.1		9.2	10.8	24.1	467.0		305.0	100.0	4,923.7
Virginia State University	1.4	4,190.5	20.7	14.3	2.8				140.2	34.7		256.0	13.6		73.8	4,747.9
Total 1890 Land Grant Institutions	**2,578.0**	**69,487.5**	**59.6**	**118.5**	**96.2**	**897.5**	**21.7**	**3,154.2**	**558.5**	**77.9**	**184.9**	**3,556.0**	**2,754.8**	**1,695.9**	**2,573.9**	**87,815.0**
1994 Land Grant Institutions:																
D-Q University	0.0	63.0													0.0	63.0
Diné College (AZ & NM)	0.5	110.1		33.0											67.1	210.7
Haskell Indian Junior College	0.2	89.5										10.0	170.0		0.0	269.8
Bay Mills Community College		66.1													0.0	66.1
Fond du Lac Tribal and Community College		62.7													0.0	62.7
Leech Lake Tribal College		67.3													0.0	67.3
White Earth Tribal and Community College															0.0	0.0
Blackfeet Community College		73.9													0.0	73.9
Dull Knife Memorial College		77.9		33.0							24.1				0.0	135.0
Fort Belknap College	0.2	66.0													0.0	66.2
Fort Peck Community College	0.2	71.8												50.0	0.0	122.0
Little Big Horn College		67.1													0.0	67.1

Institution	ARS	CSREES	NASS	ERS	AMS	APHIS	GIPSA	FAS	FSA	FNS	FSIS	NRCS	FS	Rural Dev.	DA	Total
1994 Land Grant Inst. (continued):																
Salish Kootenai College		92.0										14.0			1,476.7	1,582.7
Stone Child College		68.9													0.0	68.9
Cankdeska Cikana Community College		65.4										35.0		50.0	35.3	185.6
Fort Berthold Community College		67.3										106.0			105.8	279.1
Sitting Bull College	2.7	69.6										20.0			0.0	92.3
Turtle Mountain Community College	0.2	79.8													0.0	80.0
United Tribes Technical College		81.6													0.0	81.6
Little Priest Tribal College		62.1		32.0							24.8				0.0	118.9
Nebraska Indian Community College		66.1												50.0	0.0	116.1
Crownpoint Institute of Technology	0.2	74.1												50.0	1,239.1	1,363.4
Institute of American Indian Arts		64.3													0.0	64.3
Southwestern Indian Polytechnic Institute		87.1													0.0	87.1
Cheyenne River Community College	0.2	64.8													0.0	65.1
Si Tanka College															0.0	0.0
Oglala Lakota College		91.3										98.0			97.6	286.9
Sinte Gleska University	0.5	78.8													0.0	79.2
Sisseton Wahpeton Community College		64.3				7.0									0.0	71.3
Northwest Indian College	0.2	80.9													0.0	81.1
College of the Menominee Nation		66.4													0.0	66.4
Lac Courte Oreilles Ojibwa Comm. College	0.2	70.6							25.0			111.0			86.1	292.9
Total 1994 Land Grant Institutions	**5.5**	**2,210.7**	**0.0**	**98.0**	**0.0**	**7.0**	**0.0**	**0.0**	**25.0**	**0.0**	**48.9**	**394.0**	**170.0**	**200.0**	**3,107.6**	**6,266.8**

SECTION 923, FEDERAL AGRICULTURE IMPROVEMENT AND REFORM (FAIR) ACT

Mr. Skeen: Please provide a table showing the amount of property transferred to date under Section 923 of the Farm Bill.

Response: To date, we have made the following transfers.

[The information follows:]

Property Transferred Under Section 923 of Farm Bill

Name of Institution	Type of Institution	Original Acquisition Value of Property
Alabama A&M University	1890-Historically Black College or University	$13,580
College of Santa Fe	Hispanic Serving Institution	277,691
Crownpoint Inst. of Technology	1994-Tribal	2,039,314
Dine College	Tribal	147,318
Langston University	1890-Historically Black College or University	45,477
Salish Kootenai College	Tribal	1,656,864
San Barnardino Valley College	Hispanic Serving Institution	105,366
South Carolina State University	1890-Historically Black College or University	740,167
Tuskegee University	1890-Historically Black College or University	11,695
	Total	$5,037,472

COMPLAINT TRACKING SYSTEM

Mr. Skeen: Did you establish the complaint tracking system proposed in last year's budget?

Response: The complaint tracking system proposed in last year's budget was established. Data from files for all open complaints is being reentered individually to insure accuracy of data.

A $5 MILLION RESERVE

Mr. Skeen: Which agency would hold the proposed $5 million reserve?

Response: The fiscal year 2001 request did not propose a $5 million reserve.

DA OBJECT CLASSES

Mr. Skeen: The costs of several Object Classifications were reduced significantly from fiscal year 1999 to 2000 and then increase again for fiscal year 2001. Please explain the decreases and increases for the following classifications: 23.3, 24, 25.3, and 31.

Response: In fiscal year 1999, only 317 staff years were supported by the direct account. Funds were available for other critical needs in object classes 23.3, 24, 25.3,and 31 such as the civil rights complaints tracking system. The estimated object class expenses for fiscal year 2000 reflect financial changes necessary to support full staffing at the 374 staff year level. Therefore, funds are being used for salaries and benefits rather than the other object classes. Almost no discretionary funds are available above the requirements for salaries and benefits and central support costs such as utilities and communications. The absorption of mandatory pay costs increases in fiscal year 2000 exacerbates this problem. The fiscal year 2001 budget request reflects adequate funds in each object class to support the requested staffing level and modest amounts of discretionary spending.

SMALL BUSINESS EDUCATION AND DEVELOPMENT PILOT PROGRAM

Mr. Skeen: Wouldn't the Small Business Administration or the Rural Business Cooperative Service be better places to carry out the proposed Small Business Education and Development Pilot Program?

Response: Unlike the Small Business Administration--SBA--who provides broadly defined technical assistance and programs that are intended to service the general population of small businesses, USDA's Office of Small and Disadvantaged Business Utilization--OSDBU--is uniquely situated to address specific issues, such as the impact of e-Commerce and the digital divide on the competitiveness of small businesses in remote locations of Rural America. In fact, OSDBU is partnered with the Department of Commerce's National Institute of Standards and Technology--NIST--and the SBA to identify and develop technical assistance and training that addresses e-Commerce issues facing small businesses. OSDBU's role in the partnership is to specifically tailor such technical assistance and training to the unique needs of businesses located in rural areas and those businesses that are considered agri-business.

USDA's Rural Business-Cooperative Service's--RBCS--goal is to promote a dynamic business environment in Rural America. The Business Programs work in partnership with the private sector and the community-based organizations via loan and grant programs to provide business planning and financial assistance to small businesses. The RBCS also promotes understanding and use of the cooperative form of business as a viable organizational option for marketing and distributing agricultural products. OSDBU's Small Business Education and Development Pilot Program complements these programs. However, unlike the RBCS assistance programs, the Pilot is designed to thoroughly investigate and identify measures

that will remove targeted barriers that can hinder or prohibit the competitiveness of small businesses in Rural America. Unlike currently existing programs, the Pilot will promote and demonstrate strategies such as e-Commerce for enhancing the growth and stability of small businesses, identifing new markets for value-added agricultural products of small limited resource farmers, and delivering educational and technical resources used in sustaining the growth and development of small businesses in these areas. Additionally, the Pilot will test the portability of strategies used to increase returns to these businesses via new crops, new markets including international markets, e-Commerce and value-added processing for aggregate producer groups.

ALTERNATIVE DISPUTE RESOLUTION

Mr. Skeen: How much was spent on Alternative Dispute Resolution in fiscal year 1999 and what is the estimate for fiscal year 2000?

Response: Our accounting records do not capture all costs at this level of detail. However, the Conflict Prevention and Resolution Center--CPRC-was established late in fiscal year 1998 and its expenses were approximately $274,500 in fiscal year 1999. Other activities such as USDA-wide panels, publications and training were conducted during the year. The CPRC is being expanded this year and many USDA agencies have established their own capability in this area. In fiscal year 2001, we are requesting an additional $1 million with the primary focus on reducing the number of civil rights cases and in lessening the dollar and human cost of settling disputes. Agencies will also expend funds to continue their alternative dispute resolution programs.

FARM SERVICE AGENCY SETTLEMENT

Mr. Skeen: The current fiscal year 2000 Supplemental Appropriations bill has $13 million for Farm Service Agency costs of settling the Pigford vs. Glickman cases at the request of the Department? Why does FSA need these additional funds?

Response: As part of the process of settling discrimination claims by African-American farmers under the Pigford Consent Decree, FSA has been charged with funding the contractor costs associated with claim adjudication and monitoring. Nearly 19,500 claims have been filed and this volume, in turn, has resulted in higher costs to process these claims. Meeting these contractor costs, over which FSA has no control, is estimated to cost roughly $13 million.

Socially Disadvantaged Farmers and Ranchers

EXPENDITURES FOR THE OUTREACH PROGRAM

Mr. Skeen: Please provide a table showing the total expenditures for the Outreach Program for Socially Disadvantaged Farmers since fiscal year 1997.

[The information follows:]

Outreach for Socially Disadvantaged Farmers: FY 1997-2000

PROJECT	STATE	FY 1997	FY 1997 Fund for Rural America	FY 1998	FY 1999	FY 2000	FY 2000 Fund for Rural America
Alabama A&M University	AL	$100,000	$171,829	$80,000	$102,500	$110,044	$190,624
Alcorn State University	MS		205,000	250,800	200,000	186,660	323,340
American Indian Opportunities Industrialization Center	MN	55,000	93,500	66,500	82,000	73,200	126,800
Arkansas Land and Farm Development Corporation	AR		195,000	230,000	137,350	159,770	276,761
Delaware State Univ/Univ of Maryland Eastern Shore	DE/MD	100,000	262,000	38,663	150,470	134,322	232,678
Eastern Oklahoma State College	OK	69,034	20,966	100,000	61,500	64,050	110,950
Federation of Southern Cooperatives	GA	150,000	275,000	200,000	200,000	201,300	348,700
Fort Berthold Community College	ND		140,000	160,000	105,780	77,163	133,666
Florida A&M University	FL		258,000		100,000	92,486	160,208
Fort Valley State College	GA				100,000	109,655	189,948
Kentucky State University	KY	50,000	306,718	66,640	94,300	99,296	172,004
Langston University	OK	110,966	143,600	175,000	186,683	162,754	281,929
Lac Courte Oreilles Ojibwa Community College	WI	50,000	110,000	80,000	86,148	90,822	157,326
Lincoln University	MO		257,789	50,000	102,500	80,871	140,089
Little Hoop Community College	ND		10,266	60,000	35,260	24,522	42,478
North Carolina A&T University	NC		25,000	150,000	91,430	138,871	240,559
Oglala Lakota College	SD		217,000	60,000	97,580	80,097	138,746
Prairie View A&M University	TX	100,000	272,109	90,000	143,500	137,799	238,701
South Carolina State University	SC	100,000	285,000	422,397	142,359	195,262	338,240
Southern University	LA		149,623	200,000	102,500	165,615	286,885
Tennessee State University	TN		250,000	60,000	102,258	100,650	174,350
Texas Agricultural Extension Service	TX		60,000		25,806	23,229	39,712
Tuskegee University	AL		180,000	140,000	164,000	146,034	252,966
University of Arkansas at Pine Bluff	AR	100,000	158,800	150,000	100,000	135,786	235,214
University of Vermont	VT		160,000	170,000	120,663	89,400	154,496
Virginia State University	VA		275,000		73,800	120,342	208,459
Field Day Activity (Prairie View A&M Univ.)	TX		17,500				
Rural Coalition (Training)	DC	15,000					
Global Development Group	DC				25,000		
RJA Social Engineer Company	DC				66,613		
Natural Resources Conservation	DC		300				
TOTAL		**1,000,000**	**4,500,000**	**3,000,000**	**3,000,000**	**3,000,000**	**5,195,829**

AUDIT OF THE PROGRAM

Mr. Skeen: Why has there been no USDA audit of the program?

Response: Each project recipient is subject to the audit requirements of 7CFR Parts 3015 and 3016. Each grant recipient has an annual audit performed by an external organization. This audit report is submitted to the USDA National Office of Outreach on an annual basis, in accordance with OMB Circular A-133.

AWARD PROCESS FOR GRANTS

Mr. Skeen: Please describe the award process for grants under this program.

Response: Federal Register Notice No. 126, Volume 58, was issued July 2, 1993, to accept 5 year plans for providing outreach and technical assistance. Proposals were accepted until August 1, 1993. A total of 84 proposals were submitted.

All proposals from entities for funding under the program were evaluated by a review panel selected and organized to provide maximum expertise and objective judgement in the evaluation of proposals.

The criteria factors and weights used were as follows:

a. Institutional Commitment (3.5)
b. Number of counties and the number of borrowers served (3.5)
c. Socially Disadvantaged Applicants - Outreach (3.5)
d. Preparatory Features - Statement of Work (3.5)
e. Feasibility and Policy Consistency (3.5)

All awards were made on a competitive basis within the framework allowed under the provision inherent in the 1985 and 1987 Farm Bills and Presidential Executive Orders 12232, 12320, 12677, and 12876.

A program solicitation will be published in the Federal Register and such other publication(s), as deemed appropriate, as early as practicable every five years that funds will be available for new project use, and at other appropriate times.

In fiscal year 1994, awards were made to 1890/1862/1994 Land Grant Colleges and Institutions and community-based organizations through Cooperative Agreements. Cooperative Agreements are used when the principal purpose is to support or stimulate activities relating to the agency mission, or the support of a public purpose rather than acquiring property or services for the use of the government, and when substantial involvement is expected between the executive agency and the recipient.

The purpose for these agreements was to utilize 1890 Institutions and community-based organizations to enhance the viability of small farmers by providing them with training and technical assistance in overall farm management practices. These agreements also assist small farmers in improving their farm income in order to service debts and maintain a reasonable standard of living.

GRANTS AWARDED IN FISCAL YEARS 1997 - 1999

Mr. Skeen: Please provide a list of grants awarded in fiscal years 1997 through 1999, the grantees and a brief description of the purpose of each grant.

Response: Under the "Small Farmer Outreach Training and Technical Assistance Program, i.e. Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program," awards are made annually to entities, based on available funding; to provide intensive training and management assistance-one-to-one and

group training-to small farmers and ranchers determined to meet the objectives of the program, particularly those designated as minority.

Each participating farmer or rancher is visited a minimum of 3 times monthly, by project representative with expertise in farm management and agricultural production. Training and Technical Assistance includes developing individualized farm plans, introducing effective/sound production and marketing practices, and teaching farm accounting and record-keeping procedures.

In fiscal year 1999, training and technical assistance was provided by award recipients to over 8,000 farmers and ranchers; of which 1,964 are Farm Service Agency borrowers; representing the delivery of USDA services to customers living in 394 counties and 22 States. Outreach has been provided to over 107,000 rural constituents.

The objectives of the program are to keep small farmers and ranchers, especially those who are members of socially disadvantaged groups, on the farm and strengthen the rural economy, as well as to encourage and assist them to own and operate farms and ranches and to participate in agricultural programs.

[The information follows:]

PROJECT	PROJECT HIGHLIGHTS
ALABAMA A&M	The project staff cooperated with the Federation of Southern Cooperatives and the Georgia State Government and developed plans which involved small farmers in the school lunch program. The staff conducted meetings which covered diet and health issues in addition to alternative crop production. Attended loan appeal hearings with project participants to explain loan appeal packages in Farm Service Agency offices. Alabama A&M presented its Fifth Annual Outreach Conference on April 8-9, 1999: "Embracing Holistic Approach and Technology for Effective Outreach Delivery". USDA officials from Washington, DC and from Alabama participated in the conference.
TUSKEGEE	Over 50 outreach meetings have been held with a total of more than five thousand participants. Over ten thousand training sessions, including one-on-one settings, have been held with project participants. Over $4.2 million in loans have been approved for project participants including farm ownership, farm operating, youth loans and housing loans. As a result of the assistance provided to farmers in the target area, African-American farmers have increased by 46.4% in Bullock County, Alabama and 25.9% in Hale County.
ARKANSAS PINE BLUFF	The project staff helped secure grant funds and other contributions to install plumbing in the home of a 95-year old female residing in the rural Poplar Grove Community. The staff provided significant training and assistance which positioned two African-American farmers, for the first time ever, to be chosen as Phillips County Farmers of the Year. They worked with a participant to develop a sound farming plan, which enabled him to double his herd of cattle and pay off his loan in three years.
ARKANSAS LAND AND FARM	The project distributed the quarterly newsletter "The Advancer" to the rural community, government entities and private organizations. The Youth Program encouraged high school students to become familiar with different aspects of agriculture and provided leadership skills for youngsters to become farmers and community leaders of the future.
DELAWARE/MARYLAND	In 1994-1995, the net worth of program participants increased by $100 thousand. In one year, the program generated over $1.2 million in ownership and operating loans financed through the public and private sectors. By 1997, 80 percent of the farmers receiving financial management assistance through the program had a positive cash flow. Eighty-two percent of the farmers in the program had a positive net worth by the end of 1996.

PROJECT	PROJECT HIGHLIGHTS
FLORIDA A&M	The project provided technical assistance to 20 producers to establish the New North Florida Cooperative that provides marketing opportunities to its members. The project staff initiated a vegetable garden for senior citizens at the Orchard Meadows Home and taught residents how to improve their diet and save money at the same time. Provided training to local producers to establish a demonstration lot of Scotch Bonnet Pepper, which generated significant additional income and new marketing opportunities.
FEDERATION OF SOUTHERN COOPERATIVES	The Federation participated in the Thomasville Chamber of Commerce farmers market in Georgia. This project offers facilities to producers who are interested in new marketing opportunities. The Federation extends its services to limited resource producers in Georgia, Mississippi and South Carolina.
FORT VALLEY	The 2501 grant program coordinator served on Team Agriculture in Georgia. This is an organization composed of federal and state agencies, state agricultural education institutions and non-governmental agricultural organizations. The outreach efforts were channeled through the agricultural community in Georgia in many ways to reach all program clients. The program staff provided valuable information and support to the Coastal Georgia Small Farmer Cooperative Inc., keeping their interest and enthusiasm alive to submit an application to the county development authority to be funded at a low interest rate from Rural Business and Industry funds. The staff provided the opportunity for 47 small farmers and a state legislator to participate in a four state tour (AL, MS, LA, and AR) to observe various alternative enterprises which may be adopted to the local area. They also reviewed strategies and techniques in marketing, production, economic and agronomic methods and development of cooperatives.
KENTUCKY STATE	Provided technical assistance to Mennonite farmers to organize the first "Fairview Produce Auction" that generated more than $100 thousand to the community. The project also hosted the Small and Minority Farm Family Conference providing a forum to find solutions to problems affecting their lives in agriculture.
SOUTHERN UNIVERSITY	The 2501 project staff conducted 68 training workshops on financial management, production and resource management, marketing agricultural products, record keeping, income management, and credit utilization. They developed an alternative marketing project through the Southwest Vegetable Growers Association. Farmers earned approximately $14 thousand and increased farm sales by 50%. The 2501 grant program staff developed an eight week residential program for rural youth: "Beginning Agriculture Youth Opportunity Unlimited (BAYOU)." The staff conducted five workshops to introduce rural youths as well as parents to careers and leadership opportunities in agriculture.

PROJECT	PROJECT HIGHLIGHTS
LINCOLN UNIVERSITY	The 2501 grant program staff cooperated with the Natural Resources Conservation Service Outreach Specialist to enroll 30 participants into the 2501 project within an 18 month time span. They assisted in the establishment of a farmers cooperative and provided the leadership to establish the New Madrid County Agri-Women Group. They assisted youth, ages 13-17 with project loans totaling $25 thousand to enter into production of swine, cattle, rabbits and mums. They assisted an elderly disabled couple to secure assistance through the Rural Development Agency, Division of Aging, and South Central Community Action Program to repair a leaky roof and install windows and doors. The 2501 project staff assisted the Gateway Bank, which is owned by African-Americans, to make its first loan ever to a project participating African-American farmer for the purpose of purchasing additional farmland. They assisted a farmer in purchasing an inventory farm which had to go through an appeal before the purchase could be completed. The staff provided home assessment reports and land surveys for 72 families residing in a small village in an effort to secure funding for a community building, street repairs, fire protection, sewage disposal, and home improvements.
AMERICAN INDIAN CENTER	Project Grow offers members of the American Indian community technical assistance and training on growing vegetables in family and community gardens and on how to best utilize produce for a year-around source of nutritious meals. This program includes the "Grow Labs" which are installed in schools to teach young members of the community the value of proper nutrition and how to maintain adequate health.
ALCORN STATE	The project decreased the loan delinquency rate among project participants from 98 percent when they entered the project, to 18% over a ten year period. The State delinquency average for borrowers who are not in the project is 34%. The University is bottling hot sauce and marketing it through vendors who operate the cafeterias in USDA. A premier program with Natural Resources Conservation Service was established which involves data collection on fruits and vegetables. An Internet program was developed that provides worldwide equipment sales information. Assistance was provided to increase the Mound Bayou Catfish Cooperative from 300 to 900 acres. Borrower training was provided to cooperative members which prevented them from losing $250 thousand.

PROJECT	PROJECT HIGHLIGHTS
NORTH CAROLINA A&T	Fourteen small farmers have been selected to receive computer training that will improve their farming operation. Farm safety, environmental protection, integrated pest management and best management practices information has been delivered to approximately 525 youth and adults who reside in rural areas. Limited resource farmers have participated in focus sessions to share ideas that will help improve the delivery of educational information provided by USDA agencies. Fifty-four farmers have developed and implemented farm and home plans and 350 individuals have received comprehensive training to assist them with their financial and legal situations. Two farmers have decided to reduce their dependence on tobacco by agreeing to install fish ponds to produce catfish.
FORT BERTHOLD COMMUNITY COLLEGE	The College is hosting a monthly meeting of all USDA agencies' outreach coordinators that have a presence in the State. Members of the American Indian community attend these monthly meetings to discuss their needs and to explore alternatives on how the USDA can participate in addressing those needs.
LITTLE HOOP COMMUNITY COLLEGE	The College has established a curriculum to preserve, enhance and transmit the Dakota culture. The college maintains an active role in the bison industry with the following organizations: North American Bison Cooperative, Denver Buffalo Company, National Bison Association, and North Dakota State University. The College is responsible for maintaining the Tribal Council buffalo herd and for providing training and technical assistance to livestock producers.
LANGSTON UNIVERSITY	The project assisted small farmers in completing application packages for farm ownership and operating loans totaling $1 million. Thirty soil and water conservation projects have been approved for funding, 300 acres of pasture have been established and 450 acres are under a fertilization management system. Eighteen thousand cubic yards of pond construction and nearly 15 thousand feet of fencing have been completed. Outreach specialists have been deployed to Farm Service Agency offices to provide assistance in loan making, loan servicing, chattel inspections and loan deficiency payments. Two major conferences on alternative enterprises were conducted in March. The number of participants increased from 145 to 200 in the last 12 months.
EASTERN OKLAHOMA STATE	Sponsored by the USDA and the Choctaw Nation of Oklahoma, Eastern Oklahoma State College has put together the "USDA Agriculture Field Day." The one day event held September 18, 1999, included workshops, and hay sample testing.

PROJECT	PROJECT HIGHLIGHTS
SOUTH CAROLINA STATE	The College has assisted five communities in preparing their application for Enterprise Community status. They have assisted farmers in forming two cooperatives. One of the cooperatives will provide opportunities for more than 100 farmers to market fresh vegetables to public school systems through a collaborative initiative with the Department of Defense, USDA, the South Carolina State Department of Education, the South Carolina Department of Agriculture and the 2501 Program. They have also assisted more than 300 homeowners in submitting applications for assistance in repairing their substandard housing.
OGLALA LAKOTA COLLEGE	The College provided technical assistance to secure a "Share Our Strength" grant and established an organic garden in a predominant to American Indian community to improve health and nutrition of the members or residents of the reservation.
PRAIRIE VIEW A&M	Prairie View A&M served a diverse number of small farmers providing technical assistance and training through a diverse staff. Also, they held an annual field day with an attendance of 300 producers and with the participation of USDA.
TEXAS A&M	The 2501 grant program staff conducted two regional three-day seminars, one in College Station and the other in Lubbock, Texas in the "Women in Agriculture: Business Management Program." The seminars offered three tiers for first, second and third year participants. Each tier consists of a series of one-half to one-day modules on the selected business topics which make up the overall program curriculum. Program graduates are included on the mailing lists for seminars conducted by the Texas Agricultural Extension Service when these seminars deal with more advanced material than was covered in the seminars. Past participants were also contacted to enroll them in the one-on-one farm assistance, whole farm analysis, and risk management program. The 2501 staff attended farm organization and commodity group meetings to promote the program and meet with prospective participants. The staff prepared articles for the farm press highlighting program objectives and citing testimonials from past participants.
TENNESSEE STATE	The project provided effective technical assistance in production and financial management by helping small farmers save money by pre-paying for chemicals, fertilizer and other equipment and materials.

PROJECT	PROJECT HIGHLIGHTS
UNIVERSITY OF VERMONT	The Women's Agriculture Network presented and exhibited at various conferences held around the State. They participated in the Vermont Farms conference for agri-tourism, a conference for organic farmers and gardeners, the Vermont Grazing Conference and the Vermont Flower Show. In addition, they also presented at the Northern New England Trades Women's Conference. We began work on a feasibility study to assess the size and scope of the herb industry in Vermont and a companion study on the potential markets available to these growers. For several years, the project staff has observed an increasing interest in growing herbs and they want to evaluate whether or not this is an appropriate area to provide some educational and technical assistance. A series of workshops were offered. High demand for several of these sessions resulted in a second round being scheduled. Included were: "Introduction to Sheep Dairying," "Beginning a Sheep Enterprise," "Food Safety for Your Farm Business," "Introduction to Chainsaw Use," "Beginning Sheep Shearing," and "Starting a Small Scale Speciality Food Business."
LAC COURTE OREILLES OJIBWA COLLEGE	An agriculture and natural resources curriculum was established with 2501 grant program funds. Students spend two years at the college and two years at the University of Wisconsin to obtain a B.S. Degree. A Geographic Information Systems (GIS) Lab was established with 2501 grant program funds. Eleven income generating GIS contracts were completed netting over $66 thousand for the College. Fourteen requests were serviced for the community and four are on the books for future servicing. An internship program was established with the Forest Service. A 200-acre tribal farm was transferred to the college for the program. Ninety-two American Indian students have enrolled in the 2501 grant program agriculture and natural resources project since its inception.
VIRGINIA STATE	Virginia State University was innovative and aggressive in getting this project included in the Governor's budget and getting additional funding last year of approximately $196 thousand. During the current year they obtained an additional $394 thousand. Project has been conducting seedless watermelon demonstrations and training small farmers.

PROJECT	PROJECT HIGHLIGHTS
RURAL COALITION	The Rural Coalition is a multi-cultural alliance of more chan 90 grassroots community-based organizations in the United States and Mexico who collaborate to advance social justice and sustainable development in rural areas. Most of the major minority farm producer organizations in America are included. The Coalition, and their grassroots members who work with minority producers, will be collaborating with the Farm Service Agency and the Natural Resources Conservation Service in a strategic effort to improve minority participation in County Committee nominations and elections and other USDA programs and advisory or decision making entities. The Coalition held a Training Workshop and Field Outreach Program for the 1997 County Committee elections on September 8-9, 1997 in Washington, D.C., in an effort to improve minority participation in the County Committee elections and other USDA programs.
GLOBAL DEVELOPMENT GROUP	The Global Development Group was organized to train and equip disadvantaged groups with the necessary social and economic tools to better their existing condition. On November 12-13, 1998 in the United States Virgin Islands, the Group and the Washington Consulting Alliance conducted the Virgin Islands Networking and Technical Assistance Outreach Conference. The Group planned this first conference in a series of conferences on behalf of the USDA Office of Outreach to initiate the Virgin Islands Initiative. The focus of the conference was to increase awareness of participation in Farm Service Agency, National Resource Conservation Service, and Rural Development Programs. This initiative provided a firm foundation to establish and build successful farms and business for Virgin Island residents.
RJA SOCIAL ENGINEER COMPANY	RJA Social Engineer is a non-profit corporation based in Washington, D.C. In cooperation with the University of the District of Columbia, and the Church Association for Community Services, planned and organized food production, distribution, and management programs that provide work, education, and careers in: food production, distribution, and management for employment for at-risk youth. In addition, low-income families received nutritious food at fair prices.

Agriculture Buildings and Facilities

STRATEGIC SPACE PLAN

Mr. Skeen: Please update the table from last years's hearing record showing the progress of the strategic space plan. (The information follows:)

Fiscal Year	Location	Description	Amount (000's)
2000	Backfill Wing 3	Complete Phase I	
2001	Complete Vacating Wing 4	Award Phase II Construction (FY 2001 funding)	$26,000
	Backfill Wing 4	Complete Phase II Construction	
2002	Relocate 1/3 Portion of Head House	Award Phase III (FY 2002 funding)	$26,000
	Backfill 1/3 Portion of Head House	Complete Phase III Construction	
2003	Relocate Wing 5 & Portion of Tail House	Award Phase IV Construction (FY 2003 funding)	$36,000
	Backfill Wing 5 & Portion of Head House	Complete Phase IV Construction	
2004	Relocate Wing 2 & Portion of Head House	Award Phase V Construction (FY 2004 funding)	$36,000
	Backfill Wing 2 & Portion of Head House	Complete Phase V Construction	
2006	Relocate Wing 1 & Portion of Tail House	Award Phase VI Construction (FY 2006 funding)	$36,000
	Backfill Wing 1 & Portion Tail House	Complete Phase VI Construction	
2007	Relocate Wing 6 & Portion of Head House	Award Phase VII Construction (FY 2007 funding)	$36,000
	Backfill Wing 6 & Portion of Head House	Complete Phase VII Construction	
2009	Relocate Wing 7 & Portion of Tail House	Award Phase VIII Construction (FY 2009 funding)	$36,000
	Backfill Wing 7 & Portion of Tail House	Complete Phases VIII	
		Total	**$232,000**

Notes:

1. Preliminary estimates reflect costs by fiscal year which include planning, design costs, construction costs, moving costs, telecommunications and furniture costs for each phase. Planned award date for construction contract determines fiscal year on table. Other costs for a particular phase may cross fiscal years.
2. All costs after fiscal year 2001 are presented in fiscal year 2001 dollars, with no adjustment for inflation.
3. Cost estimates are preliminary and for planning purposes only. More detailed costs will be developed as design work proceeds for each phase.
4. Funding based on June 1997 Master Phasing Plan.

BELTSVILLE OFFICE FACILITY

Mr. Skeen: What is the cost to date of the Beltsville Office Facility?

Response: The George Washington Carver Center in Beltsville, Maryland, cost $58 million to construct.

HEADQUARTERS COMPLEX RENTAL CHARGES

Mr. Skeen: Please update the table provided for last year's hearing record showing the amount GSA charged USDA for the four buildings owned by GSA, but occupied by USDA to include fiscal year 1999.

[The information follows:]

HEADQUARTERS COMPLEX RENTAL CHARGES
Revised as of 3/1/00

Fiscal Year	Jamie L. Whitten Building	Agriculture Annex	South Building	Sidney R. Yates Building
1981	NA 1/	NA 1/	NA 1/	NA 1/
1982	NA 1/	NA 1/	NA 1/	NA 1/
1983	$1,859,496	$461,608	$14,225,076	$558,240
1984	2,077,284	520,032	14,320,032	651,480
1985	4,009,740	833,448	14,320,032	1,287,040
1986	4,030,348	838,208	14,146,532	1,287,040
1987	4,143,192	1,016,304	24,520,656	NA 2/
1988	4,873,616	1,195,652	28,546,320	NA 2/
1989	4,945,876	1,079,164	29,125,304	NA 2/
1990	5,057,796	1,208,180	29,677,452	2,266,420
1991	5,241,095	1,259,653	30,871,540	2,531,864
1992	5,736,322	1,346,795	33,473,685	3,443,770
1993	6,083,883	1,428,235	35,498,563	3,652,899
1994	6,235,795	1,463,717	36,383,590	3,745,102
1995 3/	6,117,877	1,435,956	35,691,417	3,702,278
1996 3/	6,245,408	1,465,915	36,443,590	3,772,519
1997 3/	6,245,408	1,465,915	36,443,590	3,772,519
1998 3/	N/A 4/	N/A 4/	N/A 4/	3,767,562
1999 3/	N/A 4/	N/A 4/	N/A 4/	3,890,869

Notes:

1. Prior to the creation of the Rental Payments to GSA Appropriation in fiscal year 1983, agencies were individually charged for space and a Departmental Administration level is not available.
2. The Yates Building was vacated for renovation from 1987 until 1989.
3. Beginning in fiscal year 1995, USDA no longer pays GSA the value of the rent charged for the DC Complex.
4. During USDA's South Building Renovation Project, GSA has suspended rent charges for the Whitten Building, Cotton Annex Building, and South Building.

BELTSVILLE OCCUPANCY

Mr. Skeen: Which agencies have moved or will move to the Beltsville facility?

Response: The agencies which occupy the Beltsville facility include staff from: the Agricultural Research Service, Natural Resources Conservation Service, Food Safety and Inspection Service, Office of Inspector General, Departmental Administration, and the Service Center Implementation Team. The Carver Center is almost fully occupied and any further moves would be with agencies currently occupying the facility.

RENTAL PAYMENTS AND GSA REPAIR COSTS

Mr. Skeen: Update the table provided for last year's hearing record showing the amount of rental payments made to GSA, and the amount spent by GSA for repairs from fiscal years 1990 to 1999.

[The information follows:]

Rental Payments to GSA 1/	
$44,788,846	1990
46,120,802	1991
45,679,002	1992
44,932,917	1993
84,465,408	1994
90,762,069	1995
91,047,992	1996
100,149,713	1997
98,085,340	1998
107,797,000	1999

1/ Note: These figures reflect the rental payments for the entire Department of Agriculture Nationwide (National Capital Region owned and leased space and field office locations owned and leased space).

Estimated Costs for Repair Contracts Awarded by GSA - FY 1990-1999 2/

Jamie L. Whitten Building	$3,759,518
Annex Building	2,033,605
Sidney R. Yates Building (Renovation included)	13,363,236
Sidney R. Yates Building - Site Improvements	1,248,725
South Building	6,570,167
West Auditors Bldg (Removed from USDA inventory in 1998)	680,000
Total Estimate	27,655,251

2/ Note: The estimated cost for GSA repair contracts is unchanged from last year.

OBJECT CLASSIFICATION 25.2 OTHER SERVICES

Mr. Skeen: Please explain the almost $32 million requested increase in Object Classification 25.2, Other Services.

Response: The largest portion of the increase is $26 million which is requested to continue the Congressionally approved South Building Renovation Project. Phase I of the 10 year project is nearing completion, however, no funds were provided in fiscal year 2000, so continuation has been delayed. The renovation project will address problems such as electrical malfunctions, poor air quality, lead paint and numerous code violations. Renovation is essential to avoid further deterioration of the building and its major systems, to eliminate serious fire and health hazards, and to provide modern efficient mechanical and electrical systems. Continued delays in funding will mean that there will be increased safety and health risks to USDA employees, and increased leasing and annual maintenance costs.

An increase of $5,230,000 is also included in this object code to bring the entire physical security program for the Department under the direct appropriation in fiscal year 2001.

The remainder of the total increase will cover pay cost increases and increases associated with the Fair Labor and Service Contract Acts.

CARRY OVER FROM FISCAL YEAR 1999

Mr. Skeen: How much was carried over from fiscal year 1999 in the Agriculture Buildings and Facilities and Rental Payments account?

Response: The Agriculture Buildings and Facilities and Rental Payments appropriation carried over $11,082,869 from fiscal year 1999.

ANALYSIS OF CURRENT SPACE INVENTORY

Mr. Skeen: When do you expect to complete the analysis of the current space inventory?

Response: Barring any unforeseen circumstances, we anticipate having the analysis of the current space inventory completed by the end of fiscal year 2000.

ADVISORY COMMITTEE STAFF COSTS

Mr. Skeen: USDA agencies are allowed to obligate funds for portions of salaries and benefits for staff time devoted to support advisory committees. Update the table from last year's testimony, showing the breakout of funds obligated for this purpose by agency.

[The information follows:].

ADVISORY COMMITTEE STAFF COSTS
Fiscal Year 1999
(In thousands of dollars)

Agency	Salaries	Benefits	Total
Agricultural Research Service	$18	$3	$21
Cooperative State Research, Education, and Extension Service	28	4	32
National Agricultural Statistics Service	5	1	6
Animal and Plant Health Inspection Service	3	1	4
Foreign Agricultural Services	80	79	159
Farm Service Agency	323	0	323
Food and Nutrition Service	19	4	23
Total, All Agencies	476	92	568

ADVISORY COMMITTEES FUNDED FROM OTHER SOURCES

Mr. Skeen: Provide an update of the table from last year's hearing record that lists all committees funded through other accounts. Also, explain any additions or deletions to the table.

[The information follows:].

USDA ADVISORY COMMITTEES FUNDED FROM FOREST SERVICE

Committee Title	2000 Estimate
Blue Mountains	$500
Allegheny National Forest:	
Northern	0
Southern	0
California Spotted Owl Federal Advisory Board	0
Committee of Scientists	0
Committee of State Foresters	0
Intergovernmental Advisory Committee	158,265
Lake Tahoe Basin Advisory Committee	64,180
National Urban and Community Advisory Committee	133,000
Provincial Advisory Committees	606,547
Wildcat River Advisory Committees	0
(Committees included in Wildcat River Committees):	
Brule River Study Committee	0
Carp River Study Committee	0
Little Manistee River Study Committee	0
Ontonagon River Study Committee	0
Paint River Study Committee	0
Preque Isle River Study Committee	0
Tahquamenon River Study Committee	0
Sturgeon River (Hiawatha National Forest) Study Committee	0
Sturgeon River (Ottawa National Forest) Study Committee	0
Whitefish River Study Committee	0
White River Study Committee	0
Total, Forest Service	962,492

USDA ADVISORY COMMITTEES FUNDED FROM COMMODITY CREDIT CORPORATION

Committee Title	2000 Estimate
Advisory Committee on Emerging Markets	$30,050
Commission on 21st Century Production Agriculture	347,350
Total, Commodity Credit Corporation	377,400

USDA ADVISORY COMMITTEES FUNDED FROM USER FEES

Committee Title	2000 Estimate
Advisory Committee on Universal Cotton Standards	$11,000
Burley Tobacco Advisory Committee	43,300
Flue-Cured Tobacco Advisory Committee	33,653
National Advisory Committee for Tobacco Inspection Services	51,953
Plant Variety Protection Advisory Board	16,000
Total, User Fees	155,906

Hazardous Materials

PERFORMANCE GOALS

Mr.Skeen: Please report on the Department's accomplishments in terms of its hazardous waste management performance goals in 1999.

Response: This table reflects goals and accomplishments reported in our Annual Program Performance Report for fiscal year 1999.

[The information follows:]

Summary of Fiscal Year 1999 Performance Goals and Accomplishments

Performance Measure	Goal	Completed	Percent of Goal
Number of sites assessed/characterized on the need for cleanup	54	53	98%
Number of removal and remediation plans completed	13	9	69%
Number of removal and remedial actions completed	17	36	212%
Number of underground storage tank (UST) cleanups completed	3	6	200%
Number of cleanup/restoration agreements with Potentially Responsible Parties (PRPs)	20	7	35%
Estimated value of cost recovery and cleanup/restoration work performed by PRPs	$30 million	$34 million	113%
Number of pollution prevention (P2) projects completed	3	13	433%
5-year goal of cleaning up 150 sites (1998-2002)	150	101 (1998 + 1999)	67%

The following table presents an overview of the full program of work for the Hazardous Materials Management Program--HMMP--in fiscal year 1999.

[The information follows:]

Summary of Fiscal Year 1999 HMMP Program of Work

	Status of Projects When Fiscal Year 1999 Ended		
Indicator Group	Number of Activities Completed	Unfinished/Ongoing Project Activities[2]	FY 1999 Obligated Amount[2]
Investigations	53	90	$7,842
Cleanups	36	72	$3,177
Natural Resource Damage	-	4	$68
Enforcement Support	14	17	$287
UST Cleanups	6	24	$661
P2 & Env. Audit	16	5	$208
Legal Services	n/a[3]	n/a	$1,060
Program Management	n/a	n/a	$2,835
Totals[4]	**125**	**212**	**$16,138**

[1] Includes all ongoing work, without regard to funding source

[2] All values in $000.0s, as reported by agencies

[3] Not applicable

[4] Total includes reported obligation of prior year carryover

FUNDING FOR CERCLA, RCRA, AND POLLUTION PREVENTION

Mr. Skeen: Please provide tables showing the individual budgets for fiscal years 1999 and 2000 for complying with the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), and the Pollution Prevention Act (PPA).

Response: The following tables reflect the fiscal year 1999 and 2000 budgets for complying with CERCLA, RCRA, and the Pollution Prevention Program--P2.

USDA Hazardous Materials Management Central Account Funds
(in thousands of dollars)

	FY 1999 Actual				FY 2000 Estimate			
Agency	**CERCLA**	**RCRA**	**P2**	**Total**	**CERCLA**	**RCRA**	**P2**	**Total**
Commodity Credit Corporation	$3,000	0	0	$3,000	$2,950	0	0	$2,950
Rural Housing Service	75	0	0	75	50	0	0	50
Forest Service	5,955	$895	$50	6,900	6,270	$480	0	6,750
Agricultural Research Service	3,423	243	0	3,666	2,790	560	0	3,350
Farm Service Agency	0	0	0	0	60	40	0	100
Office of the General Counsel*	1,379	0	0	1,379	1,350	0	0	1,350
Animal & Plant Health Inspection Service	0	0	0	0	130	70	0	200
Hazardous Materials Management Group	400	25	25	450	680	25	25	730
Food Safety and Inspection Service	0	100	130	230	0	100	120	220
Total	**$14,232**	**$1,263**	**$205**	**$15,700**	**$14,280**	**$1,275**	**$145**	**$15,700**

* All legal services related to CERCLA, RCRA, and pollution prevention compliance requirements and legal defense activities.

UNDERGROUND STORAGE TANKS

Mr. Skeen: What is the status of the work on underground storage tanks? How many of the storage tanks that the Department is responsible for still need to be addressed? What are the total and remaining costs to fully comply with RCRA?

Response: As of the December 22, 1998, compliance deadline, all USDA agencies reported that the underground storage tanks--USTs--they own and operate are in substantial compliance with the applicable requirements. However, we continue to incur two types of expenses for UST cleanup compliance: 1) cleaning up contamination, and performing environmental monitoring from removal of leaking USTs; and 2) removing uninventoried USTs which may be discovered and cleaning up associated contamination. All USTs in category one have now been removed. However, cleanups and monitoring at twenty-four UST sites, generally one or two at individual USDA facilities, remain to be completed. These sites are located in California--3, Florida--4, Iowa--1, Minnesota--2, New York--2, Oregon--1, and Texas--11. Two 4000-gallon USTs in the second category were recently discovered in Florida. These are now being addressed.

Nearly $1.3 million in HMMA and agency funds were spent on leaking UST cleanups and monitoring in fiscal year 1999. In fiscal year 2000, $1.275 million in HMMA funds has been allocated for UST cleanups and monitoring. The fiscal year 2001 HMMA request of $630,000 is for continuing or completing leaking UST cleanups.

COMPLIANCE WITH STATE LAWS

Mr. Skeen: The Federal Facility Compliance Act establishes that Federal facilities must comply with State environmental laws and could be obligated to pay fines and penalties for non-compliance. Provide a list of all USDA facilities that are not in compliance with State Laws. Include in this list the project location, the deadline for compliance, and the total cost of compliance.

Response: USDA has the following five sites which are responding to complaints or notices of violation for non-compliance with hazardous waste requirements of RCRA:

The Agricultural Research Service--ARS--facility at the Plum Island Animal Disease Center--PIADC, Greenport, New York on February 18,1999, entered into a Consent Agreement and Consent Order--CA/CO--with the Environmental Protection Agency--EPA--for violations of RCRA hazardous waste laws. In conjunction with the CA/CO, the New York State Department of Environmental Conservation--NYSDEC--is overseeing the investigation and cleanup of hazardous waste sites. To offset a portion of the fine, PIADC has agreed to undertake a supplemental environmental project--SEP--in which the former wastewater treatment plant lagoons will be converted into a viable, self-sustaining wetlands habitat. The total estimated cost of compliance for this project is $2.6 million.

The ARS facility at PIADC, Greenport, New York on May 26, 1998, received a letter from the NYSDEC requesting the facility enter into a Stipulation Agreement --SA--to remediate petroleum contamination at a former underground storage tank farm. PIADC is currently developing a Corrective Action Plan--CAP--and intends to enter into an SA once the CAP is approved. The total estimated cost of compliance for this project is $1.3 million.

The ARS facility at the Stored Product Insects Research Development Laboratory --SPIRDL, Savannah, Georgia in fiscal year 1997 entered into a Consent Order --CO--with the State for violations of RCRA hazardous waste laws. The CO included a RCRA penalty of $2,998 negotiated down from a proposed fine of

$50,000. ARS is currently meeting the milestones of the order; and, based on the time lines, estimates final cleanup of the property may be completed in fiscal year 2002. The time frame depends upon the extent of contamination, which is yet to be determined, as well as the review time that the State of Georgia requires for the various phases of the cleanup. Additionally, the State may require that the site be monitored following the cleanup. The total estimated cost of compliance for this project is $1.4 million.

The ARS Facility at the USDA Horticultural Research Center, St. Lucie, Florida entered into a Consent Agreement--CA--with the South Florida Water Management District for violations of a wetlands permit. During construction of a farm site, an ARS contractor inadvertently deposited silt into a wetlands area while draining a canal. Because the permit was in the Agency's name, the District rejected a proposal to issue the Notice of Violation directly to the contractor. Corrective actions have been conducted to the District's satisfaction. To complete the settlement, USDA paid a penalty of $4,618, negotiated down from $10,000. ARS has received reimbursement from the contractor under the terms of the contract for both the cleanup costs and the penalty.

At the Quenado tick dipping site in Maverick County, Texas, APHIS received in December 1998 a proposed Agreed Order from the Texas National Resource Conservation Commission--TNRCC--concerning alleged non-compliance with State requirements relating to the management and disposal of industrial solid waste used in livestock dipping operations. The APHIS tick eradication program is operated cooperatively with the State and County governments. The TNRCC proposed order would require APHIS, the Texas Animal Health Commission--TAHC, and Maverick County to implement a facility operations plan, investigate possible contamination, conduct a cleanup of contaminated areas, and pay stipulated penalties in the event of failure to comply with the order. Negotiations with TNRCC, TAHC, and Maverick County are ongoing.

In fiscal year 1997, the State of Colorado issued a RCRA compliance advisory to the Forest Service--FS--at Woodland Park Work Center. The FS negotiated and signed a Compliance Order on Consent. The FS agreed to 1) conduct a soil study at the site; 2) conduct a groundwater study at and around the site; and, 3) conduct a region-wide training program. Contracts have been awarded for this work and the project is nearing completion.

SALARIES AND BENEFITS

Mr. Skeen: The Forest Service and other USDA agencies charge this account for salaries and benefits of staff hours devoted to hazardous waste management activities. Provide a table showing the amount charged to this account for these activities for fiscal years 1998 and 1999 and estimates for fiscal year 2000.

Response: The amounts charged for salary and benefits by the Forest Service, Office of the General Counsel, and Hazardous Materials Management Group represent all salaries and benefits charged to the central account for program management and in-house work for RCRA/CERCLA activities such as investigations, contract administration, compliance counseling, negotiations and settlements with potentially responsible parties--PRPs, and oversight of agency managed and PRP performed cleanup work. Provide for the record is a table of those amounts.

[The information follows:]

SALARIES AND BENEFITS FOR HAZARDOUS MATERIALS MANAGEMENT
(Dollars in Thousands)

Fiscal Year	Forest Service	Office of the General Counsel	HMMG	Total
1998	$2,509*	$760	-	$3,269
1999	2,987*	$937	-	$3,924
2000 (est)	$2,900	$1,190	$518	$4,608

* Includes the Hazardous Materials Management Group (HMMG), which became a stand-alone organization at the end of fiscal year 1999.

SALARIES/BENEFITS AND CLEANUP COSTS

Mr. Skeen: How much of the fiscal year 1999 appropriation was used for salaries and benefits and how much was used for actual hazardous waste cleanup activities?

Response: In fiscal year 1999, $3.9 million was used for salary and benefits for program management and in-house technical and legal work for RCRA/CERCLA activities such as investigations, contract administration, compliance counseling, negotiations and settlements with potentially responsible parties -- PRP, and oversight of agency managed and PRP performed cleanup work. The remaining $11.8 million was applied to the other allowable costs of investigation and cleanup. The salary and benefit costs for the Forest Service, the Hazardous Materials Management Group, and Office of the General Counsel-supported negotiation of settlement agreements with PRPs who paid for or performed cleanup work with an estimated value of over $34,000,000.

AGENCY SUPPORT

Mr. Skeen: Provide a table showing the sources of funding by agency for Hazardous Materials Management for fiscal years 1999 through 2001.

Response: The following table summarizes the preliminary estimates proposed by each agency for the use of agency funds and the central account funds.

[The information follows:]

TOTAL USDA HAZARDOUS MATERIALS MANAGEMENT FUNDS
(Dollars in Thousands)

	FY 1999			FY 2000			FY 2001		
Agency	HMM Central Account	Agency Funding	Total	HMM Central Account	Agency Funding	Total	HMM Central Account	Agency Funding	Total
Commodity Credit Corporation	$3,000	$5,000	$8,000	$2,950	$5,000	$7,950	$8,450	$4,950	$13,400
Forest Service	6,900	9,000	15,900	6,750	10,272	17,022	11,715	9,915	21,630
Agricultural Research Service	3,666	0	3,666	3,350	4,634	7,984	6,115	4,814	10,929
Farm Service Agency, Farm Credit Programs	0	1,000	1,000	100	$1,000*	1,100	140	375	515
Animal and Plant Health Inspection Service	0	0	0	200	160	360	230	230	460
Food Safety and Inspection Service	230	0	230	220	0	220	230	0	230
Rural Housing Service	75	95	170	50	60	110	150	60	210
Office of the General Counsel	1,379	0	1,379	1,350	0	1,350	1,813	0	1,813
Hazardous Materials Management Group	450	0	450	730	0	730	1,230	0	1,230
Total, USDA HMM Funds	$15,700	$15,095	$30,795	$15,700	$21,126	$36,826	$30,073	$20,344	$50,417

*Estimates are roughly $1 to 2 million dollars.

FORECLOSURES REQUIRING CLEANUP

Mr. Skeen: How many foreclosures in the FSA inventory require cleanup action and what is the cost to comply with the law? Please describe for us the steps that are being taken to recover these costs and tell us how successful they have been.

Response: Approximately 75 properties of the 730 in inventory are currently undergoing some level of cleanup. It is estimated that about 95 percent of the current inventory properties have had site assessments sufficient to identify the source and level of contamination from releases of hazardous substances. The Farm Service Agency--FSA--has about 1,300 accounts with foreclosure actions pending. These properties are evaluated for the presence of hazardous substances before finalizing a foreclosure action. A certain number of these properties may require some level of response action.[1] It is difficult to estimate future cleanup costs until after the site evaluations are completed. However, a very rough estimate is $1 to $2 million.

At this time, FSA has no sites where a borrower has been identified as a financially viable potentially responsible party with assets available for cost recovery under CERCLA. Since these properties have been obtained because of non-payments on the loan, the Agency has not pursued cost recovery for the expenses incurred for the cleanup of hazardous substances on an inventory property. In these cases, the PRP simply would not be a viable party with respect to providing the funding to complete the work. The Agency will pursue CERCLA cost recovery if it appears that such an action is practical. In the event a cost recovery action is pursued, FSA will follow the requirements established by CERCLA and the National Contingency Plan.

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[1] The Asset Conservation, Lender Liability, and Deposit Insurance Protection Act of 1996 amended the definition of an owner or operator under CERCLA to exclude from liability a lender that did not participate in the management of the property prior to foreclosure, and after foreclosure, seeks to sell or lease the property within a commercially reasonable time frame. The Act also codified that portion of the 1992 EPA Lender Liability Rule pertaining to involuntary acquisitions by government entities that had been struck down previously by the D.C.Circuit Court. The Asset Conservation Act also amended Section 9003(n)(9) of RCRA, which provides a secured creditor exemption pertaining to USTs, and codified the 1995 EPA UST Lender Liability Rule. The new lender liability provisions may apply when USDA forecloses on defaulting borrowers under FSA credit programs and therefore reduce the amount of corrective action undertaken by FSA.

USDA SITE CLEANUPS

Mr. Skeen: Please update the list provided to the Committee last year of all sites that have been identified for cleanup, the total cost involved, and the expected completion dates?

Response: The following listing includes the agency projects which comprise the fiscal year 2001 needs totaling $50.417 million, with $30.073 million in the HMMA request and agency commitments of $20.344 million. At your request, we can furnish a revised listing when final allocation of fiscal year 2001 funding is made.

[The information follows:]

USDA Hazardous Materials Management Program Summary

FY 2001 Budget Request, By Agency Priority

All Amounts in $000.0's

Agency	Region	Facility Name	City	State	Project/Activity Name/Description	FED-PLAN Class	FED-PLAN Status	FED-PLAN Priority Code	Program	Sub-Program	Activity Code	OBPA Crosscut Category	Indicator Group	Performance Goal	FY2001 HMMA Funding Request	FY2001 non-HMMA Funding Request	FY2001 Agency Rank	Expected Status When FY2001 Starts	Goal for Status When FY2001 Ends
APHIS	CR	Moore Air Base	McAllen	TX	Preliminary assessment/site inspection	1	ESDP	H	SFND	P	PASI	ompliance	1	1	$ 80.0	$ 80.0	1	O	F
APHIS	CR	Moore Air Base	McAllen	TX	Dip-Vat Assessments - Multiple Installations	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 150.0	$ 150.0	2	O	O
APHIS Total															$ 230.0	$ 230.0	1		
ARS	BA	Beltsville Agricultural Research Cente	Beltsville	NAA	Removal action	1	CMPA	H	SFND	I	RMVA	Cleanup	2	1	$ 3,300.0		1	O	O
ARS	NAA	Plum Island Animal Disease Center	Orient Point	NY	RCRA closure activities	1	CMPA	H	RCRC	I	CLOS	Compliance	2	1	$ 100.0		2	O	O
ARS	BA	Beltsville Agricultural Research Cente	Beltsville	MD	Remedial investigation/feasibility study	1	CMPA	H	SFND	P	RIFS	Cleanup	1	1	$ 600.0		3	O	O
ARS	SAA	Stored Products Insects R & D	Savannah	GA	RCRA corrective action	1	INOV	H	RCRC	I	CORA	Compliance	2	1	$ 130.0		4	O	O
ARS	NAA	Plum Island Animal Disease Center	Orient Point	NY	Site screening and RI/FS	1	INOV	H	SFND	P	RIFS	Cleanup	1	1	$ 900.0		5	O	O
ARS	NAA	Plum Island Animal Disease Center	Orient Point	NY	Leaking UST cleanup	1	CMPA	H	RCRI	I	USTC	Cleanup	2	1	$ 100.0		6	O	O
ARS	MWA	National Animal Disease Center	Ames	IA	Removal action	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 100.0		7	O	F
ARS	MWA	National Animal Disease Center	Ames	IA	Leaking UST cleanup	1	ESDP	H	RCRI	I	USTC	Cleanup	2	1	$ 100.0		8	O	F
ARS	BA	Beltsville Agricultural Research Cente	Beltsville	MD	Remedial action	1	CMPA	H	SFND	I	REMA	Cleanup	2	1	$ 50.0		9	O	O
ARS	BA	Beltsville Agricultural Research Cente	Beltsville	MD	UST removal/cleanup	1	ESDP	H	RCRI	I	USTC	Cleanup	2	1	$ 75.0		10	O	O
ARS	BA	Beltsville Agricultural Research Cente	Beltsville	MD	P2 upgrades to scientific equipment	2	ESDF	H	PRVN	I	POLP	Other	7	2	$ 250.0		11	N	O
ARS	MWA	National Center for Ag Utilization Res	Peoria	IL	Pollution prevention implementation activities	2	ESDF	M	PRVN	I	POLP	Other	7	2	$ 100.0		12	N	O
ARS	MWA	National Animal Disease Center	Ames	IA	Pollution prevention implementation activities	2	ESDF	M	PRVN	I	POLP	Other	7	2	$ 125.0		13	N	O
ARS	BA	Beltsville Agricultural Research Cente	Beltsville	MD	Interim remediation for WW treatment	2	ESDF	M	PRVN	I	POLP	Other	7	2	$ 80.0		14	N	F
ARS	NAA	Plum Island Animal Disease Center	Orient Point	NY	Pollution prevention implementation activities	2	ESDF	M	PRVN	I	POLP	Other	7	2	$ 50.0		15	N	F
ARS	MWA	North Appalachian Experiment Water	Coshocton	OH	P2 solvent reduction activities	2	ESDF	M	PRVN	I	POLP	Other	7	2	$ 55.0		16	N	F
ARS	HQ	Beltsville Office Complex	Beltsville	MD	Agencywide HW Disposal & Recycling	1	ESDP	H	RCRC	I	DISP	cleanup	2	2		$ 1,000.0	10	O	O
ARS	HQ	Beltsville Office Complex	Beltsville	MD	Agencywide Related Emergency Spill Response	1	PPAC	H	SFND	I	RMVA	cleanup	2	1		$ 55.0	10	O	O
ARS	HQ	Beltsville Office Complex	Beltsville	MD	Agencywide environmental program management	2	ESDF	M	PGMT	M	PGMT	other	9	2		$ 3,759.0	10	O	O
ARS Total															$ 6,115.0	$ 4,814.0	1		
FS	01	Northern Region - Region 1	Missoula	MT	Environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 50.0		10	O	O
FS	01	Northern Region - Region 1	Missoula	MT	MT-DEQ project coordination	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 100.0		10	O	O
FS	01	Northern Region - Region 1	Missoula	MT	Mine PRP searches	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 50.0		10	O	O
FS	01	Northern Region - Region 1	Missoula	MT	Regionwide mine EE/CA's	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 100.0		10	O	O
FS	01	Northern Region - Region 1	Missoula	MT	Regionwide PA/SI (Est. 4/yr) - removal SI's	1	ESDP	H	SFND	P	PASI	ompliance	1	1	$ 200.0		10	O	O
FS	01	Beaverhead-Deerlodge NF	Dillon	MT	Elkhorn Mine reclamation	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 30.0		10	O	F
FS	01	Idaho Panhandle NF	Coeur d'Alene	ID	Gold Creek Mines (Oversite)	1	ESDP	H	SFND	I	OVRS	Cleanup	9	1	$ 50.0		10	O	O
FS	01	Northern Region - Region 1	Missoula	MT	Post-Removal monitoring -- regionwide	1	ESDP	H	SFND	I	OPLM	Compliance	2	1	$ 100.0		10	O	O
FS	01	Lolo NF	Missoula	MT	Nancy Lee Mine Removal	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 450.0		1	O	O
FS	01	Helena NF	Helena	MT	Little Blackfoot Watershed(Ohnizno Mine)	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 1,000.0		4	O	O
FS	01	Beaverhead-Deerlodge NF	Butte	MT	Spring Creek tailings (Emery Mine) Removal	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 500.0		6	O	F
FS	01	Beaverhead-Deerlodge NF	Butte	MT	Boulder Creek Watershed (Nonpanel Mine)	1	ESDP	H	SFND	P	RMVD	Cleanup	1	1	$ 625.0		7	O	F
FS	01	Beaverhead-Deerlodge NF	Butte	MT	Butlon & Chrystal Mines	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 650.0	8	O	O
FS	01	Idaho Panhandle NF	Coeur d'Alene	ID	Gold Creek,Conjecture Mine	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 450.0		9	O	O
FS	01	Helena NF	Helena	MT	Terrmile Creek,Peerless-Jenny Mine	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 675.0	11	O	O
FS	01	Idaho Panhandle NFs	Coeur d'Alene	ID	Paragon Cr Watershed - Various Mines	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 800.0	14	O	O
FS	01	Lolo NF	Missoula	MT	Tarbox Mine EE/CA and Removal	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 625.0	15	O	F
	01 Total														$ 3,705.0	$ 2,950.0	1		
FS	02	Regional Forester - Region 2	Lakewood	CO	Environmental Program Management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 50.0		10	O	O
FS	02	Regional Forester - Region 2	Lakewood	CO	Regionwide EDB Cleanup	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 200.0		10	O	O
FS	02	Regional Forester - Region 2	Lakewood	CO	Upper Animas Watershed Mines (Est 4/yr)	1	ESDP	H	SFND	P	PASI	ompliance	1	1		$ 200.0	10	O	O
FS	02	Regional Forester - Region 2	Lakewood	CO	Regionwide PRP Searches (cost rec, st supp FY0	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 50.0		10	O	O
FS	02	Regional Forester - Region 2	Lakewood	CO	Regionwide EE/CAs (Est 5)	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 100.0		10	O	O
FS	02	Regional Forester - Region 2	Lakewood	CO	Regionwide PA/SI (Est 4/yr)	1	ESDP	H	SFND	P	PASI	ompliance	1	1	$ 200.0		10	O	O
FS	02	Gunnison NF	Delta	CO	Roper Penta Site Cleanup investigation	1	ESDP	H	SFND	P	PASI	ompliance	1	1	$ 250.0		10	O	F
FS	02	Black Hills NF	Custer	SD	Elk Mt. Uranium Mine (Blue Lagoon & Area)	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 200.0		16	O	F
FS	02	Gunnison NF	Delta	CO	Standard Mine	1	ESDP	H	SFND	P	RMVD	Cleanup	1	1		$ 200.0	23	O	F
FS	02	Rio Grande NF	Monte Vista	CO	Bonanza Mine Removal & Minnie Lynch Adit	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 100.0	41	O	F
	02 Total														$ 1,050.0	$ 500.0	1		
FS	03	Coronado NF	Tucson	AZ	Sabino Canyon Shooting Range monitoring	1	ESDP	H	SFND	I	OPLM	Compliance	2	1	$ 10.0		10	O	O
FS	03	Region 3	Albuquerque	NM	Environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 50.0		10	O	O
FS	03	Cibola NF	Albuquerque	NM	San Mateo Mine	1	ESDP	H	SFND	I	OVRS	Cleanup	9	1	$ 10.0		10	O	O

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FS	03	Coconino NF	Flagstaff	AZ	Jordan Road shooting range	1	ESDF	H	SFND	I	OPLM	Compliance	2	1	$ 100		10	O	O
FS	03	Coronado NF	Tucson	AZ	Mansfield Canyon mainspring	1	ESDF	H	SFND	I	OPLM	Compliance	2	1	$ 100		10	O	O
FS	03	Region 3	Albuquerque	NM	Regionwide PA Sts	1	ESDF	H	SFND	P	PASI	ompliance	1	1	$ 200		10	O	O
FS	03	Region 3	Albuquerque	NM	Regionwide PRP searches	1	ESDF	H	SFND	P	ENFS	Other	4	1	$ 50		10	O	O
FS	03	Region 3	Albuquerque	NM	Regionwide EE/CAs (Silver Cloud and Patagonia	1	ESDF	H	SFND	P	EECA	Cleanup	1	1	$ 100		10	O	O
FS	03	Santa Fe NF	Santa Fe	NM	Nacimiento Mine removal	1	ESDF	H	SFND	I	RMVA	Cleanup	2	1	$ 300		10	O	O
FS	03	Region 3	Albuquerque	NM	Regionwide NRDA (PAS)	1	ESDF	H	SFND	P	NRDA	Other	3	1	-	$ 50	10	O	O
FS	03	Carson NF	Taos	NM	Red River watershed (Bitter and Placer Creek Mi	1	ESDF	H	SFND	I	RMVA	Cleanup	2	1	$ 750		5	O	O
FS	03	Cibola NF	Albuquerque	NM	Rusendale mine site - Removal	1	ESDF	H	SFND	I	RMVA	Cleanup	2	1			21	O	O
FS	03	Tonto NF	Phoenix	AZ	Promontory Butte Uranium Mine EE/CA	1	ESDF	H	SFND	P	EECA	Cleanup	1	1		$ 75	24	O	F
FS	03	Tonto NF	Phoenix	AZ	Ratner (Duncan) Millsite Mine Removal	1	ESDF	H	SFND	I	RMVA	Cleanup	2	1		$ 300	28	O	F
FS	03	Gila NF	Silver City	NM	Silver Creek mining district	1	ESDF	H	SFND	P	EECA	Cleanup	1	1		$ 125	31	O	O
FS	03	Prescott NF	Prescott	AZ	Turkey Creek Watershed EE/CA	1	ESDF	H	SFND	P	EECA	Cleanup	1	1		$ 125	36	O	F
FS	03	Carson NF	Taos	NM	Esperanza Mine EE/CA	1	ESDF	H	SFND	P	EECA	Cleanup	1	1		$ 50	44	O	F
FS	03	Santa Fe NF	Santa Fe	NM	Jones Hill Angelo Mine Machin Canyon Watershed	1	ESDF	H	SFND	P	PASI	ompliance	1	1		$ 50	47	O	F
FS	03	Santa Fe NF	Santa Fe	NM	Illegal Dumps Laughlin	3	ESDF	H	SFND	P	PASI	ompliance	1	1		$ 50	50	O	O
	03 Total														$ 1,490	$ 825	1		
FS	04	Salmon-Challis NF	Salmon	ID	Goldstone Mine	1	ESDF	H	SFND	P	OVRS	Cleanup	9	1	$ 25		10	O	O
FS	04	Sawtooth NF	Twin Falls	ID	Bassel Gulch Mine	1	ESDF	H	SFND	I	OVRS	Cleanup	9	1	$ 25		10	O	O
FS	04	Salmon Challis NF	Salmon	ID	Blackbird Mine NRDA & RI/FS work	1	OVRS	H	SFND	I	OVRS	Cleanup	9	1	$ 100		10	O	O
FS	04	Payette NF	McCall	ID	Stibnite Mine	1	ESDF	H	SFND	P	NRDA	Other	3	1		$ 100	10	O	O
FS	04	Intermountain Region - Region 4	Ogden	UT	Environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 50		10	O	O
FS	04	Intermountain Region - Region 4	Ogden	UT	Watershed cleanup initiative	1	ESDF	H	SFND	P	STID	Other	1	1		$ 200	10	O	O
FS	04	Intermountain Region - Region 4	Ogden	UT	Regionwide PRP search	1	ESDF	H	SFND	P	ENFS	Other	4	1	$ 50		10	N	O
FS	04	Intermountain Region - Region 4	Ogden	UT	Regionwide EE/CAs (3 mines)	1	ESDF	H	SFND	P	EECA	Cleanup	1	1	$ 100		10	O	O
FS	04	Boise NF	Boise	ID	Missouri Mine Adit/Ore Dump Mill Tailings	1	ESDF	H	SFND	I	OPLM	Compliance	2	1	$ 25		10	O	F
FS	04	Humboldt-Toiyabe NF	Elko	NV	Apex Mine radiation testing	1	ESDF	H	SFND	P	OVRS	Cleanup	9	1	$ 25		10	O	F
FS	04	Intermountain Region - Region 4	Ogden	UT	WO Funds for Blackbird settlement	2	ESDF	H	PGMT	M	FUND	Other	9	1	$ 25		10	O	O
FS	04	Salmon-Challis NF	Salmon	ID	Harmony Mine	1	ESDF	H	SFND	I	OVRS	Cleanup	9	1	$ 25		10	O	O
FS	04	Humboldt-Toiyabe NF	Elko	NV	Zaca Mine PRP work	1	ESDF	H	SFND	I	OVRS	Cleanup	9	1	$ 25		10	O	F
FS	04	Uinta NF	Provo	UT	Pacific Mine (Am Fork Canyon) EE/CA	1	ESDF	H	SFND	P	OVRS	Cleanup	9	1	$ 25		10	O	F
FS	04	Humboldt-Toiyabe NF	Elko	NV	Levathan Mine removal	1	ESDF	H	SFND	I	RMVA	Cleanup	2	1	$ 50		10	O	O
FS	04	Caribou NF	Pocatello	ID	Mabey Canyon/Selenium	1	OVRS	H	SFND	I	OVRS	Cleanup	9	1	$ 80		10	O	O
FS	04	Humboldt-Toiyabe NF	Elko	NV	Levathan Mine NRDA	1	ESDF	H	SFND	P	NRDA	Other	3	1		$ 100	10	O	O
FS	04	Payette NF	McCall	ID	Stibnite Mine	1	ESDF	H	SFND	I	OVRS	Cleanup	9	1	$ 125		10	O	O
FS	04	Boise NF	Boise	ID	Monarch Mill Site	1	ESDF	H	SFND	I	RMVA	Cleanup	2	1		$ 200	10	O	O
FS	04	Intermountain Region - Region 4	Ogden	UT	Regionwide PA/SI (Est 4 yr)	1	ESDF	H	SFND	P	PASI	ompliance	1	1	$ 200		10	N	O
FS	04	Caribou NF	Pocatello	ID	Smokey Canyon Mine	1	ESDF	H	SFND	P	EECA	Cleanup	1	1	$ 200		37	O	O
FS	04	Caribou NF	Pocatello	ID	Worley Valley Mine	1	ESDF	H	SFND	P	EECA	Cleanup	1	1		$ 50	18	O	O
FS	04	Sawtooth NF	Twin Falls	ID	Livingston Mill Site	1	ESDF	H	SFND	P	EECA	Cleanup	1	1		$ 100	33	O	O
FS	04	Boise NF	Boise	ID	Deadwood Mine	1	ESDF	M	SFND	P	RMVA	Cleanup	2	1		$ 300	37	O	O
FS	04	Boise NF	Boise	ID	Banner Mine	1	ESDF	H	SFND	P	EECA	Cleanup	1	1	$ 75		49	O	O
	04 Total														$ 1,050	$ 1,050	1		
FS	05	Klamath NF	Yreka	CA	Oak Bottom landfill	3	ESDF	H	SFND	I	RMVA	Cleanup	2	1		$ 100	10	O	O
FS	05	Lake Tahoe Basin MU	South Lake Tahoe	CA	Meyers landfill	1	ESDF	H	SFND	I	OVRS	Cleanup	9	1		$ 100	10	O	O
FS	05	Shasta-Trinity NF	Redding	CA	Golinsky Mine	1	ESDF	H	SFND	I	REMA	Cleanup	2	1	$ 100		10	O	O
FS	05	Region 5	San Francisco	CA	Environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 50		10	O	O
FS	05	Region 5	San Francisco	CA	Regionwide PRP searches	1	ESDF	H	SFND	P	ENFS	Other	4	1	$ 50		10	O	O
FS	05	Plumas NF	Quincy	CA	Walker Mine Tailings	1	ESDF	H	SFND	L	REMA	Cleanup	2	1	$ 50		10	O	O
FS	05	Region 5	San Francisco	CA	Regionwide EE/CA's	1	ESDF	H	SFND	P	EECA	Cleanup	1	1	$ 100		10	O	O
FS	05	Region 5	San Francisco	CA	Regionwide Leaking UST cleanups	1	ESDF	H	RCRI	I	USTC	Cleanup	2	1	$ 255		10	O	O
FS	05	Region 5	San Francisco	CA	Regionwide PA/SI (Est 4 yr)	1	ESDF	H	SFND	P	PASI	ompliance	1	1	$ 200		11	O	O
FS	05	Klamath NF	Yreka	CA	Sisson Mine rehab	2	ESDF	H	SFND	P	PASI	ompliance	1	1	$ 47		11	O	O
FS	05	Klamath NF	Yreka	CA	Blizzard Hull Mine & waste dump	2	ESDF	H	SFND	P	PASI	ompliance	1	1	$ 47		11	O	O

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FS	05	Sierra NF	Fresno	CA	Meadow Lakes landfill AOC	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 5.0		1.0	O	O
FS	05	Plumas NF		CA	Ponderosa PCB Illegal Spill	1	ESDP	H	SFND	I	OVRS	Cleanup	9	1	$ 5.0		1.0	O	O
FS	05	Los Padres NF		CA	Deertail Mine cleanup	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 50.0		3	O	O
FS	05	Inyo NF		CA	Inyo Mine EE/CAs	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 35.0	38	O	O
FS	05	Los Padres NF		CA	Black Bob Mine	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 50.0	42	O	O
FS	05	Region 5		CA	Regionwide Landfill PA/SIs	1	ESDP	H	SFND	P	PASI	compliance	1	1		$ 55.0	45	O	O
FS	05	Region 5		CA	Regionwide Mine PA/SIs	1	ESDP	H	SFND	P	PASI	compliance	1	1		$ 195.0	48	O	O
FS	05	Region 5		CA	Regionwide Shooting Range PA/SIs	1	ESDP	H	SFND	P	PASI	compliance	1	1		$ 110.0	51	O	O
	05 Total														$ 860.0	$ 485.0	1		
FS	06	Fremont NF	Lakeview	OR	Lakeview UST cleanup	1	ESDP	H	RCRI	I	USTC	Cleanup	2	1	$ 50.0		1.0	O	O
FS	06	Fremont NF	Lakeview	OR	White King/Lucky Lass Mines	1	OVRS	H	SFND	I	OVRS	Cleanup	9	1	$ 200.0		1.0	O	O
FS	06	Regional Forester, Region 6	Portland	OR	Environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 50.0		1.0	O	O
FS	06	Regional Forester, Region 6	Portland	OR	Regional PRP searches	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 50.0		1.0	O	O
FS	06	Regional Forester, Region 6	Portland	OR	Regionwide PAS (NRDA)	1	ESDP	H	SFND	P	NRDA	Other	3	1	$ 50.0		1.0	O	O
FS	06	Wenatchee NF	Wenatchee	WA	Holden Mine oversight	1	OVRS	H	SFND	I	OVRS	Cleanup	9	1	$ 150.0		1.0	O	O
FS	06	Regional Forester, Region 6	Portland	OR	Regionwide PA/SI (Est. 4/yr)	1	ESDP	H	SFND	P	PASI	compliance	1	1	$ 200.0		1.0	O	O
FS	06	Mt. Baker Snoqualmie NF	Mountlake Terrace	WA	Cashman Mill Site	1	OVRS	H	SFND	I	OVRS	Cleanup	9	1	$ 85.0		1.0	O	F
FS	06	Ochoco NF	Prineville	OR	Multiple/ode Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 200.0	1.0	O	F
FS	06	Wallowa Whitman NF	Baker	OR	Temperance Creek Clean up	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 200.0		10	O	F
FS	06	Fremont NF	Lakeview	OR	Lakeview Retardant Base	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 250.0	19	O	O
FS	06	Fremont NF		OR	Paisley Compound cleanup	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 300.0	20	O	O
FS	06	Willamette NF	Eugene	OR	Sweethome Work Center	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 100.0	25	O	F
	06 Total														$ 1,035.0	$ 850.0	1		
FS	08	Southern Region, Region 8	Atlanta	GA	Regionwide PAS (NRDA)	1	ESDP	H	SFND	P	NRDA	Other	3	1		$ 75.0	1.0	O	O
FS	08	Southern Region, Region 8	Atlanta	GA	R8 PRP searches	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 25.0		1.0	O	O
FS	08	Southern Region, Region 8	Atlanta	GA	Regionwide PA/SI (Est. 4/yr)	1	ESDP	H	SFND	P	PASI	compliance	1	1	$ 200.0		1.0	O	O
FS	08	National Forests in Florida	Tallahassee	FL	Crestview Landfill Site	1	ESDP	H	SFND	P	PASI	compliance	1	1	$ 50.0		2	M	O
	08 Total														$ 275.0	$ 75.0	1		
FS	09	Huron - Manistee NF	Cadillac	MI	Baldwin Tawas Adrem site removal	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 25.0		1.0	O	O
FS	09	Eastern Region Region 9	Milwaukee	WI	Regionwide PAS (NRDA)	1	ESDP	H	SFND	P	NRDA	Other	3	1	$ 50.0		1.0	O	O
FS	09	Eastern Region Region 9	Milwaukee	WI	RO environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 50.0		1.0	O	O
FS	09	Eastern Region Region 9	Milwaukee	WI	Regionwide site investigation (Est. 4/yr)	1	ESDP	H	SFND	P	PASI	compliance	1	1		$ 200.0	1.0	O	O
FS	09	Eastern Region Region 9	Milwaukee	WI	Regionwide PRP search	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 50.0		1.0	O	O
FS	09	Eastern Region Region 9	Milwaukee	WI	Regionwide EE/CAs	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 100.0		1.0	O	O
FS	09	Nicolet NF	Rhinelander	WI	DIS PA for Nicolet closed SLFs (13)	1	ESDP	H	SFND	P	PASI	compliance	1	1	$ 25.0		1.0	O	F
FS	09	Ottawa NF	Ironwood	MI	DDT disposal site	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 25.0		1.0	O	F
FS	09	Ottawa NF	Ironwood	MI	Duncan Twsp landfill monitoring & closure	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 75.0	1.0	O	F
FS	09	Chippewa NF	Cass Lake	MN	St. Regis penta NRD	1	ESDP	H	SFND	P	NRDA	Other	3	1		$ 100.0	1.0	O	O
FS	09	Midwest NTGP	Joliet	IL	Midwest Prairie oversight	1	ESDP	H	SFND	I	OVRS	Cleanup	9	1		$ 150.0	1.0	O	O
FS	09	Wayne NF	Athens	OH	Majestic Mine	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 330.0		12		
FS	09	Hiawatha NF	Escanaba	MI	Nahma landfill	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 180.0	27	N	O
FS	09	Nicolet NF	Rhinelander	WI	Laona (Blackwell) Landfill	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 180.0	29	N	O
FS	09	Ottawa NF	Ironwood	MI	Landfill investigations (15 expanded PAS)	1	ESDP	H	SFND	P	PASI	compliance	1	1		$ 220.0	46	O	O
FS	09	Eastern Region Region 9	Milwaukee	WI	Regionwide Adm. Site Cleanups	1	ESDP	H	SFND	P	PASI	compliance	1	1		$ 250.0	52	N	O
	09 Total														$ 655.0	$ 1,355.0	1		
FS	10	Region 10	Juneau	AK	Regionwide PAS (NRDA)	1	ESDP	H	SFND	P	NRDA	Other	3	1		$ 50.0	1.0	O	O
FS	10	Region 10	Juneau	AK	Environmental Program Management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 50.0		1.0	O	O
FS	10	Region 10	Juneau	AK	Regionwide PRP searches	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 50.0		1.0	O	O
FS	10	Region 10	Juneau	AK	Regionwide EE/CAs	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 100.0		1.0	O	O
FS	10	Tongass NF - Ketchikan	Ketchikan	AK	Salt Chuck Mine	1	ESDP	H	SFND	P	RMVA	Cleanup	2	1		$ 590.0	1.0		
FS	10	Tongass NF	Ketchikan	AK	Ross Adams Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 490.0	1.0		
FS	10	Chugach NF	Anchorage	AK	Eyak Creek Mine	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 50.0		1.0		

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FS	10	Region 10	Juneau	AK	R10 PASI in FY2001 (Est. 5)	1	ESDP	H	SFND	P	PASI	ompliance	1	1	$ 290.0		10		
FS	10	Chugach NF	Anchorage	AK	Granite Mine	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 250.0		10	O	O
FS	10	Tongass NF -Ketchikan	Ketchikan	AK	Gold Standard Mine	1	ESDP	M	SFND	P	EECA	Cleanup	1	1		$ 200.0	13	O	O
FS	10	Tongass NF	Chatham	AK	Friday Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 260.0	22	O	O
FS	10	Tongass NF	Ketchikan	AK	Khayyam Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 125.0	28	O	O
FS	10	Tongass NF -Ketchikan	Ketchikan	AK	Sealevel Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 100.0	30	O	O
FS	10	Tongass NF	Ketchikan	AK	Flagstaff Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 50.0	32	O	O
FS	10	Tongass NF -Ketchikan	Ketchikan	AK	Mahoney Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 48.0	34	O	O
FS	10	Tongass NF	Ketchikan	AK	Riverside Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 75.0	35	O	O
FS	10	Chugach NF	Anchorage	AK	Monarch Mine	1	ESDP	H	SFND	P	EECA	Cleanup	1	1		$ 75.0	40	O	O
	10 Total														$ 700.0	$ 1,815.0	1		
FS	23	North Central Station	St. Paul	MN	Environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 25.0		10	O	O
FS	23	North Central Station	Rhinelander	WI	Rhinelander burial site	1	ESDP	H	SFND	P	PASI	Compliance	1	1	$ 200.0		39	O	F
	23 Total														$ 225.0	$ -	1		
FS	24	Northeastern Station	Radnor	PA	Environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 25.0		10	O	O
FS	24	Northeastern Station	Croydon	NH	Hubbard Brook burial site	4	ESDL	H	SFND	P	PASI	ompliance	1	1	$ 75.0		10	O	F
FS	24	Northeastern Station	Delaware	OH	Delaware site cleanup	1	ESDP	H	SFND	I	PASI	Compliance	1	1	$ 100.0		43	O	F
	24 Total														$ 200.0	$ -	1		
FS	WO	Washington Office	Washington	DC	Environmental program management	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 370.0	$ 30.0	10	O	O
	WO Total														$ 370.0	$ 30.0			
FS Total															$ 11,715.0	$ 9,815.0	1		
FSA,CCC	CCC	Webber O & M	Webber	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Everest O & M	Everest	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Hubbard O & M	Hubbard	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	York O & M	York	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Canada O & M	Canada	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Cenesco O & M	Cenesco	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Raymond O & M	Raymond	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Bruno O & M	Bruno	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	F
FSA,CCC	CCC	Agra O & M	Agra	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	F
FSA,CCC	CCC	Navarre O & M	Navarre	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Waverly O & M	Waverly	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 100.0	a	N	O
FSA,CCC	CCC	Murdock O & M	Murdock	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Shelby O & M	Shelby	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Hardrege O & M	Hardrege	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Humphrey O & M	Humphrey	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 50.0	a	N	O
FSA,CCC	CCC	Bloomfield O & M	Bloomfield	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Carney O & M	Carney	IA	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Martell O & M	Martell	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Morrill O & M	Morrill	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Auburn O & M	Auburn	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Yoder O & M	Yoder	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Hutchinson O & M	Hutchinson	KS	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Ruskin O & M	Ruskin	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Huntington O & M	Huntington	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Gladstone O & M	Gladstone	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Utica O & M	Utica	NE	Response action O&M	1	ESDP	H	SFND	I	O&M	Cleanup	2	1		$ 200.0	a	N	O
FSA,CCC	CCC	Webber Grain Bin Site	Webber	KS	Removal action remedial action	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 1,000.0		1	N	F
FSA,CCC	CCC	Everest Grain Bin Site	Everest	KS	Removal action remedial action	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 1,000.0		2	N	F
FSA,CCC	CCC	Hubbard Grain Bin Site	Hubbard	NE	Removal action remedial action	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 1,000.0		3	N	F
FSA,CCC	CCC	Canada Grain Bin Site	Canada	KS	Removal action remedial action	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 1,000.0		4	N	F

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FSA/CCC	CCC	York Grain Bin Site	York	NE	Removal action/remedial action	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 700.0		5	N	O
FSA/CCC	CCC	Adams Grain Bin Site	Adams	NE	Expedited site characterization	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 200.0		6	O	F
FSA/CCC	CCC	Bloomfield Grain Bin Site	Bloomfield	NE	Expedited site characterization	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 200.0		7	O	F
FSA/CCC	CCC	Ceresco Grain Bin Site	Ceresco	NE	Removal action/remedial action	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 300.0		8	N	F
FSA/CCC	CCC	Conway Grain Bin Site	Conway	IA	Expedited site characterization	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 490.0		9	N	O
FSA/CCC	CCC	Conway Grain Bin Site	Conway	IA	PRP search	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 10.0		10	N	F
FSA/CCC	CCC	Momi Grain Bin Site	Momi	KS	Expedited site characterization	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 490.0		11	N	O
FSA/CCC	CCC	Momi Grain Bin Site	Momi	KS	PRP search	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 10.0		12	N	F
FSA/CCC	CCC	Martell Grain Bin Site	Martell	NE	Expedited site characterization	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 690.0		13	N	F
FSA/CCC	CCC	Martell Grain Bin Site	Martell	NE	PRP search	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 10.0		14	N	F
FSA/CCC	CCC	Cortland Grain Bin Site	Cortland	NE	Expedited site characterization	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 690.0		15	N	F
FSA/CCC	CCC	Cortland Grain Bin Site	Cortland	NE	PRP search	1	ESDP	H	SFND	P	ENFS	Other	4	1	$ 10.0		16	N	F
FSA/CCC	CCC	Aurora Grain Bin Site	Aurora	NE	Expedited site characterization	1	ESDP	H	SFND	P	EECA	Cleanup	1	1	$ 650.0		17	N	F
FSA/CCC Total															$ 8,450.0	$ 4,958.0	1		
FSA/FLP	FLP	National Office	Washington	DC	CERCLA 120(h) property cleanups	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1	$ 50.0	$ 50.0	h	O	O
FSA/FLP	FLP	National Office	Washington	DC	UST Removal planning	1	ESDP	H	RCRI	P	UPLN	Cleanup	1	1	$ 20.0	$ 20.0	h	O	O
FSA/FLP	FLP	National Office	Washington	DC	UST removals/cleanups	1	ESDP	H	RCRI	I	USTC	Cleanup	2	1	$ 50.0	$ 75.0	h	O	O
FSA/FLP	FLP	National Office	Washington	DC	CERCLA training	0	PGMT	H	PGMT	M	TRNG	Other	9	1	$ 5.0		h	O	O
FSA/FLP	FLP	National Office	Washington	DC	HAZWOPER training	0	PGMT	H	PGMT	M	TRNG	Other	9	1	$ 15.0		h	O	O
FSA/FLP	FLP	National Office	Washington	DC	CERCLA ESA's for inventory properties	1	ESDP	H	SFND	P	CESA	Other	1	1		$ 100.0	a	O	O
FSA/FLP	FLP	National Office	Washington	DC	CERCLA pre-foreclosure ESA's	1	ESDP	H	SFND	P	CESA	Other	1	1		$ 100.0	a	O	O
FSA/FLP	FLP	Jones Inventory Farm	Goulds	FL	Post cleanup monitoring (120h)	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 5.0	a	O	F
FSA/FLP	FLP	Farley Inventory Farm	Bark River	MI	Post cleanup monitoring (120h)	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 5.0	a	C	C
FSA/FLP	FLP	J.B. Johnson Inventory Farm	Goodwill	LA	Removal action/remedial action	1	ESDP	H	SFND	I	RMVA	Cleanup	2	1		$ 10.0	a	O	F
FSA/FLP	FLP	National Office	Washington	DC	Other cleanups	1	ESDP	M	RCRD	I	PCLN	Cleanup	2	1		$ 10.0	a	O	O
FSA/FLP Total															$ 140.0	$ 375.0	1		
FSIS	FSIS	Nationwide	Washington	DC	Lab env. mgt. audits & related activities to comply with applicable environmental regs	0	PGMT	H	RCRC	M	AUDT	Other	7	2	$ 100.0		1	O	O
FSIS	FSIS	Nationwide	Washington	DC	Investigations for haz waste reduction in labs	0	PGMT	H	PRVN	P	PPEO	Other	7	2	$ 130.0		1	O	O
FSIS Total															$ 230.0	$ -	1		
HMMG	HMMG	Hazardous Materials Mgt. Group	Washington	DC	Program mgt. supporting Goal 1, Facility Restoration	0	PGMT	H	PGMT	M	PGMT	Other	9	1	$ 1,080.0		h	O	O
HMMG	HMMG	Hazardous Materials Mgt. Group	Washington	DC	Program mgt. supporting Goal 2, Facility Operation	0	PGMT	H	PGMT	M	PGMT	Other	9	2	$ 150.0		h	O	O
HMMG Total															$ 1,230.0	$ -	1		
OGC	OGC	Office of General Counsel	Washington	DC	Legal services - 366 cases	0	PGMT	H	SFND	M	CASE	Cleanup	8	1	$ 1,813.0		1	O	O
OGC Total															$ 1,813.0	$ -	1		
RD	RD	National Office	Washington	DC	HAZWOPER training	0	PGMT	H	PGMT	M	TRNG	Other	9	1	$ 55.0		1	O	O
RD	RD	National Office	Washington	DC	CERCLA training	0	PGMT	H	PGMT	M	TRNG	Other	9	1		$ 10.0	2	O	O
RD	RD	National Office	Washington	DC	Brownfields trng/conf for 100 employees	0	PGMT	H	PGMT	M	TRNG	Other	9	1	$ 80.0		3	N	F
RD	RD	National Office	Washington	DC	CERLA pre-foreclosure ESAs	1	ESDP	H	SFND	P	CESA	Other	1	1		$ 250	4	O	O
RD	RD	National Office	Washington	DC	CERCLA ESAs	1	ESDP	H	SFND	P	CESA	Other	1	1	$ 15.0		5	O	O
RD	RD	National Office	Washington	DC	UST response/cleanup actions	1	ESDP	H	RCRI	I	USTC	Cleanup	2	1		$ 25.0	6	O	O
RD Total															$ 150.0	$ 60.0	1		
Grand Total															$ 30,073.0	$ 20,344.0	1		
Grand Total															$ 30,073.0	$ 20,344.0	1		

COMPLIANCE DOCKET

Mr. Skeen: Assessments and investigations must be sent to EPA and State agencies for their review and approval. Please provide the Committee with the most current data on the number of projects USDA has on the Federal Agency Hazardous Waste Compliance Docket and how has this list been changed since last year's testimony.

Response: Last year's Federal Facilities Compliance Docket included at least 182 sites for USDA. The latest update to the Docket was performed by EPA on November 23, 1998. Presently, USDA has 197 sites listed on the Docket.

Only certain documents must be sent to EPA on docketed sites. USDA is exercising its lead agency authority under Executive Orders 12580 and 13016 at sites on public lands within the jurisdiction, custody, and control of USDA, including docketed sites. USDA has two sites on the National Priorities List, Beltsville Agricultural Research Center and the White King/Lucky Lass abandoned mines. The Docket process is dynamic, as new projects are added and others are completed or removed because they do not qualify as Federal facilities. USDA has concerns regarding some listed sites included in the latest Docket update. We are working with EPA on these Docket issues.

CCC GRAIN STORAGE SITE STATUS

Mr. Skeen: Please update the information, including the location by state, of the sites of former CCC grain storage sites that have been identified by the EPA and State agencies as having carbon tetrachloride contamination in the groundwater.

Response: Following are tables that identify a total of 113 communities in which CCC previously was involved in the operation of grain storage facilities where EPA and/or State agencies have indicated there is carbon tetrachloride--CT--contamination of ground water and where CCC may be a potentially responsible party for the contamination. Of the 113 communities, 1 in Iowa, 2 in Missouri, 21 in Kansas, and 34 in Nebraska have ground water contamination levels exceeding the maximum contaminant levels--MCLs--for drinking water. These sites could require some type of containment and/or response action. There are 17 communities in Kansas and 38 communities in Nebraska with ground water contamination levels below the MCL where no further action is currently planned. Based on site investigations, it has been determined that CCC is not a responsible party for ground water contamination at Plainville, Kansas, Leoti, Kansas, and Tamora, Nebraska. CCC may be eliminated as a potentially responsible party at other sites as site investigations proceed. As a response action, alternate drinking water supplies have been provided where the MCL for drinking water is exceeded. These include providing bottled water, individual water treatment units at the point of use, and providing alternate water sources through connection of affected parties to existing domestic water systems or construction of a new well.

The two tables summarize the sites where ground water contamination with CT has been identified. The first table lists sites where the CT contamination level exceeds the MCL of 5 parts per billion--ppb--for drinking water and sites down to 4.5 ppb to ensure a conservative margin for error to determine sites that may need further action. The second table lists sites where the CT contamination is less than the MCL for drinking water and no further action is currently planned.

[The information follows:]

SITES WHERE CT CONTAMINATION EXCEEDS MCL FOR DRINKING WATER

Sites Above MCL	STATE	CT in ppb
Cedar	Iowa	290.0
Agenda	Kansas	15.4
Agra	Kansas	180.0
Bendena	Kansas	62.9
Canada	Kansas	24.2
Centralia	Kansas	25.4
Everest	Kansas	122.0
Frankfort	Kansas	12.1
Glasco	Kansas	10.3
Hackney	Kansas	155.0
Hilton	Kansas	910.0
Hutchinson	Kansas	17.3
Morrill	Kansas	184.0
Moundridge	Kansas	8.6
Navarre	Kansas	370.0
Potwin	Kansas	61.3
Ramona	Kansas	45.5
Randall	Kansas	6.4
Washington County	Kansas	5.0
Webber	Kansas	15.4
Yates Center	Kansas	8.5
Yoder	Kansas	181.0
Forest City	Missouri	19.0
Savannah	Missouri	29.0
Adams	Nebraska	13.1
Aurora	Nebraska	84.0
Blair	Nebraska	10.2
Bloomfield	Nebraska	7.8
Bruno	Nebraska	1,300.0
Ceresco	Nebraska	8.7
Clay Center	Nebraska	18.2
Cortland	Nebraska	5.6
Craig	Nebraska	67.0
Deshler	Nebraska	7.0
Diller	Nebraska	7.0
Funk	Nebraska	10.1
Gladstone	Nebraska	109.0
Hartington	Nebraska	4.7
Hastings	Nebraska	48.0

Hordville	Nebraska	750.0
Hubbard	Nebraska	22.0
Humphrey	Nebraska	550.0
Johnson	Nebraska	5.9
Keneshaw	Nebraska	10.2
Leshara	Nebraska	128.6
Marquette	Nebraska	7.4
Martell	Nebraska	19.0
Milford	Nebraska	382.0
Murdock	Nebraska	6,500.0
Raymond	Nebraska	308.0
Ruskin	Nebraska	6.0
Shelby	Nebraska	23.0
Straussville	Nebraska	80.0
Utica	Nebraska	695.0
Walton	Nebraska	3,120.0
Waverly	Nebraska	3,120.0
Wymore	Nebraska	6.2
York	Nebraska	152.0

SITES WHERE CT CONCENTRATION IN GROUND WATER IS LESS THAN MCL FOR DRINKING WATER (No Further Action Currently Planned)

Barnes	Kansas
Brewster	Kansas
Cedarville	Kansas
Cheney	Kansas
Concordia	Kansas
Ellis	Kansas
Haddam	Kansas
McPherson	Kansas
Minneapolis	Kansas
Morrowville	Kansas
Ness City	Kansas
Perry	Kansas
Powhattan	Kansas
Salina	Kansas
Sharon	Kansas
White City	Kansas
Woodbine	Kansas
Alexandria	Nebraska
Alliance	Nebraska

Arapahoe	Nebraska
Ashland	Nebraska
Auburn	Nebraska
Bradshaw	Nebraska
Brownville	Nebraska
Bruning	Nebraska
Chester	Nebraska
Coleridge	Nebraska
Columbus	Nebraska
Dakota City	Nebraska
Edgar	Nebraska
Emerald	Nebraska
Geneva	Nebraska
Grand Island	Nebraska
Hemingford	Nebraska
Laurel	Nebraska
Lewiston	Nebraska
Lincoln	Nebraska
Loomis	Nebraska
Mason City	Nebraska
Nemaha	Nebraska
Newman Grove	Nebraska
Omaha	Nebraska
Omaha #2	Nebraska
Orleans	Nebraska
Paxton	Nebraska
Pierce	Nebraska
Rising City	Nebraska
Springfield	Nebraska
Sterling	Nebraska
St. Mary	Nebraska
Stromsberg	Nebraska
Tobias	Nebraska
Valentine	Nebraska
Waco	Nebraska
Wahoo	Nebraska

TYPICAL CLEANUP EFFORTS AND ASSOCIATED COSTS

Mr. Skeen: Please describe for the Committee some typical cleanup efforts and their associated costs for both USDA and other funding sources.

Response: A few of our typical cleanup efforts are as follows: The ARS facility at the Beltsville Agricultural Research Center--BARC, in Beltsville, Maryland was added to the Superfund National Priorities List in 1994. Investigative work started in 1989 and identified 44 potential hazardous waste

sites. Upon further investigation, an additional 48 potential sites were added to the CERCLA Section 120, Federal Facilities Agreement between USDA and EPA. Under the 1998 agreement, a preliminary assessment/site investigation has been completed and the remedial investigation/feasibility study phase is currently ongoing. Additionally, several removal actions have been completed. The total cleanup costs for BARC are expected to approach $40 million. To date, $16 million in USDA funds have been expended. Actual and projected expenditures on the Beltsville cleanup through fiscal year 2005 are:

	FY 1999	FY 2000	FY 2001	FY 2002-2005
HMMA Funds	$1,560,000	$1,100,000	$3,950,000	$17,050,000

The Commodity Credit Corporation--CCC--formerly operated as a grain storage facility in Bruno, Nebraska. This site is located on private land and was placed on the National Priorities List by EPA in June 1996. Bruno's water supply was found to be contaminated with carbon tetrachloride in 1984. The EPA identified two other potentially responsible parties--PRPs--in addition to CCC. The contaminated public wells have been replaced with new wells from a different aquifer that supply the town with sufficient safe, potable drinking water. CCC provided the town with funds for the cost of new well construction. CCC has performed extensive studies characterizing the contaminated aquifer, and EPA has issued a record of decision selecting the preferred alternative for cleanup of the contaminated aquifer. CCC with the Office of the General Counsel's--OGC--assistance is working with EPA and the Department of Justice on potential cleanup actions and involvement of the other PRPs. USDA funds expenditure through fiscal year 1999 exceeds $1,000,000.

Duncan Township Landfill on the Ottawa National Forest in Michigan. The Duncan Township is a rural township with a small population base which has very little financial capability to properly close the landfill and to respond to potential ground water contamination from the site. The landfill was operated by the township under a special use permit issued by the Forest Service-FS. Because of implementation of more stringent landfill regulations by EPA, the township discontinued use of the site, but did not close the landfill in accordance with the State of Michigan regulations. The Michigan Department of Environmental Quality sent a violation notice letter to the FS in 1992 indicating that the landfill must be capped in accordance with State requirements. Subsequent groundwater testing by the FS and the State indicates that leachate from the landfill is affecting the groundwater. Negotiations for cleanup with the township are ongoing, but USDA will initiate cleanup action in fiscal year 2000. Actual and expected expenditures through fiscal year 2000 are:

	FY 1998	FY 1999	FY 2000
HMMA Funds	$0	$128,000	$100,000
Agency Funds	$127,100	$55,300	$900,000

APHIS facility at Moore Air Base in Mission, Texas. Moore Air Base has been used by the USDA for approximately 30 years and is currently under USDA jurisdiction, custody and control. Prior to this, the facility was owned and operated as a pilot training facility by the United States Air Force. The original facility comprised several administrative, housing, and recreational

buildings, wastewater treatment facilities, an aviation facility and runway, and a fuel depot. Over the past several years, APHIS has performed a number of cleanup projects to address environmental issues at the facility. These include the removal of 19 underground storage tanks, 10 of which were previously abandoned by the Air Force. Projects have also included the removal of PCB-containing transformers and hazardous waste disposal. With an old landfill and other possible problem areas now being investigated, Moore Air Base may require additional cleanups. Actual and projected expenditures through fiscal year 2000 are:

	FY 1998	FY 1999	FY 2000
HMMA Funds	$142,700	$38,900	$160,000
Agency Funds	$92,000	$22,000	$230,000

Holden Mine, an inactive copper, zinc, gold and silver mining operation on the Wenatchee National Forest in Washington State. Public health and environmental impacts at the site include acid mine drainage from mine openings, surface water discharges from 90 acres of mine tailings contaminating upstream tributaries to Lake Chelan, and contaminated wind-blown dust impacting human health in the town of Holden. The Forest Service--FS--has been working on this site since 1988 and has expended over $5 million in Hazardous Materials Management Appropriation--HMMA--and agency funds on studies and cleanup actions. The FS, EPA, and the State of Washington, through a cooperative effort and with the FS as the lead agency, have completed negotiations with the viable potentially responsible parties. The private parties will perform the remaining studies and cleanup actions estimated to cost over $25 million, pay for FS oversight of cleanup activities, and negotiate a settlement for refund of past FS costs at the site. Recovered HMMA and agency funds will be used to fund other priority cleanup projects.

FUNDING FOR SITES

Mr. Skeen: How many sites are expected to be funded by the fiscal year 2001 request? How many are planned for fiscal year 2000?

Response: For fiscal year 2000, the goal for cleanup actions is to complete 61 sites. This number includes many of the underground storage tank--UST--cleanups now underway and cleanup at 12 abandoned and inactive mines--AIMs. Additional goals include 78 sites to be assessed/characterized for potential cleanup actions, completion of 17 site cleanup designs, and agreements for cleanup by financially viable private parties responsible for pollution--potentially responsible parties--at 10 sites.

For fiscal year 2001, the goal for cleanup actions is to complete 22 sites, including seven AIMs. Additional goals include 27 sites to be assessed/characterized for potential cleanup actions, completion of 12 site cleanup designs, and agreements for cleanup by potential responsible parties at 10 sites.

A prioritized list of projects and activities comprising the funding request in the President's budget is provided each year. The list includes that year's goals and priorities.

Each year the number of sites which will be worked on by a given amount of funding can vary considerably. For example, site cleanup costs can vary from less than $100,000 to over $100,000,000 per site. The funding allocation is based on a priority process addressing impacts to public health and the environment. Larger cleanup actions are sometimes phased to accommodate funding allocations.

FOREST SERVICE SITES CLEANUP COSTS

Mr. Skeen: What is the estimated cost of the cleanup of the Forest Service sites?

Response: The working cost estimate exceeds $2 billion. The actual cost to the Government will depend on a number of factors, including the nature and extent of contamination at each site and the contribution towards cleanup costs by potentially responsible parties.

FOREST SERVICE FUNDING FOR CLEANING UP FOREST SERVICE SITES

Mr. Skeen: How much Forest Service money has been spent to cleanup Forest Service sites?

Response: The Forest Service--FS--reported that it obligated a total of $20,165,000 of its appropriated funds in fiscal years 1994 through 1999. This amount does not include funds expended from cooperative agreements.

INCREASE IN ACTIONS AGAINST THE DEPARTMENT

Mr. Skeen: Does the "sharp increase in actions against the Department" referred to on p. 2-30 mean lawsuits? If so, please quantify the increases.

Response: In response to your question, we are providing an overview based on available information of the enforcement actions against USDA agencies in the Hazardous Materials Management Program. Since 1997, USDA has experienced a significant number of actions against the Department relating to hazardous materials management and cleanup; prior to 1997, enforcement activity was more limited. These matters include threatened and filed civil actions against the Department, administrative enforcement actions by the United States Environmental Protection Agency and State environmental enforcement agencies, citizen suits, and toxic tort claims and litigation. USDA agencies report 35 such actions against the Department since 1997--4 threatened civil actions; 14 filed civil actions; 9 threatened administrative actions; and 8 filed administrative actions. These enforcement actions arise out of various USDA agency programs, operations, facilities, and lands. Examples include: actions under RCRA concerning groundwater contamination at FS administrative sites and work centers; civil actions under CERCLA by mining companies against the FS arising out of the cleanup of mining sites; citizen suits against the FS regarding releases of hazardous substances, i.e., acid mine drainage, from abandoned mine sites on National Forest System lands; toxic tort actions arising out of groundwater contamination at former USDA leased facilities, including former CCC leased grain storage facilities where carbon tetrachloride contamination has been found in groundwater; administrative enforcement actions for noncompliance with RCRA hazardous waste management regulations at USDA facilities, including Agricultural Research Service research facilities and Animal and Plant Health Inspection

Service cattle tick dipping vat sites; and actions arising out of USDA potential liability for contributing de minimis amounts of hazardous waste to third party Superfund sites. Funding the USDA Hazardous Materials Management Program at the level requested would allow USDA agencies to take a more proactive approach, thereby mitigating enforcement actions in many of these matters.

FOREST SERVICE REIMBURSEMENT

Mr. Skeen: Does the Forest Service reimburse the Hazardous Waste/Materials account for the investigation and cleanup of the 1800 sites?

Response: The appropriation language for the Hazardous Materials Management Account--HMMA--provides for necessary expenses of the Department of Agriculture to comply with CERCLA and RCRA. The funds remain available until expended and may be transferred to any agency of the Department for its use in meeting all requirements pursuant to CERCLA and RCRA on Federal and non-Federal lands.

FS is allocated a portion of the HMMA funds each year for priority projects to supplement agency funding available for the HMMP. For fiscal year 2000, the FS allocation of HMMA funds is $6,750,000, and the agency commitment of its funds to the HMMP is $10,272,00. For fiscal year 2001, the FS allocation of HMMA funds is $11,715,000, and the agency commitment of its funds to the HMMP is $9,915,000. Any funds that are recovered from potentially responsible parties are used to fund additional cleanup work. The estimated value of cleanup work performed by or paid for by potentially responsible parties accomplished through the FS CERCLA initiative is tracked separately and exceeds $180 million for fiscal year 1995 through fiscal year 1999.

AGENCIES COMPRISING THE HAZARDOUS MATERIALS WORKING GROUP

Mr. Skeen: Which agencies comprise the Hazardous Materials Working Group?

Response: The Hazardous Materials Working Group is the USDA Hazardous Materials Policy Council, which consists of senior policy representatives of the affected mission areas and agencies, as well as the Office of the General Counsel. The following mission areas and agencies are represented on the Hazardous Materials Policy Council: Agricultural Marketing Service, Animal and Plant Health Inspection Service, Agricultural Research Service, Farm and Foreign Agricultural Services, Forest Service, Farm Service Agency--including the Commodity Credit Corporation, Food Safety and Inspection Service, Natural Resources Conservation Service, Office of the General Counsel, Rural Development, and Departmental Administration. The Chairman of the Policy Council is appointed by the Secretary.

[The justifications of the Departmental Administration budget request follow:]

2001 Congressional Explanatory Notes

DEPARTMENTAL ADMINISTRATION

Purpose Statement

Departmental Administration, under the leadership of the Assistant Secretary for Administration, (ASA) was established to provide leadership and direction to ensure that the USDA is managed effectively, efficiently, and fairly in its administrative programs and services. Departmental Administration is comprised of Staff Offices and activities that report to the Assistant Secretary for Administration. The Assistant Secretary for Administration has the responsibility for administering the DA Staff Offices and program activities under authority contained in 7 U.S.C. 2202. The DA Staff Offices provide support to the top policy officials of the Department and overall direction and coordination to the work of the Department. The DA activities, including the new civil rights policy, oversight, and program responsibilities, are carried out by: the Office of Human Resources Management; Office of Ethics; Office of Civil Rights; Office of Procurement, Property and Emergency Preparedness; Office of Operations; Office of Planning and Coordination; Office of Small and Disadvantaged Business Utilization; and Office of Outreach. In addition to the Staff Offices, DA activities include the Office of Administrative Law Judges/Judicial Officer, Hazardous Materials Management, and the Board of Contract Appeals.

Departmental Administration. This account finances the day to day activities of the above offices.

Agriculture Buildings and Facilities and Rental Payments. This account finances the appropriated portion of payments to the General Services Administration for rental of leased space and related services. Funding is not provided for payments to GSA made by the Forest Service, since the Forest Service is funded in the Interior and Related Agencies Appropriations Act.

This account also finances operations, repair, improvement, and maintenance activities at the USDA Headquarters Complex. Since 1989, when the GSA delegation expired, USDA has been responsible for managing, operating, maintaining, repairing, and improving the Headquarters Complex, which encompasses 14.1 acres of ground and 4 buildings containing approximately 3 million square feet of space occupied by approximately 8,000 employees.

Under the USDA Strategic Space Plan with the objective of providing safe and efficient working space for Agriculture employees, the Department constructed the George Washington Carver Center on Federally owned land in Beltsville, Maryland. This facility opened in January 1998 and consolidated many USDA offices that had been occupying leased space in the Washington, D.C. area. The Department is also engaged in the 10-year renovation of the Agriculture South Building. The 60-year old building is in dire need of repair and the project was approved by Congress in 1995 to provide safe, efficient and functional work space for agricultural programs.

Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers. Section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1900 (Public Law 101-624) requires the Secretary of Agriculture to provide outreach and technical assistance to socially disadvantaged farmers and ranchers. Administration of the program was transferred from the Natural Resources Conservation Service to Departmental Administration beginning in fiscal year 1998.

The overall goal of the program is to increase the number of small or limited resource and minority producers and directly improve the farm income of these producers. Objectives are to make grants and enter into agreements with community-based organizations and educational institutions to provide outreach and technical assistance.

Hazardous Materials Management. The purposes of the USDA Hazardous Materials Management Program (HMMP) are the efficient management and cleanup of hazardous materials on facilities and

lands under the jurisdiction, custody, and control of the Department and prevention of releases of hazardous substances from USDA facilities. Activites in the program are conducted pursuant to the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). Critical funding is provided by the Hazardous Materials Management Appropriation (HMMA).

The HMMA was established in 1988 to provide funding for priority hazardous materials cleanup projects. These funds are distributed to the Forest Service, Agricultural Research Service, Farm Service Agency, Rural Development, Office of the General Counsel, Animal and Plant Health Inspection Service, and the Food Safety and Inspection Service. Several agencies also fund this program with agency funds to meet the requirements of their mission. Annually, USDA agencies request funding for planning-year HMMP activities, revise their proposed programs of work at the start of the current fiscal year, and report HMMP accomplishments.

Not all Departmental Administration activities are financed from direct appropriations. The central services financed under the Department's Working Capital Fund (7 U.S.C. 2235) provide operational services and some management services to USDA agencies and Departmental staff activities respectively. A detailed description of these activities is provided under the Purpose Statement of the Working Capital Fund.

Reimbursable Activities. Under the Economy Act, 31 U.S.C. 1535, Departmental Administration is also reimbursed for services provided to USDA and non-USDA agencies. The following activities are financed through other reimbursements: day to day activities of the Board of Contract Appeals, travel and printing for the Administrative Law Judges, miscellaneous personnel details, selected short-term activities, as well as administrative and operational support to Working Capital Fund activities.

Headquarters. The majority of the Departmental Administration functional activities are located in Washington, D.C.

As of September 30, 1999, there were 656 employees, of which 614 were full-time permanent employees and 42 were other than full-time permanent employees included under Departmental Administration. These employees were assigned as follows:

Location	Full-time Permanent	Other	Total
Washington, D.C.	612	39	651
Field Units	2	3	5
Total	614	42	656

Note: This includes Hazardous Materials Management.

OIG Reports
#50099-0009-AT: Control of Workers Compensation Costs

DEPARTMENTAL ADMINISTRATION

Available Funds and Staff Years
1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation:						
Departmental Administration	$32,130,000	317	$34,531,000	372	$40,740,000	392
Ag. Bldgs. & Fac. & Rental Payments	137,184,000	77	140,343,000	86	182,747,000	88
Outreach Grants	3,000,000	--	3,000,000	--	10,000,000	--
Hazardous Materials Mgmt.	15,700,000	4 a/	15,700,000	6	30,073,000	6
Total Direct	188,014,000	398	193,574,000	464	263,560,000	486
Obligations under other USDA appropriations:						
Departmental Administration:						
Radiation Safety	825,282	10	950,000	12	1,012,000	12
Honor Awards	63,135	--	95,000	--	90,000	--
Industrial Hygienist	85,882	1	54,000	1	57,000	1
Safety & Health Conference	--	--	30,000	--	--	--
Career Management	13,279	--	--	--	--	--
Time & Attendance Project.	110,356	--	133,000	--	--	--
Personnel Services for NAD	122,822	--	125,000	--	128,000	--
Payroll Development	105,279	--	--	--	--	--
SES Candidate Program	594,462	--	--	--	--	--
Investigator Training	--	--	20,000	--	22,000	--
Procurement Modernization	1,691,036	--	1,911,000	--	3,366,000	--
Purchase Card Management	--	--	863,000	--	543,000	--
EEO Investigations	1,576,455	--	1,616,000	--	1,648,000	--
TARGET Center	623,905	4	851,000	4	851,000	4
ADP Procurement	148,771	--	156,000	--	163,000	1
Interpreter Service	260,435	2	279,000	2	320,000	2
Travel to Admin. Hearings	11,076	--	44,000	--	34,000	--
Board of Contract Appeals	987,161	8	1,511,000	10	1,618,000	10
BRAVO Initiative	25,000	--	150,000	--	156,000	--
Miscellaneous Reimbursements	236,547	2	151,000	2	61,000	2
Conflict Resolution	--	--	50,000	--	52,000	--
Management Support to WCF Activities	3,346,721	35	3,708,000	46	3,826,000	43
Subtotal, DA Reim	10,827,604	62	12,697,000	77	13,947,000	75

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Ag. Bldgs. & Fac. & Rental Payments:						
Security Services	5,063,384	--	5,200,000	--	--	--
Other Building Services	2,250,830	--	850,000	--	865,000	--
Subtotal, Ag. Bldgs. & Fac. & Rental Payments Reim.	7,314,214	--	6,050,000	--	865,000	--
Total, Reimbursements	18,141,818	62	18,747,000	77	14,812,000	75
Working Capital Fund:						
Supply & Other Cntrl Svs..	23,798,000	184	23,980,000	192	24,351,000	192
Purchase of Equipment	548,000	--	370,000	--	184,000	--
Total, WCF	24,346,000	184	24,350,000	192	24,535,000	192
Total, USDA Funds	230,501,818	644	236,671,000	733	302,907,000	753
Total, Departmental Administration	230,501,818	644	236,671,000	733	302,907,000	753

a/ The four staff years in 1999 for Hazardous Waste were Forest Service employees. In 2000 they were shifted to Departmental Administration.

DEPARTMENTAL ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary
1999 Actual and Estimated 2000 and 2001

Grade	1999			2000			2001		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES-6	3	--	3	3	--	3	3	--	3
ES-5	2	--	2	2	--	2	2	--	2
ES-4	1	--	1	1	--	1	1	--	1
ES-3	0	--	0	1	--	1	1	--	1
ES-2	2	--	2	2	--	2	2	--	2
ES-1	3	1	4	4	--	4	4	--	4
CA-01	1	--	1	1	--	1	1	--	1
CA-02	1	--	1	1	--	1	1	--	1
CA 03	2	--	2	3	--	3	3	--	3
AL-3	3	--	3	3	--	3	3	--	3
SL-1	1	--	1	1	--	1	1	--	1
GS-15	30	--	30	35	--	35	36	--	36
GS-14	100	--	100	112	--	112	116	--	116
GS-13	113	--	113	129	--	129	140	--	140
GS-12	75	1	76	80	1	81	84	1	85
GS-11	42	--	42	44	--	44	44	--	44
GS-10	8	--	8	11	--	11	11	--	11
GS-9	24	--	24	31	--	31	31	--	31
GS-8	13	--	13	14	--	14	14	--	14
GS-7	64	--	64	66	--	66	66	--	66
GS-6	33	--	33	35	--	35	35	--	35
GS-5	13	--	13	15	--	15	15	--	15
GS-4	70	--	70	68	--	68	68	--	68
GS-3	2	--	2	2	--	2	2	--	2
GS-2	--	--	--	2	--	2	2	--	2
Ungraded Pos..	65	--	65	66	--	66	66	--	66
Total Perm. Pos.....	671	2	673	732	1	733	752	1	753
Unfilled Positions end-of-year.....	-59	--	-59	--	--	--	--	--	--
Total, Permanent Full-Time Employment, end-of-year.....	612	2	614	732	1	733	752	1	753
Staff Year Ceiling	642	2	644	732	1	733	752	1	753

DEPARTMENTAL ADMINISTRATION

Classification by Objects
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$18,975,956	$25,304,000	$28,724,000
11 Total personnel compensation	18,975,956	25,304,000	28,724,000
12 Personnel benefits	3,497,101	4,889,000	5,667,000
13 Benefits for former personnel	10,103	7,000	7,000
Total pers. comp. & benefits	22,483,160	30,200,000	34,398,000
Other Objects:			
21 Travel	255,654	116,000	170,000
22 Transportation of things	16,710	8,000	11,000
23.3 Communications, utilities, and misc. charges	1,250,163	567,000	830,000
24 Printing and reproduction	337,339	153,000	224,000
25.2 Other services	2,635,676	1,195,000	1,751,000
25.3 Purchases of goods and services from Government Accounts	2,646,273	1,199,000	1,756,000
26 Supplies and materials	558,750	253,000	371,000
31 Equipment	1,763,173	799,000	1,170,000
42 Insurance claims and indemnities	89,450	41,000	59,000
43 Interest and dividends	1,926	--	--
Total other obligations	9,555,114	4,331,000	6,342,000
Total direct obligations	32,038,274	34,531,000	40,740,000
Position Data:			
Average Salary, ES positions	$121,554	$127,656	$132,635
Average Salary, GS positions	56,709	64,128	69,619
Average Grade, GS positions	11.4	12.1	12.4

DEPARTMENTAL ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Departmental Administration:

For Departmental Administration, [$34,738,000] $40,740,000, to provide for necessary expenses for management support services to offices of the Department and for general administration and disaster management of the Department, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $10,000 is for employment under 5 U.S.C. 3109: *Provided*, That this appropriation shall be reimbursed from applicable appropriations in this Act for travel expenses incident to the holding of hearings as required by 5 U.S.C. 551-558.

DEPARTMENTAL ADMINISTRATION

Appropriations Act, 2000		$34,738,000
Budget Estimate, 2001		40,740,000
Increase in Appropriation		+6,002,000
Adjustments in 2000:		
Appropriation Act, 2000	$34,738,000	
Transfer of accounting support to the Office of the Chief Financial Officer a/	-177,000	
Rescission under P.L. 106-113 b/	-30,000	
Adjusted base for 2000		34,531,000
Budget Estimate, 2001		40,740,000
Increase over adjusted 2000		+6,209,000

a/ Pursuant to authority given to the Secretary under the Reorganization Plan 2 of 1953, accounting support services are transferred from Departmental Administration to the Office of the Chief Financial Officer. Actual transfer of funds of $177,000 was made in 2000.

b/ The amount is rescinded pursuant to Section 301 of the Emergency Supplemental Appropriations part of the Omnibus Appropriations Act, FY 2000 (P.L. 106-113) enacted November 29, 1999.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2000 Estimated	Pay Costs	Program Changes	2001 Estimated
Departmental Administration	$34,531,000	+$979,000	+$5,230,000	$40,740,000

PROJECT STATEMENT
(On basis of appropriation)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Departmental Administration	$32,038,274	317	$34,531,000	372	+$6,209,000	$40,740,000	392
Unobligated Balance	91,726	--	--	--	--	--	--
Total Available or Estimate	32,130,000	317	34,531,000	372	+6,209,000(1)	40,740,000	392
Transfer to: OCFO	+38,000	--	+177,000	+2			
2000 Rescission	--	--	+30,000	--			
Total, Appropriation	32,168,000	317	34,738,000	374			

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $6,209,000 and 20 FTE for Departmental Administration ($34,531,000 available in 2000) consisting of:

(a) An increase of $979,000 for pay costs which includes $307,000 for annualization of the fiscal year 2000 pay raise and $672,000 for the anticipated fiscal year 2001 pay raise.

Over 81 percent of DA's obligations are for salaries and benefits. This leaves little flexibility for absorbing increased costs. DA cannot absorb these additional salary costs without placing severe constraints on its daily operations.

(b) An increase of $3,050,000 and 5 FTE for Emergency Planning & Preparedness.

New and expanded programs and activities are needed to substantially improve the Department's response on emergency preparedness and physical security.

Since the Oklahoma City bombing, emergency planning, preparedness and physical security have been a major concern of the Federal Government. A number of recent Presidential Decision Directives (PDDs) have underscored the need to address the increasing threat of terrorism, specifically acts of violence, cyber intrusion and weapons of mass destruction.

In the Office of Procurement, Property and Emergency Preparedness, new permanent staff is needed including four emergency preparedness specialists: a GS-14 who will assume responsibility for the increased planning requirements cited in PDD #62 (Counter Terrorism), a GS-13 who will be responsible for increasing planning capability in Continuity of Operations (COOP) and Continuity of Government (COG) as directed in PDD #67, and two GS-9/11/12 positions who will provide needed assistance.

In addition, a GS-14 Physical Security Specialist will serve in a collaborative role with other USDA agencies/offices to focus and heighten physical security awareness and preparedness. This specialist would assess physical security needs both for employees and cyber security within USDA facilities; determine deficiencies and aggressively research and/or work with appropriate counterparts/associations to overcome any identified deficiencies; and develop and/or enhance security considerations and data collection within the real property management information system (FIRM).

The increase also will provide for information technology and contractor support for the four emergency preparedness specialists. The contractor will assist in the review and oversight of COOP development throughout USDA, including the required annual exercise of planning and evaluation. Emergency Preparedness Exercises will be held annually to assess the executability of the COOP and other plans and procedures and to assure they are in compliance with the PDDs #62 and #67, which direct that Departments and Agencies maintain a high state of readiness and training in emergency preparedness.

Funds are requested to enhance the Security Clearance function in order to effectively respond to the client base. This includes persons needing clearance, offices needing to verify clearances and the training and orientation process for employees whose clearances have just been approved. A robust data base that is user friendly and rapidly responsive to a variety of relevant but diverse queries is also needed. Specialized National security equipment is also needed in the Secure Compartmentalized Information Facility (SCIF) to connect to the Government network for security information needed to safeguard USDA personnel and facilities.

This increase will support the Departmental Administration Strategic Plan Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout USDA, Objective 1.6: Increase USDA's preparedness for continuity of essential functions during disaster or emergency situations.

(c) An increase of $350,000 and 3 FTE for Personnel & Payroll Automation Support.

This increase supports testing, conversion, implementation, and trouble shooting of new and existing human resources management (HRM) systems, customer assistance and training. This program will expand employee self-service capability and resolve longstanding problems with time and attendance entry. It will also ensure effective use of the Internet to deliver HRM services to supervisors and employees across the country and internationally.

Two Payroll/Personnel Systems Analysts and a supervisory level Computer Systems Specialist would be added to the Office of Human Resources Management.

This increase will support the Departmental Administration Strategic Plan Goal 1: Provide leadership, policy oversight and coordination to improve the management of programs and administrative processes throughout USDA, Objective 1.2(a) increase the effectiveness and efficiency of human resource management programs and services. Additionally, funds will sustain a 10 percent decrease in the amount of overall errors based on the implementation of the Time and Attendance initiative.

(d) An increase of $500,000 and 1 FTE for the Office of Small and Disadvantaged Business Utilization (OSDBU) to support the Small Business Education and Development Pilot Program for new markets and sustained economic growth for small businesses in rural America.

The Small Business Education and Development Pilot Program will demonstrate strategies for the growth and stability of small businesses in rural America, identify new markets for agricultural products of small, limited-resource farmers and deliver educational and technical resources to sustain economic growth and development. The pilot will test strategies used to increase returns via new crops, value added processing, new markets including international markets and e-commerce. This pilot will employ selected producers in two different agricultural regions and will be implemented through collaborative partnerships with the Cooperative Extension Service and USDA-sponsored programs that are intended to benefit these businesses. Many of these small entities are from historically under-represented groups such as African Americans, Asian Americans, Hispanic Americans and Native Americans which are not taking advantage of programs and opportunities they may be eligible for to assist in businesses and farms. OSDBU will oversee the development of educational and other technical resources based on these strategies.

This increase will support the Departmental Administration Strategic Plan Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout USDA, Objective 1.1.a: To increase opportunities for small, disadvantaged, and women-owned businesses to participate in USDA contract and program activities.

(e) An increase of $330,000 and 1 FTE for the Acquisition of Biobased Products.

Executive Order 13101, "Greening the Government through Waste Prevention, Recycling, and Federal Acquisition," signed September 14, 1998, recognized USDA's biobased commercial products in the Government's commitment to promote and buy environmentally preferable and recycled products. On November 13, 1998, Public Law 105-388 was signed, amending the

Energy Policy and Conservation Act to recognize biodiesel (e.g. soydiesel) as an alternative fuel meeting the federal fleet alternative fuel requirements. The USDA Biobased Products and Bioenergy Coordination Council developed a cross-cutting initiative for commercialization and acquisition of biobased products throughout the Federal government. This increase is part of that initiative and will enable the Office of Procurement, Property and Emergency Preparedness to carry out the following functions:

- Create, publish, update and maintain a biobased products list [EO 13101, Section 504(a)];
- Develop and fund pilot and demonstration projects to identify and remove barriers to the use of alternative fuels, biobased fluids and lubricants, and other environmentally preferable and biobased products [EO 13101, Section 503(b)];
- Participate with the Federal Environmental Executive, Office of Federal Procurement Policy, EPA, and GSA in promotion and education activities (Federal conferences, providing training materials, etc.) to expand Federal and State government use of products covered by EO 13101 [Section 302];
- Create and maintain an Internet-based interactive presentation of USDA's environmentally preferable product initiatives, highlighting USDA/Federal use of these products in facilities and fleets; and
- Expand availability and demand for USDA biobased and other environmentally preferable products by working with GSA and Defense Logistics Agency to place them on contracts and in product catalogs.

Beneficiaries of the biobased products initiative include: a) the public, by reducing exposure to environmentally hazardous materials; b) American farmers, large and small, by improving commodity crop price stability; and c) rural American economy through the creation of commercial and industrial jobs.

This increase will support the Departmental Administration Strategic Plan Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout USDA.

(f) An increase of $1,000,000 and 10 FTE for Alternative Dispute Resolution.

Alternative Dispute Resolution (ADR) programs are designed to resolve workplace and programmatic conflicts in less time and with less financial and human cost than the formal administrative and court systems. Department-wide responsibility for implementing the ADR requirements of the (1) Administrative Dispute Resolution Act of 1996, (2) Equal Employment Opportunity Commission (EEOC) regulations on equal employment opportunity (EEO) complaint processing, and (3) USDA Civil Rights Action Team Report, lies within Departmental Administration. This increase will ensure that the Department has adequate funds for training and education, travel, ADR neutrals, and tracking functions necessary to carry out its increased activities relating to the prevention and effective management of conflict. Principal ADR functions that will be carried out include further development and refinement of ADR programs that address workplace conflict prior to the filing of EEO complaints or grievances; comprehensive roll-out of the Department's program fulfilling the EEOC's ADR requirements in both the informal and formal complaint stages of the EEO complaint process; program reviews of ADR programs that have been operating three years or more; expansion of ADR programs into conflicts with customers and other non-USDA entities; maintenance and expansion of a USDA

roster of ADR neutrals; and development and enhancement of an ADR tracking system. Additionally, training in ADR awareness and conflict resolution for USDA employees will be a significant component of the fiscal year 2001 program.

DEPARTMENTAL ADMINISTRATION

Geographic Breakdown of Obligations and Staff Years
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia	$31,840,166	314	$34,315,000	369	$40,516,000	389
Maryland	198,108	3	216,000	3	224,000	3
Subtotal, Available or Estimate	32,038,274	317	34,531,000	372	40,740,000	392
Unobligated Balance	91,726	--	--	--	--	--
Total, Available or Estimate	32,130,000	317	34,531,000	372	40,740,000	392

DEPARTMENTAL ADMINISTRATION

STATUS OF PROGRAM

Departmental Administration (DA) provides overall direction and coordination for the Department in the areas of human resources, civil rights, and procurement and property management. DA also provides direct staff support in these areas. DA activities are executed by the Office of Human Resources Management, Office of Ethics, Office of Civil Rights, Office of Procurement, Property, and Emergency Preparedness, Office of Operations, Office of Policy and Coordination, Office of Small and Disadvantaged Business Utilization, and Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers. In addition, DA activities include the Office of Administrative Law Judges/Judicial Officer, and the Board of Contract Appeals.

OFFICE OF HUMAN RESOURCES MANAGEMENT

The Office of Human Resources Management (OHRM) provides Departmentwide leadership, consultation, policy development, analysis, guidance, coordination, oversight for USDA human resources management programs and initiatives, and represents USDA in Governmentwide initiatives which include liaison and coordination with the Office of Personnel Management (OPM) and other central guidance agencies. OHRM programs include employment, recruitment, merit promotion, compensation, payroll/personnel processing, classification, position management, employee and executive development, employee assistance, retirement, benefits, workers' and unemployment compensation, employee & labor relations, personnel and classified information security, executive resources, safety and health, and organizational development, and automated personnel systems. OHRM provides support services for USDA agencies use of the payroll/personnel system at the National Finance Center and day-to-day operating personnel services for the Office of the Secretary and Departmental Staff Offices.

Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout DA.

Current Activities:

USDA Support For Executive Order 12871. Executive Order 12871 established the concept of partnership and labor-management cooperation in the Federal Government and expanded the scope of bargaining by directing Federal agencies to bargain with unions over the permissive areas of bargaining. The permissive areas are the numbers, types, and grades of employees assigned to any organization, subdivision, work project, or tour of duty, and the technology, methods, and means of performing work. The Secretary issued a memorandum which established USDA policy to support Executive Order 12871 relating to bargaining on permissive areas. USDA established one of the first Departmental-level partnership councils, with over 70 councils at the agency level. The USDA Partnership Council is working to strengthen the local councils, as well as cooperating on matters relating to the Department's budget, contracting out, and civil rights.

Workforce Planning. USDA is identifying its future workforce needs, setting in place a common planning process, and coordinating recruitment for under-represented groups and for hard-to-fill occupations. In USDA, approximately 60 percent of executives and 55 percent of senior managers will be eligible for optional retirement within the next five years. USDA is completing its development of 62 competitively selected candidates for the Senior Executive Service.

Accountability for Discriminatory Actions. USDA issued a new policy in January 2000 concerning corrective action in cases involving discrimination by USDA employees both in employment and program actions. The policy is intended to clarify that discriminatory actions will not be tolerated and establishes consistent USDAwide policy on when and how to discipline responsible officials. This policy complements a policy that

holds USDA officials accountable for diversity and nondiscriminatory workplaces through their performance ratings.

Human Resources (HR) Automation. USDA is developing a USDA Strategic Vision for HR automation with a focus on improving service, avoiding costs, and providing solid decision support. The vision will promote uniform and consistent approaches. The greatest opportunities for cost savings come through increasing the use of web-based applications for self-service options for managers and employees. Specific areas under study for investment are transaction processing, staffing, position classification, and time and attendance (T & A). The return on investment is substantial. For example, in T & A, over $5 million in annual costs can be avoided by the full deployment of a T & A system that does not require timekeepers to make data entries.

"Corporate" Human Resources Policies and Practices. OHRM is increasing the effectiveness and improving the efficiency of USDA human resources management programs and service delivery by (1) developing more consistent policies and practices, (2) issuing guidance based on oversight and the identification of best-practices, and (3) developing baselines of service to measure efficiency and cost.

Selected Examples of Recent Progress:

Employment for Persons with Disabilities. OHRM continues to support the Secretary's Committee on Employees with Disabilities (SACED) which was established to address issues and develop uniform approaches to issues pertaining to employees with disabilities. A recent forum identified ways to ensure greater access to technology for persons with disabilities, as well as improvements in the administration of the Workers Compensation Program for employees who are disabled on the job. OHRM, together with the Office of Civil Rights, sponsored a workshop on hiring persons with disabilities.

USDA Student Employees Increase in 1999. USDA continues to increase the number of student employees, as well as to enhance recruitment efforts to hire minorities and women. The number of students at USDA increased by 26 percent from 4,201 students for Fiscal Year 1998 to 5,334 students in August 1999. Women's representation in the Student Employment Program also increased by 1.2 percent, and minorities represent 34.3 percent of all students. During their internships at USDA, students receive valuable training in 15 programs such as the USDA/1890 National Scholars Program, the Hispanic Association of Colleges and Universities Intern Program, Student Career Experience Program (Cooperative Education), the DC Federal Summer Employment Initiatives.

Welfare-to-Work. USDA has supported welfare reform by hiring 608 persons from the welfare rolls as of November 30, 1999, exceeding its commitment to hire 375 recipients by 62 percent.

OFFICE OF ETHICS

The Office of Ethics (OE) manages the Departmentwide ethics program and oversees its administration. The goal of the office is to assure that all USDA staff members are trained on, and compliant with, the law and regulations governing standards of conduct, conflicts of interest, and political activity. Direction to, and support of, mission area ethics programs are provided through training programs, staff development, uniform procedures, program review, and technical assistance. This office also directly services higher level staff throughout the Department in the review of their public financial disclosure reports and the provision of ethics training and one-on-one counseling and advice.

Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout DA.

Current Activities:

Policy. OE has drafted Supplemental Ethics Regulations reinstating prior approval for outside employment by staff who occupy positions vulnerable to conflict of interest and prophylactic measures to assure that the farm loan and farm program assistance programs are administered in a fair and impartial manner. These proposed regulations are currently under review by the U.S. Office of Government Ethics (OGE). Additional ethics rulemaking proceedings will be undertaken in other high-risk program areas. OE has also developed draft internal policies for Departmentwide use governing the acceptance of travel assistance from non-Federal sources.

Training. OE has implemented a series of computer based training modules for the ethics web site at www.usda.gov/ethics that enable employees worldwide to engage in self-instruction on specific ethics issues and to self-certify completion by semi-automatic e-mail messages back to their ethics advisors. Additional training modules are being scripted and programed for the site. OE has entered into an collaborative arrangement with counterparts in other Federal Departments to jointly conduct interactive training by satellite broadcasts.

Program Development. OE is working with Mission Area ethics programs to remedy deficiencies noted in program reviews conducted by the Office of Government Ethics. In addition, OE will provide Mission Area ethics staff with automated management tools by which to track the compliance of reporting and training requirements and substantive research materials on a password protected portion of the ethics web site. Senior ethics specialists from OE, in conjunction with OGE staff, are training Mission Area ethics personnel both in the field and at headquarters.

OFFICE OF CIVIL RIGHTS

The Office of Civil Rights (CR) provides overall leadership responsibility for all Departmentwide civil rights activities including both employment opportunity and program discrimination policy development, analysis, coordination, and compliance activities. Employment: CR is responsible for reducing under representation and under utilization in the work force and for providing leadership in the implementation of best practices that will create an environment where diversity is valued as a source of strength. CR provides consultation and works in collaboration with appropriate USDA officials in implementing best practices with respect to recruiting, hiring, promoting, utilizing, and managing a diverse work force that is representative of America at all levels. Civil Rights Program Delivery: CR provides consultation and work in collaboration with appropriate USDA officials in implementing best practices designed to enhance delivery of USDA's programs and services to historically under serviced groups, including small limited resource farmers and ranchers. CR has responsibility for monitoring the delivery of program activities to ensure that all USDA programs are delivered in a non-discriminatory manner.

Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout DA.

Goal 2: Deliver timely, reliable, and efficient services to Departmental Administration customers.

Selected Examples of Recent Progress:

Reorganization of the Office of Civil Rights. CR was reorganized with separate employment and program directorates that report under separate lines of supervision, a major Civil Rights Action Team (CRAT) recommendation. The reorganization program established a Program Investigations Division to investigate and process individual and class program complaints; a Program Compliance Division that will conduct compliance reviews and provide technical assistance and support to the agencies; and a Program Adjudication Division to analyze program complaint cases and to prepare final decisions for the Office Director. A similar structure exists for the Employment Divisions. A Resource Management Office is being established to provide

the full range of administrative services affecting the efficient program management and operation of the Office of Civil Rights.

Policies and Procedures. New Departmental Regulations on processing program and EEO complaints were issued in August 1999, and are being implemented to resolve complaints in a timely manner. Program complaints are to be resolved within 180 days. All program complaints received after August 2, 1999, were processed according to the prescribed time table and should be resolved within 180 days. All future cases will be handled in accordance with that time frame. Employment complaints are to be investigated within 180days.

The new policy on Discipline-Accountability Cases is in final clearance and will be issued soon. It establishes policy that addresses USDA's commitment to ensure disciplinary or other corrective action for employees who engage in discriminatory or related misconduct. It provides a uniform guideline for use throughout the Department. During the first half of 1999, disciplinary or corrective actions were taken against 46 employees for discrimination or misconduct related to civil rights. The policy will help assure that, in the future, disciplinary or corrective action will be taken in all cases. CR will monitor each case to assure corrective action is taken where appropriate.

Settlements and Agreements. In March 1999, a consent decree was signed to settle the African-American Farmers Class Action Suit, known as the Pigford v. Glickman case. Lawsuits filed by African-American farmers alleging race discrimination against USDA were consolidated into one class action. With the signing of the consent decree, the Department has moved forward expeditiously to assure that claims filed by members of the class are processed in a timely fashion. As of September 30, 1999, USDA had received 11,301 claims filed by members of the class under Track A (requires less documented evidence of discrimination; farmers can take a $50,000 payment, as well as $12,500 to cover taxes, and have their government debts forgiven); 20 under Track B (requires more evidence; farmers go before an independent arbitrator and seek larger damages); and 246 had opted-out of the class.

Systems and Process Improvement. CR developed and implemented the Civil Rights Complaints Tracking System (CTCTS) in 1999. The CRCTS application provides CR with a highly automated, state of the art system to track, monitor, and report on complaints of civil rights discrimination in USDA programs and services. CRCTS was developed to ensure that civil rights complaints are handled in conformance with Federal regulations and USDA policies. In so doing, CRCTS helps facilitate the timely resolution of complaints and measures the performance/results of organizations in resolving complaints.

OFFICE OF PROCUREMENT, PROPERTY AND EMERGENCY PREPAREDNESS

The Office of Procurement, Property and Emergency Preparedness (OPPEP), formerly the Office of Procurement and Property Management (OPPM), provides Departmental policy, oversight and guidance for acquisition and procurement, real and personal property, transportation, supply, motor vehicles, aircraft, recycling and energy conservation, and coordination of Department of Agriculture (USDA) disaster management and emergency planning and response activities.

Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout DA.

Current Activities:

Departmental Collocation Projects. The first of five buildings planned for the Natural Resources Research Center, in Fort Collins, Colorado, opened on November 15, 1999. This building houses six USDA agencies currently located in the Fort Collins area. The Kansas City collocation project is scheduled for occupancy in late March or early April 2000. Over 1,500 staff from five USDA agencies will be housed in this new facility.

USDA Recycling Efforts Provide Jobs for Persons with Disabilities. In support of Executive Order 13101, "Greening the Government through Waste Prevention, Recycling and Federal Acquisition," USDA announced a new initiative to recycle ink jet printer cartridges through a partnership with NISH, a national nonprofit agency that seeks to enhance the quality of life of people with severe disabilities. NISH provides USDA with postage-paid envelopes for mailing empty ink jet printer cartridges to their West Regional Office. NISH then works with community rehabilitation programs in California to create jobs sorting, refilling, stocking, and selling the refilled cartridges for persons with disabilities. USDA offices across the Nation will receive the recycling mailers. The USDA Forest Service (FS) will distribute the recycling mailers to the public at FS visitor centers across the country.

Purchase Card Management System (PCMS). During fiscal year 1999, USDA completed a transition to a new credit card services provider, Bank of America. The transition required development of a card account management system for PCMS and an electronic interface to the bank which was completed in November 1999. In fiscal year 2000 stabilization efforts will be under way to assure that all system components are functioning properly and are reliable. Fleet screens will be developed to allow fleet coordinators to manage their program more effectively. An interface to the USDA's Financial Foundation Information System will be developed to exchange financial data. In addition, a web-based version of PCMS will be developed so that users can access the system through a browser without having special software on their desktop computers.

Integrated Acquisition System. Nearing completion of a comprehensive market analysis, OPPEP is currently assessing commercial off-the-shelf acquisition software for piloting and deployment as a new purchase order and contract processing system (Integrated Acquisition System) for the use of USDA agencies. Testing of the software, in partnership with USDA agencies and the Office of the Chief Financial Officer started in fiscal year 1999. Upon completion of the assessment, software deployment across USDA could commence in the third quarter of fiscal year 2000 and take three years to complete. Once deployed, this system will permit USDA to shut down aging and costly to generate legacy procurement automation systems. Some of these systems are over twenty years old, and do not allow USDA agencies to take full advantage of recent Federal procurement reforms. When this project is completed, all USDA agencies will be utilizing the same suite of procurement software.

Field Training Program for the Continuity of Operations Plan (COOP) and Emergency Preparedness Planning Staff (EPS). Preliminary discussions within EPS have been held regarding State Emergency Board (SEB) workshops. In past years, a SEB workshop was conducted on a biennial basis, in four locations throughout the continental U.S., which provided easy access for all SEBs. Guest speakers were invited from critical agencies and mission areas in the Department. The last sessions were conducted in 1996. EPS is currently re-engineering the content of these sessions to be more inclusive of projects/issues that are currently underway in the Department such as bio-terrorism and agri-terrorism training/preparedness; HQ COOP progress reports; status of emergency response plans, e.g., Chemical Stockpile Emergency Preparedness Plan (CSEPP), Federal Radiological Emergency Response Plan (FRERP), Federal Response Plan (FRP), National Response Team (NRT), and general emergency preparedness items of interest or concern. EPS anticipates that presenters would primarily come from agencies within the Department.

Selected Examples of Recent Progress:

Federal Excess Personal Property Program. Section 923 of the Federal Agriculture Improvement and Reform Act, (FAIR) of 1996 authorized the Secretary of Agriculture to acquire and transfer title of excess Federal personal property to any of the 1994 Institutions (as defined in section 532 of the Equity in Education Land Grant Status Act of 1994 (Public Law 103-382; 7 U.S.C. 301 note)); any Hispanic-Serving Institution (as defined in section 316(b) of the Higher Education Act of 1965 (20 U. S. C. 1059c(b)); and any college/university eligible to receive funds under the Act of August 30, 1890 (7 U.S.C. 321 et seq.), including Tuskegee University. Administrative Support for this program is provided by the Office of Procurement, Property and Emergency Preparedness (OPPEP). OPPEP published *Uniform Procedures for the Acquisition and Transfer of Excess Personal Property* in the Federal Register on October 27, 1998. Since then, OPPEP

has approved transfer of $3.6 million worth of property under the program. OPPEP is also working on a handbook that can be distributed to eligible Institutions so that they have a better understanding of the program, processes and procedures.

Real Property Management Information System (RPMIS). During fiscal year 1999, OPPEP successfully completed the conversion process from the HP 3000 platform to the Y2K compliant National Information Technology Center platform in Kansas City. This was done in three phases. Phase I included the conversion of all USDA's owned/leased properties under the 1166 Inventory/Reporting process; Phase II converted the Department's properties established under the General Services Administration's control; and Phase III converted the Department's Headquarters space in the National Capitol Region. The conversion process provides multi-platform access in the form of mainframe, mini-computer, PC and web-based access to the system's data.

Use of Biodiesel Fuel in USDA Fleet. On August 12, 1999, the President signed Executive Order 13134, "Developing and Promoting Biobased Products and Bioenergy" to further the development of a comprehensive national strategy to promote and expand the use of cost-competitive biobased products and bioenergy. In support of this EO and EO 13031 "Federal Alternative Fueled Vehicle Leadership", Secretary Glickman announced that USDA will buy 20,000 gallons of B20 biodiesel fuel for use in USDA's fleet. USDA was the first Federal agency to commit to use of this alternative fuel. USDA started a pilot project on August 2, 1999 to use B20 biodiesel fuel instead of regular diesel fuel in approximately 80 vehicles at the Beltsville Agricultural Research Center and the Black Hills National Forest. The use of these biobased alternative fuels reduces pollutant emissions and increases the demand for agricultural crops.

USDA Purchase Card and Fleet Card Program Changes. On November 30, 1998, USDA began acquiring purchase and fleet card services from Bank of America. Over 19,000 purchase cards and 42,000 fleet cards were successfully issued to USDA personnel. During fiscal year 1999, these credit cards, and related convenience checks, allowed USDA to quickly and efficiently complete over 1.9 million purchase transactions for fuel, goods, and services totaling more than $400 million. Cardholders reconciled their purchase transactions using USDA's Purchase Card Management System (PCMS), an easy to use on-line system that eliminates paper statements, maximizes rebates from the bank, and provides improved management oversight. USDA upgraded PCMS software and hardware during the year to provide improved card set-up and maintenance functions and faster performance in support of mission delivery.

USDA COOP. OPPEP formed and chaired a USDA task force to develop a COOP for USDA Headquarters as required by President Decision Directive PDD 67. PDD 67 requires Federal Departments to develop contingency plans to assure the continuity of operations during a wide range of potential emergencies, including the potential for terrorist use of weapons of mass destructions. USDA's initial COOP covers the Headquarters activities of 28 agencies located in 18 building in the National Capital Region. OPPEP is developing a 5-year test and evaluation plan to permit the USDA COOP to be maintained at a high degree of readiness.

COOP - Table-Top and Live Exercises. OPPEP is currently working with the First Army located in Gillam, Georgia, to coordinate USDA participation in Launch Relief 2000 which will be conducted in March of 2000. The agencies participating in the exercise are: Food Safety and Inspection Service, Office of the Inspector General, Animal and Plant Health Inspection Service and Agricultural Research Service.

OPPEP participated in a Continuity of Government exercise in September of 1999. A second exercise was conducted in November 1999. Follow-up exercises are planned for calendar year 2000.

OFFICE OF OPERATIONS

The Office of Operations (OO), in support of its mission of delivering services and promoting programs and policies that impact the safety and health of our employees, operates the health unit at the Headquarters Complex and at existing USDA offices in Riverdale and the Beltsville Agricultural Research Center. A new

unit was established in 1998 to service the new USDA Beltsville Office Facility. The health units provide medical care to those employees who become injured or ill during working hours. OO's primary health services are administered through the South Building Health Unit, that serves over 8,000 employees and is staffed by three nurses and one Medical Officer. Services at all locations include preventive health maintenance and screening programs, health education and awareness activities, and responding to health emergencies arising during the work day.

Goal 2: Deliver timely, reliable, and efficient services to Departmental Administration customers.

Current Activities:

Beltsville Unit. The Beltsville unit has been open since January 1998. With a staff of one nurse, this health unit provides the same functions as the South Building and Riverdale units, including a separate Nursing Mothers' Room.

Selected Examples of Recent Progress:

Nursing Mothers' Rooms. The South Building, Riverdale, and Beltsville health units each have a Nursing Mothers' Room. The South Building Nursing Mothers' Room is equipped with chairs, a refrigerator, a table, a bookcase, and breast pumps. The field health units are equipped with chairs, educational materials, and other materials; however, the mothers provide their own breast pumps. Approximately 20 mothers have used the rooms in all the health unit locations.

Blood Drives. The American Red Cross holds blood drives in USDA locations at Riverdale, Beltsville, and the South Building. The South Building and field health units have six blood drives annually. The total number in 1999 of blood donors for all health units was approximately 3,100.

Health Fairs. In fiscal year 1999, approximately 1,800 employees attended the annual health fair in Riverdale, Beltsville, and the South Building. The health fair consists of blood screenings, vision, glaucoma testing, hearing, back posture evaluation, oral checkups, podiatrist, etc.

Flu Shots. In fiscal year 1999, the Medical Officer oversaw the flu immunization of 3,000 USDA employees during the months of October, November and December.

Employee Visits to the Health Units. In fiscal year 1999, the total number of employee visits to the health units was 25,418. Of that number, 3,647 were for allergy shots, 5,522 to have blood pressures taken, and 11,305 for other types of medical visits.

Cardiac Defibrillators. All health units purchased cardiac defibrillators and special training in their use was provided to all nurses and the Medical Officer.

OFFICE OF PLANNING AND COORDINATION

The Office of Planning and Coordination (OPC) was created by the reorganization of Departmental Administration on October 1, 1999. It assists the Assistant Secretary for Administration and other officials of the Department in the development and execution of administrative policies that cut across mission and functional lines. OPC provides strategic planning, performance reporting, analysis, budget coordination and special initiative support to Departmental Administration. Some of these functions were previously provided by the Management Support Staff.

The Conflict Prevention and Resolution Center (CPRC) was establish in October 1998 and has been placed within the Office of Planning and Coordination to provide Departmentwide leadership, guidance, coordination

and support in the effective prevention and resolution of conflict impacting USDA employees and customers through the use of appropriate dispute resolution techniques and the development of conflict management skills.

Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout USDA.

Current Activities:

Conflict Management at USDA. CPRC is providing training and briefings to officials and organizations throughout USDA and coordinating activities of the Secretary's newly established ADR Working Group. CPRC issued guidance on the effective management of USDA workplace conflict in March 1999. The guidance elaborates on the Secretary's Conflict Management Policy. This revised policy also addresses the use of ADR for program disputes where appropriate. A Departmental Regulation will follow implementation of the revised policy.

Selected Examples of Recent Progress:

Increase in Awareness, Use, and Support of ADR at USDA. By the end of fiscal year 1999, 82 percent of 283 workplace disputes mediated were successfully resolved. Disputes going through mediation have been resolved quickly and at little cost.

The Agricultural Marketing Service's Perishable Agricultural Commodities Act Branch reported that 92 program cases were resolved through mediation. The Agricultural Mediation Program reported that 22 States participated in the program in fiscal year 1999. State mediation programs assist agricultural producers, their creditors, and other persons directly affected by the actions of the USDA to resolve disputes thereby reducing the participant's cost associated with administrative appeals, litigation, and bankruptcy.

Agency Implementation. While some agencies within USDA already have ADR programs, a new program was recently implemented and several are in the developmental stage. The DA/OSEC ADR program was established on December 1, 1999, with the selection of a Program Manager. Several focus groups were held, an employee survey distributed, and other ADR programs reviewed in the design process. Three other agencies plan to have their ADR programs implemented early in 2000. Currently, those agencies are in the design stage and are in negotiations with their respective bargaining units.

Agency Program Recognition. The National Finance Center received recognition at the OPM ADR Awards Ceremony for innovative program design and practices.

Marketing Initiatives. CPRC is developing an ADR Handbook for program manager use. The handbook will include introductory information regarding use of ADR for employment disputes, all applicable authorities for development and operation of an ADR program, mediation process information, sample ADR forms, mediation fact sheet, resources, evaluation and reporting information and other resources to aid program managers with development and operation of their agency ADR programs. Completion and distribution are scheduled early in 2000.

An ADR Awareness Video was completed in January 2000. The video includes various workplace conflict scenarios and highlights the benefits of using ADR to resolve workplace conflicts.

CPRC contracted with George Mason University to develop a marketing tool which highlights the use of ADR in the Agricultural Mediation Program. Various agencies participating in the Agricultural Mediation Program have been contacted for their individual success stories. Only general information will be highlighted due to confidential nature of the process.

CPRC created a conflict resolution web page which provides background information regarding CPRC, conflict resolution, mediation and other ADR processes and provides ADR resource information.

OFFICE OF ADMINISTRATIVE LAW JUDGES/JUDICIAL OFFICER

The Office of Administrative Law Judges consists of three Judges, who conduct rulemaking and adjudicatory hearings throughout the United States in proceedings subject to the Administrative Procedure Act (APA), 5 U.S.C. 554 et seq. There are approximately 37 statutes administered by agencies within the Department of Agriculture requiring APA hearings. The Judges issue initial decisions and orders in adjudicatory proceedings, which become final decisions of the Secretary unless appealed to the Secretary's Judicial Officer by a party to the proceedings. Final consent orders are issued by the Judges following hearings or upon waiver of hearing. In addition, the Judges perform related duties, which are consistent with their duties under the APA, such as the Chief Judge's performance of administrative duties and the conduct of appropriate non-APA hearings.

The Judicial Officer serves as final deciding officer, in place of the Secretary, in regulatory proceedings of a quasi-judicial nature. These include appeals from the Administrative Law Judge's initial decisions, and reparation proceedings under the Perishable Agricultural Commodities Act and the Packers and Stockyards Act, which do not require hearings before Administrative Law Judges under the APA. Any party to a proceeding may appeal an Administrative Law Judge's initial decision to the Judicial Officer. Oral argument before the Judicial Officer is discretionary. The Judicial Officer also rules upon matters arising in proceedings that are certified by the Administrative Law Judges.

The Office of the Hearing Clerk receives, files and serves pleadings, briefs, and decisions. It maintains the official records of the Department (including the transcripts of adjudicatory and rulemaking hearings) and in the event of an appeal, certifies such records to the Court of Appeals or District Court for subsequent review. The Hearing Clerk is responsible for publication of Agriculture Decisions, which is the official compilation of quasi-judicial and judicial decisions issued under regulatory laws administered by the Department.

Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout DA.

In addition to processing cases that come before Administrative Law Judges, the Hearing Clerk's Office processed the following in fiscal year 1999:

Perishable Agricultural Commodities Act:	
Reparation Cases	180
Packers and Stockyards Act Reparation Cases	4
Certification and Authentication of Documents	23
Certification of Administrative Records to Federal Courts	15
Board of Contracts Appeals:	
Scheduling/Canceling Reporting Service	21

The following table indicates the number of hearings held by Administrative Law Judges during the past three fiscal years, together with the number of initial decisions after hearings, initial decisions upon default, and final consent orders following hearing or upon waiver of hearing.

HEARINGS AND DISPOSITIONS
(Adjudicatory; Unless Otherwise Indicated)

Type of Proceedings	FY 1997		FY 1998		FY 1999	
	Hear-ings	Dispo-sitions	Hear-ings	Dispo-sitions	Hear-ings	Dispo-sitions
Agricultural Marketing Agreement Act	--	4	--	6	1	9
Agricultural Marketing Agreement Act (Rule-Making)	--	6	1	1	1	1
Animal Quarantine	1	28	--	10	--	11
Animal Welfare Act	10	95	6	68	3	38
Beef Promotion & Research Act	--	3	--	--	1	1
Cotton Research Promotion Act	--	--	--	--	--	2
Debarment (Non-Procurement)	--	6	--	5	--	3
Egg Research & Consumer Information Act	--	11	--	3	--	--
Federal Crop Insurance Act	--	1	--	28	--	4
Forest Service	1	2	--	--	--	--
Forest Service Sourcing Area Applications	--	1	--	2	--	--
Fresh Cut Flowers & Fresh Cut Greens Promotion	--	--	--	14	--	--
Grain Standards Act	2	14	--	1	--	--
Horse Protection Act	1	16	2	14	1	17
Inspection & Grading	--	--	--	--	--	1
Meat/Poultry Inspection Acts	--	24	--	7	1	12
Mushroom Promotion, Research & Consumer Information	--	--	--	1	--	--
National Dairy Promotion & Research	--	1	--	1	3	31
Packers & Stockyards Act	3	56	1	35	2	29
Perishable Agricultural Commodities Act	6	33	4	24	--	2
Perishable Agricultural Commodities Act Appeal	4	9	1	7	1	39
Plant Quarantine Act	--	33	--	19	--	--
Sheep Promotion, Research & Information	--	1	--	--	--	--
Tobacco Inspection/Price Support (Rule-Making)	2	2	2	2	--	--
Veterinary Accreditation	--	1	--	--	--	2
Totals	30	347	17	248	14	202

OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

Classification by Objects
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Other Objects:			
41 Grants, Subsides, & Contributions	$3,000,000	$3,000,000	$10,000,000

OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Outreach for Socially Disadvantaged Farmers:

For grants and contracts pursuant to section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279), [$3,000,000] $10,000,000, to remain available until expended.

Appropriations Act, 2000	$3,000,000
Budget Estimate, 2001	10,000,000
Increase in Appropriation	+7,000,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2000 Estimated	Program Changes	2001 Estimated
Outreach for Socially Disadvantaged Farmers	$3,000,000	+$7,000,000	$10,000,000

OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

PROJECT STATEMENT
(On basis of appropriation)

Program	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Outreach for Socially Disadvantaged Farmers.....	$3,000,000	--	$3,000,000	--	+$7,000,000(1)	$10,000,000	--

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $7,000,000 for the Outreach for Socially Disadvantaged Farmers program ($3,000,000 available in 2000).

Section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990 (U.S.C. 2279) authorizes this program to enhance the ability of small and minority producers to operate farming and ranching enterprises independently and produce income adequate to service debts, maintain farm operations, and provide a reasonable standard of living. This program is carried out through 1890/1862 Land Grant Institutions, American Indian community colleges, post-secondary educational institutions servicing Hispanics, and community-based organizations with demonstrated experience in providing agricultural education or service to socially disadvantaged farmers and ranchers. Cooperative agreements are made with these entities to enable them to provide small farmers and ranchers with intensive training and management assistance. Each participant in the program is visited one to three times a month by a farm specialist with expertise in farm management and production. Assistance provided includes developing individualized farm plans, improving production and marketing skills, and implementing farm accounting and record keeping systems as well as helping farmers and ranchers better understand USDA programs and opportunities to participate in them. During fiscal year 2000, an additional $5,200,000 will be used from the Fund for Rural America for this program making a total of $8,200,000.

The additional funding will allow Departmental Administration to fulfill the Civil Rights Action Team Report recommendation to fully fund the Outreach for Socially Disadvantaged Farmers program. The proposed increase will enable support of small producers with the goal of turning them into solvent enterprises, and stemming the continual reduction of the number of minority farmers and ranchers. During FY 1999, 26 projects received over $3,000,000 in grant assistance. The program serves farmers and ranchers in over 393 counties across the United States. Approximately 9,000 borrowers and more than 107,000 families have been reached through these USDA outreach efforts.

This increase will support the Departmental Administration Strategic Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout USDA, Objective 1.1(b): Increase opportunities for and participation of historically under-served rural populations and small limited resource farmers in USDA programs.

OUTREACH FOR SOCIALLY DISADVANTAGED FARMERS

Geographic Breakdown of Obligations and Staff Years
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$266,500	--	$256,106	--	$0	--
Arkansas	237,350	--	295,589	--	0	--
Delaware	100,070	--	89,337	--	0	--
District of Columbia	25,000	--	--	--	0	--
Florida	100,000	--	92,496	--	0	--
Georgia	300,000	--	310,989	--	0	--
Kentucky	94,300	--	99,307	--	0	--
Louisiana	102,500	--	165,633	--	0	--
Maryland	50,400	--	45,000	--	0	--
Minnesota	82,000	--	73,208	--	0	--
Mississippi	250,000	--	186,680	--	0	--
Missouri	102,500	--	80,880	--	0	--
North Carolina	91,430	--	138,887	--	0	--
North Dakota	141,040	--	101,697	--	0	--
Oklahoma	248,183	--	226,829	--	0	--
South Carolina	142,359	--	195,283	--	0	--
South Dakota	97,580	--	80,105	--	0	--
Tennessee	102,258	--	100,661	--	0	--
Texas	185,919	--	160,853	--	0	--
Vermont	120,663	--	89,276	--	0	--
Virginia	73,800	--	120,354	--	0	--
Wisconsin	86,148	--	90,830	--	0	--
Subtotal	3,000,000	--	3,000,000	--	--	--
Undistributed	--	--	--	--	10,000,000	--
Total, Available or Estimate	3,000,000	--	3,000,000	--	10,000,000	--

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

The Office of Small and Disadvantaged Business Utilization (OSDBU) provides Departmentwide leadership in the implementation and execution of programs under sections 8(a) and 15 of the Small Business Act, as amended, as well as numerous Executive Orders, to promote the growth and competitiveness of small, minority-owned and women-owned business through equitable participation in the Department's procurement and program activities.

Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout DA.

Current Activities:

Business Development. On March 5, 1999, the OSDBU initiated its Bringing Rural America Venture Opportunities (BRAVO) business development program. BRAVO, designed to increase the number of American Indian owned Information Technology (IT) firms that do business with USDA, creates technology-based jobs on Indian Lands and in surrounding economically disadvantaged rural areas. During fiscal year 2000, OSDBU will conduct its first competition among recognized Tribal entities. The competition will result in the selection of six or more qualified applicants to participate as BRAVO firms.

Small Business Education and Development Program (SBEDP). In February 1999, OSDBU initiated the SBEDP. The program is designed to promote the growth and stability of small businesses located in rural America, identify markets for value added agricultural products of small limited resource farmers and provide access to educational and technical resources to sustain the growth and development of small businesses in rural areas. In April 2000, OSDBU, in concert with the University of Nebraska Food Marketing Institute, will develop a food commodity curriculum to guide potential USDA vendors in the steps necessary to do business with USDA. The materials are intended to be used in a variety of settings providing technical assistance to targeted small businesses e.g., Small Business Development Centers, Manufacturing Extension Centers, and college level courses in marketing. OSDBU also has plans to add the module to its web page. In addition, in May 2000, OSDBU will hold a food commodity symposium to identify markets for value added agricultural products of small limited resource farmers.

Mentor/Protege Program. During October 1999, OSDBU began the development of USDA's mentor/protege small business program. The program, being implemented in two phases, will establish procedures for small business firms to collaborate with large firms to acquire business skills that will aid them in improving their ability to compete successfully for USDA contracts, other Federal contracts and commercial contract. Implementation for such a program is through USDA's contracting activities. Phase I will be implemented during the second quarter of fiscal year 2000 with Phase II being implemented during the first quarter of fiscal year 2001.

Development of e-Commerce Curriculum for Agri-businesses. During April 2000, OSDBU will conduct a survey on the impact of e-Commerce on small businesses located in Rural America. Data will be analyzed to determine the impact of e-commerce on rural businesses and deployment strategies for technical assistance to rural businesses by OSDBU and other cognizant USDA agencies. Based on the data collected, OSDBU will develop a curriculum of comprehensive educational and training materials to strengthen rural small businesses that will allow them to successfully compete in a 21st century business environment.

Selected Examples of Recent Progress:

Outreach Diversification. In order to ensure under-represented small business groups received adequate, timely, and useful information concerning USDA contract and program requirements, OSDBU tailored and targeted its outreach efforts. In May 1999, OSDBU established partnerships with the National Black Chamber of Commerce, League of United Latin American Citizens, National Indian Business Association, Business Women's Network, National Black Business Council; sponsored or co-sponsored eight conferences directed

at under-represented small business groups; and established a Memorandum of Understanding (MOU) between USDA and the Small Business Administration (SBA) to increase outreach to the women-owned business community.

Y2K Training. Through partnerships with Cooperative State Research, Education and Extention Service, National Institute of Standards and Technology (NIST) and SBA, OSDBU provided "train the trainer" support for Y2K remediation to be delivered to small limited resource farmers and businessmen where social, cultural and/or geographic remoteness require special attention.

Vendor Outreach Program. OSDBU held its first monthly Vendor Outreach Program session on June 16, 1999. The program is designed to provide the small business community the opportunity to meet with the OSDBU coordinators to discuss their capabilities and learn of potential procurement opportunities. OSDBU Coordinators are located in each contracting office and are responsible for carrying out the small business program in their respective agencies.

Small Business Preference Goals and Procurement Forecast. OSDBU, in concert with the Department's contracting activities, completed and uploaded onto the Internet its fiscal year 2000 small business preference goals and procurement forecast September 30, 1999.

OUTREACH AND ASSISTANCE FOR SOCIALLY DISADVANTAGED FARMERS AND RANCHERS

STATUS OF PROGRAM

OFFICE OF OUTREACH

In August 1997, the Secretary established the Office of Outreach in Departmental Administration to address program delivery concerns raised by customers in listening sessions during the Civil Rights Action Team (CRAT) data collection effort. The mission of the Office of Outreach is to ensure that all potential customers have access to all USDA programs and services. The mission is to be accomplished through leadership and coordination of all USDA outreach efforts.

Section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Act) Public Law 101-624 requires the Secretary of Agriculture to provide "outreach and technical assistance to socially disadvantaged farmers and ranchers." The program is designed to reverse the decline of socially disadvantaged farmers and ranchers across the United States, overcome adversities in their farm operations, encourage them to own and operate their own farms and ranches, and increase participation in agricultural programs. "A socially disadvantaged farmer and rancher is defined as a member of any group that has been subjected to racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities."

In order to obtain adequate funding, avoid duplication, and service all small scale farmers, the "Small Farmer Outreach Training and Technical Assistance Program" and the "Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program," (Section 2501) were consolidated. In fiscal year 1998, administration of this program was transferred to Departmental Administration, Office of Outreach, to reflect the program's USDA-wide objectives. The program, hereafter referred to as the "Small Farmer Outreach Training and Technical Assistance Program (SFOTTAP)," assists small, limited resource, economically, and socially disadvantaged farmers and ranchers who own and operate farms and ranches to participate in agricultural programs.

The Secretary of Agriculture may make grants and enter into contracts and other agreements with community-based organizations and educational institutions, such as 1890/1862/1994 Land-Grant Colleges, Indian tribal community colleges, Hispanic serving post secondary educational institutions, etc., to provide outreach, training and technical assistance to small, limited resource, economically, and socially disadvantaged farmers and ranchers.

In addition, other CRAT recommendations involving coordination and leadership of efforts to provide USDA programs to all potential customers led to the establishment of the Farmworker Coordinator position within the Office of Outreach. Additional positions to complete other CRAT recommendations are being established and staffed.

Goal 1: Provide leadership, policy, oversight and coordination to improve the management of programs and administrative processes throughout DA.

Selected Examples of Recent Progress:

The Farmworker Initiative. In fiscal year 1999, the Office of Outreach employed the first USDA Farmworker Coordinator. As a result, the Office of Outreach initiated a number of collaborative efforts to address farmworker, especially migrant farmworker, issues. These efforts included: a) working with Rural Development to identify grantees to receive the $20 million appropriated to assist farmworkers who have been affected by natural disasters; b) assisting fiscal year 2001 budget requests from CSREES for $5 million to assist the children of farmworkers (citizens and non-citizens) through the 4-H Youth Program and AMS for $150,000 to create pesticide education for farmworkers; c) with the Chief Economist's office, adding a program session on farmworkers to the OutLook Conference for the year 2000; and d) organizing strategy meetings between the USDA, DOL, and HHS to discuss the lack of available housing for farmworkers and their families, as well as the non-availability of structured activities for the children of the farmworkers.

In addition, the Office of Outreach participated in: 1) the White House Community Empowerment Conference in Edinburg, Texas (the Secretary informed the audience about the USDA Farmworker Coordination effort); 2) the Hispanic Advisory Committee, where over 200 rural Latinos and Latino organizations were contacted; 3) "The Dynamics of Hired Farm Labor" (coordinated with the Economic Research Service and Penn State University) where 50 research scholars from Australia, Canada, Mexico and the U.S. presented papers, and Outreach participated in a panel discussion; 4) the annual State of Nebraska Public Health conference on the Health Status of farmworkers and rural workers who work in meat packing plants in the Midwest, where Outreach submitted a paper before the 1,000 participants; 5) a panel at the 1999 Small Farms Conference in St. Louis, MO on farmworkers and small farms; and 6) the routine meetings of the Federal Interagency Committee on farmworkers.

Training and Technical Assistance to Small and Disadvantaged Farmers and Ranchers. In fiscal year 1999, the Office of Outreach continued to fund 27 projects to provide training and technical assistance to farmers and ranchers. These efforts continued to reduce delinquency rates of current USDA borrowers, bring more producers into USDA loan programs, and increase the net return to small farmers through financial and farm plan improvements, including increased marketing initiatives. This promotes the continued viability of small farms and the retention of ownership of small farms.

Grant Management. The Office of Outreach continued administration of twelve fiscal year 1998 reimbursable (cooperative) agreements for Farm and Foreign Agricultural Services (Risk Management and Farm Service Agency) outreach projects. The agreements provided $1,435,852 .00 for various outreach projects funded by Farm and Foreign Agricultural Services. In addition, in fiscal year 1999, Outreach entered into eighteen new agreements that facilitated outreach efforts for Farm and Foreign Agricultural Services, NRCS, and APHIS. The eighteen agreements provided a total of $ 1,152,326.00.

AGRICULTURE BUILDINGS AND FACILITIES AND RENTAL PAYMENTS
Classification by Objects
1999 Actual and Estimated 2000 and 2001

		1999	2000	2001
Personnel Compensation:				
Washington, D.C		$3,969,364	$5,189,000	$5,392,000
11	Total personnel compensation	3,969,364	5,189,000	5,392,000
12	Personnel benefits	832,357	1,186,000	1,233,000
13	Benefits for former personnel	1,930	4,000	4,000
	Total pers. comp. & benefits	4,803,651	6,379,000	6,629,000
Other Objects:				
21	Travel	23,735	50,000	50,000
22	Transportation of things	3,096	6,000	6,000
23.3	Rental payments to others	105,756,000	115,542,000	125,542,000
23.3	Communications, utilities, and misc. charges	3,331,000	4,888,000	4,991,000
24	Printing and reproduction	59,273	176,000	180,000
25.2	Other services	21,076,908	12,984,000	45,024,000
26	Supplies and materials	644,243	94,000	96,000
31	Equipment	1,286,762	24,000	25,000
32	Lands and structures	135,814	200,000	204,000
43	Interest and dividends	537	–	–
	Total other obligations	132,317,368	133,964,000	176,118,000
Total direct obligations		137,121,019	140,343,000	182,747,000
Position Data:				
Average Salary, GS positions		$49,675	$59,174	$60,091
Average Grade, GS positions		10.7	10.8	10.8

AGRICULTURE BUILDINGS AND FACILITIES AND RENTAL PAYMENTS
(INCLUDING TRANSFERS OF FUNDS)

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agriculture Buildings and Facilities and Rental Payments:

For payment of space rental and related costs pursuant to Public Law 92-313, including authorities pursuant to the 1984 delegation of authority from the Administrator of General Services to the Department of Agriculture under 40 U.S.C. 486, for programs and activities of the Department which are included in this Act, and for the operation, maintenance, improvement, and repair of Agriculture buildings, [$140,364,000] $182,747,000 to remain available until expended: *Provided*, That in the event an agency within the Department should require modification of space needs, the Secretary of Agriculture may transfer a share of that agency's appropriation made available by this Act to this appropriation, or may transfer a share of this appropriation to that agency's appropriation, but such transfers shall not exceed 5 percent of the funds made available for space rental and related costs to or from this account.

This change consolidates the language providing for GSA rental charges, operations and maintenance of USDA headquarters buildings and the renovation of the Agriculture South Building.

AGRICULTURE BUILDINGS AND FACILITIES AND RENTAL PAYMENTS

Appropriations Act, 2000		$140,364,000
Budget Estimate, 2001		182,747,000
Increase in Appropriation		+42,383,000
Adjustments in 2000:		
Appropriations Act, 2000	$140,364,000	
Rescission under P.L. 106-113 a/	-21,000	
Adjusted base for 2000		140,343,000
Budget Estimate, 2001		182,747,000
Increase over adjusted 2000		+42,404,000

a/ The amount is rescinded pursuant to Section 301 of the Emergency Supplemental Appropriations part of the Omnibus Appropriations Act, FY 2000 (P.L. 106-113) enacted November 29, 1999.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2000 Estimated	Pay Cost	Program Changes	2001 Estimated
Rental Payments	$115,542,000	--	+$10,000,000	$125,542,000
Building Operations and Maintenance	24,801,000	+215,000	+6,189,000	31,205,000
Strategic Space Plan	--	--	+26,000,000	26,000,000
Total Available	140,343,000	+215,000	+42,189,000	182,747,000

AGRICULTURE BUILDINGS AND FACILITIES AND RENTAL PAYMENTS

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Rental Payments	$108,057,000	--	$115,542,000	--	+$10,000,000 (1)	$125,542,000	--
2. Building Operations and Maintenance	24,127,000	77	24,801,000	86	+6,404,000 (2)	31,205,000	88
3. Strategic Space Plan	5,000,000	--	0	--	+26,000,000 (3)	26,000,000	--
Total available or estimate	137,184,000	77	140,343,000	86	+42,404,000	182,747,000	88
2000 Recission in BOM	--	--	+21,000	--			
Total Appropriation	137,184,000	77	140,364,000	86			

AGRICULTURE BUILDINGS AND FACILITIES AND RENTAL PAYMENTS

PROJECT STATEMENT
(On basis of available funds)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Rental Payments	$105,756,324	--	$117,842,676	--	+$7,699,324	$125,542,000	--
2. Building Operations and Maintenance	23,972,741	77	32,690,378	86	-1,485,378	31,205,000	88
3. Strategic Space Plan	7,019,101	--	883,914	--	+25,116,086	26,000,000	--
4. Beltsville Agricultural Research Center (BARC)	261,236	--	8,901	--	-8,901	--	--
5. Relocation	111,617	--	--	--	--	--	--
Total, Direct Obligations	137,121,019	77	151,425,869	86	31,321,131	182,747,000	88
Unobligated Balance, start of year	-11,019,888	--	-11,082,869	--	+11,082,869	--	--
Unobligated Balance, end of year	+11,082,869	--	--	--	--	--	--
Total available or estimate	137,184,000	77	140,343,000	86	+42,404,000	182,747,000	88
2000 Recission in BOM	--	--	+21,000	--			
Total Appropriation	137,184,000	77	140,364,000	86			

Justification of Increases and Decreases

(1) An increase of $10,000,000 for Rental Payments to GSA ($115,542,000 available for fiscal year 2000).

The amount required to pay the General Services Administration (GSA) for the cost of USDA occupied, GSA space Nationwide has not been fully determined. An analysis of the current space inventory and GSA projections is underway and the cost of maintaining GSA space in fiscal year 2001 will be determined in the near future. It is expected to be at least $125.542 million. Without an adequate reimbursement of space cost, GSA would have to curtail services to USDA agencies resulting in adverse impact on the delivery of USDA programs.

The four-building USDA complex in Washington, D.C. was removed from the inventory of GSA space when USDA assumed responsibility for these buildings and began implementation of the 10-Year Renovation Plan. Beginning in fiscal year 1998, GSA adjusted its space bill to remove the cost of this complex.

(2) An increase of $6,404,000 and 2 staff years for Operations and Maintenance ($24,801,000 available for fiscal year 2000), consisting of the following:

(a) An increase of $215,000 for pay cost increases, including $167,000 for the fiscal year 2001 pay increase, and $48,000 for annualization of the fiscal year 2000 pay raise.

This increase is necessary to meet rising costs for operating and maintaining the Headquarters Complex. The Agriculture Building and Facilities activity cannot absorb these additional salary costs without placing severe constraints on its daily operations.

(b) An increase of $459,000 for costs related to the Fair Labor and Service Contract Acts.

This increase provides for yearly pricing adjustments required by the Fair Labor Standards Act and the Services Contract Act, as well as other costs that will increase when the building operations and maintenance contracts are renewed. The funds will be used for a services contract that will allow the same level of service activity as in fiscal year 2000 for operations and maintenance of the Washington, D.C. complex and the George Washington Carver Center at Beltsville.

(c) An increase of $5,230,000 for security operations at the Headquarters Complex buildings and the Beltsville Office Facility.

This proposal would bring the entire security program for the Department under the direct appropriation. Prior to fiscal year 2001, agencies reimbursed this appropriation for the cost of guard services. This request proposes that these costs be financed by direct appropriation. Physical security at locations which house USDA employees has been upgraded since the bombing of the Alfred P. Murah Building in Oklahoma City and the subsequent assessments of the vulnerability of all U.S. Federal office buildings. Many of the enhancements have been structural in nature with renovation of surveillance, improvements of access control, and expansion of site perimeters and have all been funded by direct appropriation. The overall security of USDA employees and those who transact business at USDA locations is a Departmentwide concern. This proposal would ensure that essential security measures are in place without requiring the USDA agencies to divert funding from the delivery of programs and services to USDA customers.

(d) An increase of $500,000 and 2 staff years for Physical Security.

This increase is needed to keep pace with the increasing mandates and the associated operations of occupational safety, environment, security and Continuity of Operations (COOP) in the Federal workplace. In recent years, the Executive and Legislative Branches have increased mandates to improve the quality of occupational health, safety, security and emergency planning for the Federal workforce. These mandates have been expanded in CFR's 29, 40, and 49, in Executive Order 12656, and Presidential Decision Directive 67 (Continuity of Operations). The execution of these mandates has increased the cost of operations in USDA due to the need to have more stringent security measures throughout the Headquarters complex.

(3) An increase of $26,000,000 for the South Building 10-Year Renovation Plan (no funds available in 2000), consisting of the following:

In the mid-1980's USDA made a comprehensive review of its Washington Metropolitan space needs and began development of a strategic housing plan to reduce overall space costs. One of the key elements of this approach is ensuring that the South Building is safe, efficient, and able to house the maximum number of employees. The 2-million gross square foot South Building is over 60 years old, eligible for listing on the National Register of Historic Places, and in dire need of repair and renovation to make it safe, efficient, and functional. Problems such as electrical malfunctions, poor air quality, lead paint, and numerous code violations need to be addressed. As the building continues to age, the need for major repairs and operation and maintenance costs are increasing as is the likelihood of major systems failure. Renovation is essential to avoid further deterioration of the building and its major systems, to eliminate serious fire and health hazards, and to provide modern, efficient mechanical and electrical systems. It also will insure that power and telecommunications systems can support current and future technological advances in automated data processing systems. The required renovation work includes fire protection systems; abatement of hazardous materials such as asbestos, PCB light fixtures, and lead paint; replacement of old, inefficient heating, ventilation and air conditioning systems for improved energy conservation and air quality; upgrade of electrical and plumbing systems; improved accommodations for disabled persons; and accommodation of office telecommunication systems.

Since fiscal year 1995 Congress has appropriated $87,714,000 for the USDA space plan. With these funds USDA has been able to design and construct the George Washington Carver Center at Beltsville, as well as design and construct Phase 1 (Wing 3), and design Phase 2 (Wing 4) of the South Building Renovation Plan. No funds were provided in fiscal year 2000, which has seriously affected the time schedule of the renovations. In fiscal year 2001, funds are requested for the construction of Phase 2, which will provide for the renovation of Wing 4, and for the design of Phase 3, which will provide for architect-engineering services, moving, tenant fit-out and other costs related to the continuing renovation program. All funds shall remain available until expended.

Due to serious health and safety problems, efforts need to continue to implement the Congressionally Approved 10-Year Renovation Plan. Continued delays in funding will mean that there will be increased safety and health risks to USDA employees, and increased leasing and annual maintenance costs.

AGRICULTURE BUILDINGS AND FACILITIES AND RENTAL PAYMENTS

Geographic Breakdown of Obligations and Staff Years
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia	136,859,783	77	151,416,968	86	182,747,000	88
Beltsville, Maryland	261,236	--	8,901	--	--	--
Subtotal, Available or Estimate	137,121,019	77	151,425,869	86	182,747,000	88
Unobligated Balance	11,082,869					
Total, Available or Estimate	148,203,888	77	151,425,869	86	182,747,000	88

AGRICULTURE BUILDINGS AND FACILITIES

STATUS OF PROGRAM

Current activities, progress, and current programs under the Agricultural Buildings and Facilities strategic goal are outlined below:

Goal 2: Deliver timely, reliable, and efficient services to Departmental Administration customers.

Since October 1984, the Department of Agriculture (USDA) has operated and maintained the four building Headquarters Complex which is located on the south side of the Mall. The Complex is composed of historic buildings built between 1879 and 1936. In fiscal year 1985, USDA began a proactive maintenance and construction program to repair, improve, and restore the facilities. The funding level for major repairs and improvements in the Complex was reduced beginning in fiscal year 1995, under the assumption that the planned South Building renovation would address major repair needs. In fiscal year 1999, USDA continued its reduced repair and improvement program, while maintaining the integrity of the buildings in the Headquarters Complex and keeping them safe and operational while phase I of the proposed eight phase renovation of the South Building continues.

USDA's facilities strategy in the Washington area combines the renovation of the South Building and the newly completed facility on Government-owned land in Beltsville, Maryland. The goal of the strategy is to consolidate USDA agencies into the facilities at Beltsville and the downtown Headquarters Complex. This will reduce reliance on costly leased space to house USDA agencies and employees in renovated and safe facilities. Thus reducing facility costs; and enhancing USDA mission accomplishment. The Beltsville Office Facility (BOF), a four-building facility of about 350,000 gross square feet, was renamed the George Washington Carver Center on October 4, 1999. The construction contract for Phase 1 of the South Building Renovation in Wing 3 was awarded on July 30, 1998. During fiscal year 1999 a substantial amount of work was done. We anticipate tenants occupying this area by the second quarter of fiscal year 2000. The design for Phase 2 of the renovation in Wing 4 was substantially completed in fiscal year 1998. Funds for the construction of Phase 2 and other related costs was not appropriated in fiscal year 2000, therefore, delaying Phase 2 of the South Building renovation.

In fiscal year 1998, USDA began operations and maintenance of the George Washington Carver Center. Services provided include a Credit Union, a full-service cafeteria, as well as security, operations and maintenance for the four-building campus facility. In fiscal year 1999, the Child Development, Telework, and Fitness Centers were put into operation. Future plans are to establish an Education Center at this location so local school children can gain access to the agricultural research done by Dr. George Washington Carver during his lifetime.

Current Activities:

Edmonston Road Widening Project. In December 1998, the Maryland Department of the Environment and the U.S. Army Corps of Engineers issued the required wetlands permit. The permit allows USDA to construct the improvements to Edmonston Road between Cherrywood Land and Sunnyside Avenue in Beltsville, Maryland. The project is on hold pending the outcome of a legal suit filed by the City of Greenbelt against USDA and the Army Corps of Engineers. The Department of Justice is representing the Federal Government entities in this litigation.

South Building Renovation. The construction of Phase 1 to renovate Wing 3 started on September 21, 1998. As of November 1999, demolition and abatement of hazardous materials has been completed on all seven floors of Wing 3. Extensive infrastructure work for utility services to serve the South Building has been installed. The build out for the sixth floor is nearing completion. The design for Phase 2 to renovate Wing 4 was completed and approved by the National Capital Planning Commission, the District of Columbia Historic Preservation Officer, and the Advisory Council on Historic Preservation in 1998 and is ready for procurement of a construction contract. Lack of funding in the fiscal year 2000 budget, for Construction of Phase 2, will

delay this project. USDA cannot continue this project without adequate funding in fiscal year 2001. Therefore, we will not reach our goal to renovate 25 percent of the South Building by the end of Fiscal Year 2002.

Space Management. Activities in the Space Management Program include:

Lease Recompetitions, Renewals, Releases. In fiscal year 2000, Space Management plans to continue the renovation and realignment of a 165,000-square-foot building in Virginia.

In D.C., Space Management plans to acquire approximately 6,000 square feet at 1250 Maryland Avenue, SW, to accommodate an expanding agency, and to relocate tenants from substandard space in the South Building. An expired lease will require agencies in this northwest building to be relocated. Space Management will place these agencies in the Aerospace Building, at 901 D Street, SW. The lead agency will also relocate employees from the fourth wing of the South Building and the sixth floor of the Cotton Annex Building (total of approximately 34,000 square feet of space). Meanwhile, another agency will be vacating a leased building, due to a lease expiration and a desire to consolidate operations, to relocate at Waterfront Center, 800 9th Street, S.W. (total of approximately 88,000 square feet of space). Space Management plans to relocate the Office of Outreach from the headquarters complex to 501 School Street, SW. The lease will be renewed on the approximately 20,000 square feet of space we occupy at this building.

In Maryland, Space Management plans to work with the General Services Administration (GSA) to construct and occupy a consolidated warehouse facility in Beltsville. The relocation is attributable to both the expiration of the existing warehouse leases at Landover, Maryland (Note: USDA returned one warehouse to GSA in fiscal year 1999), and to the Department's objective of relocating its warehouse operations to Beltsville, near the new George Washington Carver Center. The new warehouse will be approximately 54,000 square feet smaller than the two warehouses the Department occupied in Landover.

Security. The security and protection of U.S. Government employees and property are of paramount concern at USDA. Initiatives are being planned and others are underway to reduce risks and to create a safe workplace for employees and visitors. Most significant among those initiatives is the upgrade of electronic physical security systems in the Headquarters Complex, at the George Washington Carver Center and at selected leased locations in the National Capital Region; the design of a proactive, state-of-the-art USDA Security Control Center; and security enhancements in the Office of the Secretary for high risk personnel.

Environmental Protection, Safety and Health Program. Protection of the environment and the safety and health of the occupants of the Headquarters Complex are a major concern for the Office of Operations. Numerous initiatives are ongoing to reduce the probability of injury and loss of life and to protect the environment. In fiscal year 2000, the program will concentrate on health issues at the Headquarters Complex. The results of the Environmental, Health and Safety Audit will outline needed enhancements for managing and operating health related activities.

Building Operation and Maintenance. In fiscal year 2000, the Office of Operations will continue work on flat roof repair projects identified in a comprehensive flat roof survey that was completed in fiscal year 1998 and begun in fiscal year 1999. Flat roofs throughout the complex are scheduled to be repaired. Other work will include maintenance investment projects in the public areas of the Jamie L. Whitten Building, including upgrades to restrooms near the ceremonial Patio. In addition, the Office of Operations will replace the lighting system in the Whitten Building Patio, replace/repair cooling towers in the complex, repair the Promenade, and renovate Room 221A in the Whitten Building. A program to eliminate electrical hazards and abandoned electrical and mechanical systems throughout the complex will continue. Sewage ejector systems in the South Building that are potential health hazards will be replaced in the fiscal year 2000. In addition, other activities are centered around efforts to ensure the readiness of vulnerable building systems for millennium compliance, utility conservation, and environmental, health and safety. Additionally, numerous small purchase and minor repair and alterations projects throughout the complex will be done to ensure proper building operation and to support customer agency needs.

Energy Management Program. In fiscal year 2000, the energy management program continue to focus on constructing/commissioning Phase I of the South Building renovation. Phase I includes the replacement of the inefficient lighting and HVAC system with efficient systems in Wing 3. The energy management program will also continue focusing on operations, maintenance, and repair opportunities to reduce energy consumption. With the complete replacement of antiquated equipment in the South Building planned over the next ten years, investments in major mechanical systems in the South Building are not anticipated at this time. Smaller energy management projects will be implemented in the Cotton Annex, Jamie L. Whitten and Sidney R. Yates Buildings. The energy management program includes continuing to survey and repair the steam and chilled water systems to reduce energy consumption. In fiscal year 2000, we will continue implementing our flat roof energy saving program throughout the facility. These roofing projects included replacement of insulation systems that were no longer effective. This year we are expanding the program to also include repairing the water proofing systems in the Courtyard paved parking lots. The lighting program to phase out inefficient incandescent lighting systems with long life energy efficient systems will also continue.

George Washington Carver Center. The Office of Operations, USDA Office Facility in Beltsville, Maryland has facility and security managers and various selected contract personnel on-site to provide services and support for all USDA occupying agencies.

Selected Examples of Recent Progress:

South Building Renovation. The construction of Phase 1 to renovate Wing 3 started on September 21, 1998. As of November 1999, demolition and abatement of hazardous materials has been completed on all seven floors of Wing 3. Extensive infrastructure work for utility services to serve the South Building has been installed. The build-out for the sixth floor is nearing completion. The design for Phase 2 to renovate Wing 4 was completed and approved by the National Capital Planning Commission, the District of Columbia Historic Preservation Officer, and the Advisory Council on Historic Preservation in 1998 and is ready for procurement of a construction contract. Lack of funding in the fiscal year 2000 budget, for Construction of Phase 2, will delay this project. USDA cannot continue this project without adequate funding in fiscal year 2001. Therefore, we will not reach our goal to renovate 25 percent of the South Building by the end of fiscal year 2002.

Space Management.

1. Relocation Space, South Building Renovation Project.

In fiscal year 1999, Space Management completed renovations and oversaw the occupancy of approximately 45,000 square feet of space at three locations in SW, Washington, D.C. Tenants relocated to these buildings from the third and fourth wings of the South Building. During this period internal swing space moves were also completed within the South Building.

2. George Washington Carver Center.

During fiscal year 1999, additional personnel for Food Safety and Inspection Service, Natural Resources Conservation Service, Agricultural Research Service and Service Center were moved to the George Washington Carver Center to join other personnel from these agencies moved during fiscal year 1998.

3. Lease Recompetitions, Renewals, Releases.

During fiscal year 1999, 78,000 square feet of office space and 46,000 square feet of warehouse space in Maryland were returned to GSA.

During fiscal year 1999, USDA obtained 24,000 square feet of space from GSA in Virginia to replace an expired lease and to accommodate the agency's space need. In conjunction with expiring leases at the Aerospace Building, vacating agency space in Wings 3 and 4 for the South Building renovation, and meeting the agency's need to consolidate at one location in SW Washington, 88,000 square feet of space at Waterfront Center was acquired through GSA. One move to Waterfront Center out of Wing 3 was completed in July 1999.

Other moves to these two buildings are planned in calendar year 2000. Leases planned for release in 2000 after these moves are completed will return 54,000 square feet to GSA.

In Virginia, the phased renovation by GSA of a 165,000 square foot leased building, occupied by USDA, continued. Completion is expected in calendar year 2001.

To further reduce leased space in Maryland, Space Management plans to work with the GSA to construct and occupy a consolidated warehouse facility in Beltsville, Maryland. The expired warehouse leases at Landover, Maryland works toward the Department's objective of reducing leased space. The new warehouse will be approximately 54,000 square feet smaller than the two warehouses the Department occupied in Landover.

The delayed funding of the South Building renovation will hamper our ability to reduce leased space by 100,000 square feet by the end of fiscal year 2001. If adequate funding is obtained in fiscal year 2001, this target can be achieved in fiscal year 2003.

Enhance Physical Security. During fiscal year 1999, accomplishments in the physical security functional area included the installation of Secretary's Suite 200A security upgrades, Jamie L. Whitten Building parking lot access control, executive duress alarms, OIG security controls, USDA Headquarters Security Management System, and the continued installation of intrusion detection systems. Additionally, a newly enhanced physical security specification was developed for implementation in the next contracting cycle.

Improve Operation, Maintenance and Management of USDA Complexes. In fiscal year 1999, USDA continued its reduced repair and improvement program, while maintaining the integrity of the buildings in the headquarters complex and keeping them safe and operational while phase I of the proposed eight phase renovations of the South Building continue. In the areas of environmental protection, safety, and health included installation of an upgraded main annunciator fire protection panel for the South Building, completion of a safety, environmental and health audit, and annual Indoor Air Quality (IAQ) survey of the Headquarters Complex and the George Washington Carver Center.

In addition, a sewage ejector system in the South Building that was a potential health hazard was replaced. More than 13,000 hours of preventive maintenance were performed on building mechanical, electrical, vertical transportation and structural equipment in fiscal year 1999.

Energy Management Program. In fiscal year 1999, the steam mains in Wings 1, 2, 3, 4 and 5 were consolidated. Reduced energy consumption, improve operations and maintenance will be achieved by this elimination of more than 1,000 feet of steam mains. Deteriorating skylights in the South Building Cafeteria were replaced with energy efficient skylights. A program to eliminate electrical hazards and abandoned electrical systems in the complex was implemented starting with the Wings 2, 3, 4 and 5 sub-basement. We began repairing numerous flat roof repair projects throughout the facility. These roofing projects included replacement of insulation systems that were no longer effective. The lighting program to phase out inefficient incandescent lighting systems with long life energy efficient systems will also continue.

Enhanced Services. To improve the quality of services, the largest cleaning contractor in the Headquarters was replaced and a new interior plant contract was awarded.

In fiscal year 1999, the Child Development, Telework, and Fitness Centers were put into operations at the George Washington Carver Center, Beltsville, Maryland. Future plans are to establish an Education Center at this location so local school children can gain access to the agricultural research done by Dr. George Washington Carver during his life time.

Reduce Number of Injuries. In fiscal year 1999, the Health and Safety program established and trained employees and contractor personnel on respiratory protection, fall protection, forklift operator training, and confined space programs. The program also developed and implemented an Occupant Emergency Plan (OEP) for the newly occupied George Washington Carver Center.

The Beltsville Agricultural Research Center (BARC), established in 1910 in Beltsville, Maryland, is the Agricultural Research Service's largest laboratory. In fiscal year 1994, the Congress appropriated $19,700,000 in this account to renovate BARC's laboratory facilities. Since then these funds have been used to design, renovate, or upgrade laboratories or building systems in Beltsville. Prior to and subsequent to fiscal year 1994, the Congress provided funding for other BARC renovation projects in the Agricultural Research Service's Buildings and Facilities Appropriation.

HAZARDOUS MATERIALS MANAGEMENT

Purpose Statement

The purposes of the USDA Hazardous Materials Management Program (HMMP) are the efficient management and cleanup of hazardous materials on facilities and lands under the jurisdiction, custody, and control of the Department and prevention of releases of hazardous substances from USDA facilities. Activities in the program are conducted pursuant to the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). Critical funding is provided by the Hazardous Materials Management Appropriation (HMMA).

In August 1985, USDA initiated a nationwide inventory to determine the size and scope of existing and potential environmental problems associated with hazardous substances on facilities and lands under the jurisdiction, custody, and control of the Department. The inventory identified numerous issues concerning storage, handling, and disposal of hazardous substances and wastes. The inventory also identified thousands of sites with releases or potential releases of hazardous substances, including underground fuel and chemical storage tanks, abandoned mines, landfills, dumps (including trespass dumps), and illegal drug lab wastes. Many of these site problems are attributed to the activity of non-USDA parties on lands under Department jurisdiction, custody, and control.

The HMMA was established in 1988 to provide funding for priority hazardous materials cleanup projects. These funds are distributed to the Forest Service, Agricultural Research Service, Farm Service Agency, Rural Development, Office of the General Counsel, Animal and Plant Health Inspection Service, and the Food Safety and Inspection Service. Several agencies also fund this program with agency funds to meet the requirements of their mission. Annually, USDA agencies request funding for planning-year HMMP activities, revise their proposed programs of work at the start of the current fiscal year, and report HMMP accomplishments to the Hazardous Materials Management Group (HMMG).

The HMMG provides day-to-day administration of the HMMP and HMMA on behalf of the Hazardous Materials Policy Council which consists of senior policy officials from affected mission areas. The HMMG recommends policies regarding management and cleanup and prepares HMMA budget requests, annual performance plans, and accomplishments reports, using data submitted by the agencies. It also provides guidance, assistance, and oversight of compliance with hazardous materials requirements by USDA programs and facilities. HMMG represents USDA on the National Response Team for oil and hazardous substances.

USDA aggressively employs its authorities under CERCLA and related executive orders to expedite cleanups. As a result, only two USDA sites are on the Superfund National Priorities List, and very few cleanups are conducted under administrative or other orders initiated by federal or state regulatory agencies. However, this proactive approach and its favorable results are dependent upon the availability of funding to address priority work.

CERCLA (Superfund) Program - Activity in this area includes the identification, investigation, and cleanup of hazardous substances at USDA currently and previously managed facilities, and on lands under the jurisdiction, custody, and control of the Department. These sites include former grain storage facilities, research facilities, abandoned mines, landfills and dumps (including trespass dumps), and illegal drug lab wastes. The process of identifying contaminated sites is essentially complete, funds are needed to perform the investigative work to make and support cleanup decisions and complete the cleanup actions. Many of these site problems are attributed to the activity of non-USDA parties on lands under Department jurisdiction, custody, and control. When private responsible parties perform the necessary cleanup work, funds that would

otherwise be allocated for that work are redirected to other priority hazardous materials cleanup projects within the Department, including those where there may be no viable responsible parties.

RCRA Program - Activity under this program was focused on compliance with underground storage tank (UST) requirements, that are now essentially complete. However, cleanup of contamination at several former UST sites is continuing. Other RCRA activities include the proper management and disposal of solid and hazardous wastes, local and regional solid waste landfills, abandoned and illegally disposed wastes, and illegal drug laboratories on lands under the jurisdiction, custody, and control of USDA.

Pollution Prevention/Source Reduction (P2/SR) Program -Implementation of P2/SR projects is typically considered if projected savings in the cost of chemicals, supplies, and waste disposal over a period of ten years or less exceed the cost of the project (i.e., the project pays for itself within ten years). These projects are also intended to reduce the use of hazardous materials and the generation of hazardous waste, thereby improving workplace safety and health. Agencies and facilities participating in the Department's P2/SR program annually report progress under Executive Order 12856.

Mission

The Hazardous Materials Management Program mission is:

1) to improve and restore the environmental condition of facilities and lands under the jurisdiction, custody, and control of the Department;
2) to seek compensation from those responsible for contamination, and
3) to improve the quality of the work environment for USDA employees and cooperators through increased levels of regulatory compliance, pollution prevention, and employee environmental awareness.

This mission complements the Department's goal of promoting sensible management of natural resources and its missions of caring for agricultural, forest, and range lands; supporting sound development of rural communities; and providing economic opportunities for farm and rural residents.

Five of the six HMMG staff years are located in the District of Columbia. The other position is located in Denver, Colorado.

General Accounting Office Reports
GAO/RCED-99-111, SUPERFUND, Progress Made by EPA and Other Federal Agencies to Resolve Program Management Issues.

HAZARDOUS MATERIALS MANAGEMENT

Available Funds and Staff Years
1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation	$15,700,000	4 a/	$15,700,000	6	$30,073,000	6
Deduct allotments to other agencies:						
Agricultural Research Service	-3,666,000	--	-3,350,000	--	-6,115,000	--
Animal Plant Health Inspection Service	--	--	-200,000	--	-230,000	--
Commodity Credit Corporation	-3,000,000	--	-2,950,000	--	-8,450,000	--
Farm Service Agency	--	--	-100,000	--	-140,000	--
Food Safety and Inspection Service	-230,000	--	-220,000	--	-230,000	--
Forest Service	-7,350,000		-6,750,000	--	-11,715,000	--
Rural Housing Service	-75,000	--	-50,000	--	-150,000	--
Office of the General Counsel	-1,379,000	--	-1,350,000	--	-1,813,000	--
Departmental Program Management	--	--	-730,000	--	-1,230,000	--
Total Allotments	-15,700,000	--	-15,700,000	--	-30,073,000	--
Total, Direct Appropriation	--	4	--	6	--	6
Reimbursements to Appropriations:						
Forest Service	616,326	--	--	--	--	--
Total, Hazardous Materials Management	616,326	4	--	6	--	6

a/The four staff years in 1999 for Hazardous Materials Management were Forest Service employees. In 2000, they were shifted to Departmental Administration.

HAZARDOUS MATERIALS MANAGEMENT

Classification by Objects
1999 and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation: a/ b/			
Washington, D.C.	$2,950,000	$4,118,000	$4,537,000
11 Total personnel compensation	2,950,000	4,118,000	4,537,000
12 Personnel benefits	704,000	923,000	1,020,000
13 Benefits for former personnel	3,000	--	--
Total personnel compensation & benefits	3,657,000	5,041,000	5,557,000
Other Objects:			
21 Travel	329,000	265,000	308,000
22 Transportation of things	35,000	35,000	35,000
23.2 Rental payments to others	52,000	52,000	58,000
23.3 Communications, utilities and misc. charges	19,000	24,000	27,000
24 Printing and reproduction	8,000	14,000	15,000
25.2 Other services	11,713,013	11,329,604	23,775,000
26 Supplies and materials	66,000	66,000	102,000
31 Equipment	174,000	179,000	196,000
33 Investments and loans	66,000	--	--
41 Grants, subsidies, and contributions	18,000	--	--
43 Interest and dividends	1,000	--	--
Total other objects	12,481,013	11,964,604	24,516,000
Total obligations	16,138,013	17,005,604	30,073,000

a/ Funds for hazardous materials management activities are allotted directly to the USDA agencies identified in the Available Funds and Staff Years exhibit. This approach allows these agencies to charge the central account directly for in-house staff time used for managing cleanup projects. The personnel compensation and personnel benefits shown include the cost of the agencies' in-house management and technical staff, as well as the HMMG staff.

b/ The USDA Hazardous Materials Management Group consists of 6 full time equivalent staff years, 1 SES-1 position at $115,811 and 5 GS positions at an average of $79,084. Agencies' staff years used for managing cleanup operations are charged against each USDA agencies' staff year ceiling.

HAZARDOUS [WASTE] MATERIALS MANAGEMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Hazardous [Waste] Materials Management

For necessary expenses of the Department of Agriculture, to comply with [the requirements of section 107(g) of] the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. [9607(g)] 9601, et seq. and [section 6001 of] the Resource Conservation and Recovery Act, 42 U.S.C. [6961] 6901, et seq. [15,700,000] $30,073,000 to remain available until expended: Provided, That appropriations and funds available herein to the Department for Hazardous [Waste] Materials Management may be transferred to any agency of the Department for its use in meeting all requirements pursuant to the above Acts on Federal and non-Federal lands.

1. The Department seeks to rename this appropriation as the Hazardous Materials Management appropriation to more accurately reflect the scope of the activities funded by the account. This appropriation is made available to the Department to comply with the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). RCRA requirements generally include the proper management, treatment, storage, and disposal of solid waste, including hazardous waste. RCRA requirements also include corrective actions for improperly disposed of hazardous wastes, waste prevention and reduction, and underground storage tanks. The term "hazardous waste" is a term of art under RCRA, referring to a certain subset of "solid waste" covered by the Act. CERCLA generally addresses responses to releases and threatened releases of hazardous substances into the environment. Under CERCLA, "hazardous substances" not only includes RCRA hazardous waste, but also includes certain toxic pollutants listed under the Clean Water Act, certain hazardous air pollutants listed under the Clean Air Act, and other hazardous substances. The Department seeks to substitute the term "hazardous materials" because it is a more general term that encompasses all of the activities for which the appropriation is available.

2. The Department seeks to delete the specific references to Section 107(g) of CERCLA and Section 6001 of RCRA to clarify the language of the appropriation. Section 107(g) of CERCLA simply references Section 120 of CERCLA, which applies the requirements of CERCLA to the United States and contains certain requirements relating to Federal facilities. Similarly, Section 6001 of RCRA contains the waiver of sovereign immunity of the United States, applying the requirements of Federal, State, and local solid and hazardous wastes laws to Federal agencies. Although these sections make the requirements of CERCLA and RCRA applicable to Federal agencies, many of those requirements are contained in other sections of the statutes. Therefore, to avoid any confusion arising out of the references to those specific sections, the Department seeks to substitute the general reference to CERCLA and RCRA.

HAZARDOUS MATERIALS MANAGEMENT

Appropriations Act, 2000	$15,700,000
Budget Estimate, 2001	30,073,000
Increase in Appropriation	+14,373,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	2000 Estimated	Program Changes	2001 Estimated
Hazardous materials management	$15,700,000	+$14,373,000	$30,073,000

HAZARDOUS MATERIALS MANAGEMENT

Project Statement
(On basis of appropriation)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Hazardous Materials Management.....	$15,70000	4	$15,700,000	6	+$14,373,000 (1)	$30,073,000	6

Project Statement
(On basis of available funds)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Hazardous Materials Management.....	$16,138,013	4	$17,005,604	6	+$13.067,396	$30,073,000	6
Unobligated Balance start of year.....	-810,386	--	-1,305,604	--	+1,305,604	--	--
Recoveries.....	-316,905	--	--	--	--	--	--
Reimbursements....	-616,326	--	--	--	--	--	--
Unobligated Balance end of yr	+1,305,604	--	--	--	--	--	--
Total, Appropriation.....	15,700,000	4	15,700,000	6	+14,373,000 (1)	$30,073,000	6

HAZARDOUS MATERIALS MANAGEMENT

Justification of Increases and Decreases

(1) An increase of $14,373,000 for Hazardous Materials Management Appropriation (HMMA) ($15,700,000 available in FY 2000).

The increase will fund the program near the level necessary to meet USDA's goal of completing its cleanup program by the year 2045. USDA set this goal in 1995, and it requires close to a $40 million funding level each year. At historical funding levels, the cleanup program may take over 150 years. The goal for 2045 was set because of the Department's commitment to environmental protection and the potential for enforcement activity by States and other parties. Fines and penalties could exceed $25,000 per day and lawsuits could cost, in some cases, more than the funding needed to perform a timely cleanup action. USDA is beginning to experience a sharp increase in actions against the Department due to postponement of priority work resulting from historical shortfalls in needed funding. The increase consists of:

(a) An increase of $4,965,000 to support the continuing investigation and cleanup of over 1,800 remaining Forest Service (FS) sites identified in the inventory process.

At each of these sites, the agency and the Department may be subject to environmental enforcement actions and lawsuits by private parties. The FS has completed most of the cleanup actions at sites where it was the only responsible party. Cleanup and natural resource restoration costs at these 1,800 plus sites are estimated to approach $2 billion. The FS is also providing agency funds for this effort.

The FS Environmental Initiative provides another source of funding by pursuing parties to fund or conduct cleanup projects on sites where they are responsible for the contamination. Without the requested increases, the FS will not be able to continue to effectively implement this program and address sites in a timely manner. We estimate that these activities could provide over 30 percent of the future needed funding. The value of funding and work performed by responsible parties is approaching $200 million over the past four years. The FS is also requesting an increase to fund the share of cleanup needs at sites where responsible parties cannot be located or are no longer financially viable. Ultimately, the agency will need to address cleanup on lands under its jurisdiction, custody, and control even if the contamination is the result of actions by others.

(b) An increase $2,765,000 to continue and accelerate investigative and cleanup activities at Agricultural Research Service (ARS) sites, primarily at the Beltsville Agricultural Research Center (BARC) and the Plum Island Animal Disease Center (PIADC).

BARC is on the Superfund National Priorities List (NPL) and has requested HMMA funding for cleanup response actions for source control or elimination. USDA and the Environmental Protection Agency (EPA) signed an interagency agreement governing cleanup of the BARC facility, which is located in the metropolitan Washington area. Failure to comply with the provisions of the agreement, which includes stipulated penalties for failure to meet cleanup milestones, may result in enforcement action against USDA. Penalties would have to be paid from the agency appropriation.

PIADC is the former Fort Terry which was transferred to USDA by the Army. PIADC has multiple areas of concern that will likely require cleanup actions to be conducted by USDA and the Department of Defense. USDA has negotiated a Consent Agreement with EPA regarding past RCRA noncompliance at PIADC. Under the Consent Agreement, ARS will conduct a supplemental environmental project as part of the proposed penalty. ARS has already implemented a RCRA closure plan to administratively close

out the unpermitted hazardous waste activity on the site in response to the notice of violation issued by EPA. ARS is also conducting an investigation of potential hazardous substances sites at PIADC under CERCLA. Given the facility's location off the eastern tip of Long Island and the nature of the work conducted there, HMMA funding is a high priority.

(c) An increase $463,000 to cover the increased workload in the Office of the General Counsel (OGC) to continue to provide legal assistance and advice to USDA mission areas and agencies for hazardous materials management.

The workload for OGC has increased many-fold over the past six years and is continuing to increase as the agencies enter into investigation and cleanup actions. These activities require involvement with legal counsel from other Departments, EPA, and the Department of Justice (DOJ). The Commodity Credit Corporation (CCC), FS, and ARS cleanup programs currently require significant legal assistance in connection with cleanup agreements, including negotiations with responsible parties and coordination with DOJ, EPA, and State enforcement agencies. This work will continue to increase as we clean up more sites with the assistance of the parties responsible for the environmental harm, and negotiate cleanup agreements with Federal and State environmental enforcement agencies. OGC attorneys are essential to the team process required to ensure that USDA has a proactive and timely hazardous materials management program.

(d) An increase of $5,500,000 is requested to accelerate investigation activities and meet USDA responsibilities for cleanup actions concerning former CCC involvement at grain storage bins.

Many of these activities will be quite costly and the requested increases reflect funding needed to ensure that enforcement actions are not brought against the Department and that we meet the health needs of citizens affected by the contamination, including potential drinking water concerns. State environmental enforcement agencies and the EPA are closely monitoring our progress and have threatened action against CCC.

(e) Increases totaling $680,000 for the remaining USDA agencies in HMMA funding for investigation and cleanup actions.

These increases are required to ensure that USDA protects public and employee health, complies with applicable environmental requirements, and reduces the chance of enforcement actions being brought against the Department and its agencies. A substantial portion of the $500,000 increase for HMMG will be used to procure contractor support in administering the larger HMM program. The remainder of the increase will be used by the Animal and Plant Health Inspection Service, Farm Service Agency, Food Safety and Inspection Service, and Rural Development to fund critical investigative and cleanup work, such as contamination associated with cattle dip vats in Texas, brownfields initiatives, and employee training in complying with the training and other requirements of Section 120 of CERCLA.

HAZARDOUS MATERIALS MANAGEMENT

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1999 and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.	$16,138,013	4	$17,005,604	6	$30,073,000	6
Unobligated Balance.....	+1,305,604	--	--	--	--	--
Total, Available or Estimate.....	17,443,617	4	17,005,604	6	30,073,000	6

HAZARDOUS WASTE MANAGEMENT

STATUS OF PROGRAM

This program provides for facility compliance with the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund), the Resource Conservation and Recovery Act (RCRA), and the Pollution Prevention Act (PPA).

In August 1985, USDA initiated a nationwide survey to determine the size and scope of existing and potential environmental problems associated with hazardous substances on facilities and lands under the jurisdiction, custody, and control of the Department. The inventory identified numerous issues concerning storage, handling, and disposal of hazardous substances and wastes. It also identified thousands of potential sites with releases or potential releases of hazardous substances, including underground fuel and chemical storage tanks, abandoned mines, landfills, dumps, trespass dumps, and drug lab wastes. Many of these site problems are attributed to the activity of non-USDA parties on lands under Department jurisdiction, custody, and control. Critical funding is provided by the Hazardous Waste Management Appropriation (HWMA).

The HWMA was established in 1988 to provide funding for priority hazardous waste cleanup projects. Annually, USDA agencies request funding for current year activities to address priority facilities and sites and develop project planning and funding needs from the HWMA for future years. Agencies also update accomplishment information and report on compliance with applicable regulations.

The Hazardous Materials Management Group administers the HWMA on behalf of the USDA Hazardous Materials Policy Council (HMPC), which draws its membership from the senior executives and political appointees of the agencies receiving HWMA funding.

Current activities, progress, and programs under the HWMA strategic goals complement the Department's goal of promoting sensible management of our natural resources and its missions of caring for agricultural, forest, and range lands; supporting sound development of rural communities; and providing economic opportunities for farm and rural residents. The HWMA goals are:

Goal 1: Ensure responsible management, and cleanup and restore contaminated lands and facilities.

Current Activities: The focus of this goal is cleaning up environmental contamination on lands and facilities under the jurisdiction, custody, and control of USDA resulting from past activities. Most of these cleanups are performed under CERCLA, with only a small number of underground storage tank (UST) cleanups and RCRA corrective actions remaining. Prior-year CERCLA activities concentrated on identifying contaminated sites, assessing the severity of problems, and developing cleanup strategies. Increasingly, we are moving out of the site investigation phase and conducting response actions on a prioritized basis. Under its Environmental Initiative, the Forest Service is encouraging private responsible parties to do the cleanup work on sites they created. With this effort, USDA may be able to redirect the funds allocated for these projects to other priority cleanup work where there may be no viable responsible parties. The Forest Service completed its inventory of abandoned/inactive mines and landfills in December 1998.

In fiscal year 1999, USDA agencies initiated or continued investigations at over 100 CERCLA sites. This work includes preliminary assessments (PAs), site investigations (SIs), engineering evaluation/cost analysis (EE/CAs), and remedial investigations/feasibility studies.

The deadline for UST compliance was December 22, 1998. Over 2000 individual USTs have been removed, upgraded, or replaced since the UST regulations went into effect in 1988. In fiscal year 1999, six

USTs were removed. Post-removal cleanup of soil and ground water contamination from leaking USTs is continuing on another six sites. Thus, the UST compliance program is essentially complete.

The Farm Service Agency has provided alternate drinking water sources to communities with water supplies contaminated with carbon tetrachloride from past grain storage operations in Kansas and Nebraska. They are assessing the sources of the contamination and developing cleanup strategies for 44 priority sites. An additional 1000-1500 sites may also require investigation and some form of response action.

The Office of the General Counsel (OGC) provides legal assistance and advice to USDA agencies for the CERCLA and RCRA programs. In fiscal year 1999, OGC continued to provide legal support and opinions for over 300 cases. The size and complexity of cases has significantly increased. The role of OGC in the hazardous waste management program is expanding as additional potentially responsible parties (PRPs) are identified and negotiations are initiated to recover the cost of cleanup work performed by USDA or for agreements under which the PRPs will perform needed work.

Selected Examples of Recent Progress: Cleanup actions were completed at 36 sites and are ongoing at more than 150 sites. Sites in Arizona, California, Georgia, Idaho, Kansas, Montana, Nevada, New Mexico, Oklahoma, Utah, West Virginia, and Wyoming were among those at which removal actions or other cleanups were completed in fiscal year 1999. Seven of these cleanups involved abandoned mines.

Of equal importance are the projects where the PRPs conducted the work, repaid USDA for work conducted in the past, or funded future work to be conducted by USDA. The total value of these actions in fiscal year 1999 is estimated to be over $33 million. The Agricultural Research Service (ARS) continued to conduct cleanup actions at Beltsville, MD, Plum Island, NY, and El Reno, Oklahoma.

Goal 2: Ensure responsible management in the use, storage, and disposal of hazardous materials and waste.

Current Activities: Activities under this goal focus on minimizing the purchase, storage, and use of hazardous substances and reducing the generation of hazardous waste in current operations. The principle tools in working toward this goal are management reviews, pollution prevention, and waste minimization.

The Department encourages USDA agencies to participate in the Code of Environmental Management Principles (CEMP) EPA was directed to promulgate under Executive Order12856. Most Federal agencies, including USDA, signed the CEMP charter and pledged to implement these principles, which parallel private-sector initiatives to improve environmental compliance and environmental quality.

Selected Examples of Recent Progress:

Executive Order 12856 directed agencies to set the goal of reducing the release and offsite transfer of Toxic Release Inventory (TRI) chemicals by 50 percent by 2000. Each October, agencies with covered facilities are to report on their TRI reductions for the previous calendar year. The most recent year for which data are available is 1998. Preliminary analysis of that data shows an increase of 14,590 pounds (2.6 percent) from the 1994 baseline of 565,940 pounds, suggesting that the goal will not be attained. The chemicals involved are anhydrous ammonia fertilizer and fire retardant for which no feasible substitutes currently exist. In the voluntary non-TRI toxics reduction program, two of the three participating USDA agencies reported a combined reduction of 30,460 pounds (39.4 percent) through 1998 from their 1994 baseline of 77,268 pounds.

USDA agencies reported completing 16 pollution prevention projects in fiscal year 1999.

ADVISORY COMMITTEES

In fiscal year 1997, language in the General Provisions of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act permits agencies funded in the Act to finance the activities of selected committees that advise them from their own funds, subject to the $1.8 million limitation on total obligations for these committees.

Provided below is a list of those committees subject to this spending limitation and their actual obligations for fiscal year 1999 and estimated funding levels for fiscal year 2000 and 2001.

USDA ADVISORY COMMITTEES			
Policy Area and Committee Title	1999 Actual	2000 Estimate	2001 Estimate
FOOD, NUTRITION AND CONSUMER SERVICES:			
National Advisory Council on Maternal, Infant and Fetal Nutrition	$42,611	$47,350	$50,000
FOOD SAFETY:			
National Advisory Committee on Meat and Poultry Inspection	36,314	61,350	67,000
National Advisory Committee on Microbiological Criteria for Foods	35,770	37,350	40,000
Total, Food Safety	72,084	98,700	107,000
RESEARCH, EDUCATION AND ECONOMICS:			
Advisory Committee on Agricultural Biotechnology.	0	125,400	108,050
Forestry Research Advisory Council	14,342	23,350	27,000
Strategic Planning Task Force on Research Facilities	65,340	0	0
USDA/Hispanic Association of Colleges and Universities	19,140	17,350	21,000
USDA/American Indian Higher Education Consortium	0	56,350	60,000
Subtotal, CSREES	98,822	222,450	216,050
National Genetic Resources Advisory Council	4,508	13,850	17,000
National Nutrition Monitoring Advisory Council	0	32,350	35,000
Dietary Guidelines Advisory Committee	98,185	47,350	0
Subtotal, ARS	102,693	93,550	52,000

USDA ADVISORY COMMITTEES			
Policy Area and Committee Title	1999 Actual	2000 Estimate	2001 Estimate
Advisory Committee on Agriculture Statistics	6,155	23,350	30,000
Subtotal, NASS	6,155	23,350	30,000
Advisory Committee on Small Farms	0	127,350	150,000
Total, REE	207,670	466,700	448,050
MARKETING AND REGULATORY PROGRAMS:			
Advisory Committee on Foreign Animal and Poultry Diseases	10,405	16,250	19,660
General Conference Committee of the National Poultry Improvement Plan	11,776	7,280	10,430
National Wildlife Services Advisory Committee	18,100	15,450	18,100
Subtotal, APHIS	40,281	38,980	48,190
National Organic Standards Board	16,909	47,350	50,000
Subtotal, AMS	16,909	47,350	50,000
Federal Grain Inspection Advisory Committee	27,451	28,350	32,000
Subtotal, FGIS	27,451	28,350	32,000
Total, MRP	84,641	114,680	130,190
FARM AND FOREIGN AGRICULTURAL SERVICES:			
Agricultural Policy Advisory Committee for Trade	14,120	11,470	14,120
Agricultural Technical Advisory Committees for Trade in:			
Animal & Animal Products	14,110	11,460	14,110
Fruits and Vegetables	14,110	11,460	14,110
Grains, Feed, and Oilseeds	14,110	11,460	14,110
Sweetners and Sweetner Products	14,110	11,460	14,110
Tobacco, Cotton, and Peanuts	14,110	11,460	14,110
Emerging Markets Advisory Committee	32,507	30,050	32,700

USDA ADVISORY COMMITTEES			
Policy Area and Committee Title	1999 Actual	2000 Estimate	2001 Estimate
Edward R. Madigan Agricultural Export Excellence Award Board	0	12,350	15,000
Subtotal, FAS	117,177	111,170	132,370
Advisory Committee on Beginning Farmers and Ranchers	26,490	32,350	70,000
National Drought Policy Commission	407,658	440,350	0
Subtotal, FSA	434,148	472,700	70,000
Advisory Committee on Risk Management	0	77,350	100,000
Subtotal, RMA	0	77,350	100,000
Total, FFAS	551,325	661,220	302,370
NATURAL RESOURCES AND ENVIRONMENT:			
Task Force on Agricultural Air Quality Research	49,443	47,350	50,000
USDA/1890 Task Force	1,559	12,350	15,000
Total, NRE	51,002	59,700	65,000
OFFICE OF THE CHIEF ECONOMIST:			
Commission on 21st Century Production Agriculture	183,332	347,350	120,000
Subtotal, Advisory Committees	1,192,665	1,795,700	1,222,610
Contingencies/Reserve	607,335	4,300	577,390
TOTAL, ADVISORY COMMITTEES LIMITATION	1,800,000	1,800,000	1,800,000

ADVISORY COMMITTEES

STATUS OF PROGRAM

From fiscal year (FY) 1983 through FY 1996, an appropriation provided for direction and financial support of all authorized USDA Advisory Committee activities other than those included in the Forest Service and those financed from user fees. Beginning in FY 1997, language in the General Provisions of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act permits agencies funded in the Act to finance the activities of selected committees that advise them from their own funds, subject to a limitation on expenditures for these committees. These Explanatory Notes provide information on the activities of committees during FY 1999 and planned activities for FY 2000.

FOOD, NUTRITION, AND CONSUMER SERVICES:

National Advisory Council on Maternal, Infant and Fetal Nutrition

The Council is mandated to make a continuing study of the operation of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and related programs, such as the Commodity Supplemental Food Program (CSFP), to determine how the programs may be improved. The Council is composed of 24 members and includes representatives of the Federal, State and local governments, the medical field, industry, WIC and CSFP parent participants, an advocacy groups.

The Council met at Food and Nutrition Service (FNS) Headquarters in Alexandria, Virginia, on September 14-15, 1999. A total of 64 individuals attended the meeting, including 18 Council members, the general public, and FNS staff. The Council was briefed by FNS staff on current issues pertaining to WIC and CSFP. In open discussions the Council stated that USDA should increase its efforts to: 1) market WIC as a nutrition and health program; 2) market WIC in a way that participants clearly understand why they must present documentation of income, proof of residence, and be physically present when applying for WIC benefits; and 3) market successes of WIC to vendors so they are aware that WIC is a health program and not a welfare program.

A meeting is tentatively planned to be held in FY 2000.

FOOD SAFETY:

National Advisory Committee on Meat and Poultry Inspection

The Committee was established to provide the Secretary input on product standards, labeling changes, or on matters affecting Federal and State inspection program activities. Other functions of this Committee include reviewing initiatives, helping develop standard descriptive terminology, and recommending when the regulatory policies need to be reexamined.

The Committee was rechartered during FY 1999 and appointed 17 members, of which 9 are new. The Committee members represent interests from State inspection programs, meat and poultry processors and producers, consumer interests, public health concerns , and small business interests. Committee meetings also provide opportunity for members of the public to participate in the development of Committee initiatives. The Committee met in November 1998 and May 1999 to consider issues affecting the implementation of major food safety initiatives including HACCP, voluntary and mandatory inspection, exemptions, Federal, State and local Government roles in farm-to-table food safety, recall of foods, extending inspections to all animal flesh foods, adoption of the food code by State and local food safety organizations, food safety research, and input into the agency budget and strategic planning process. The Committee made several specific recommendations to the Secretary that affect the implementation of the Pathogen Reduction; HACCP Final Rule and the Department's farm-to-table food safety initiatives.

National Advisory Committee on Microbiological Criteria for Foods (NACMCF)

NACMCF, established under Department Regulation 1043-28, is co-sponsored by the Food Safety and Inspection Service (FSIS), the Food and Drug Administration (FDA), National Marine Fisheries Service/Department of Commerce (NMFS/DOC), and the Department of the Army/Department of Defense (DOD). The Committee currently has 33 members.

NACMCF provides advice on the development of microbiological criteria by which the safety and wholesomeness of the United States food supply can be assessed, including criteria for microorganisms that indicate whether foods have been adequately processed using good manufacturing practices. NACMCF provides advice on factors that need to be controlled to maintain high food safety standards.

NACMCF held three full Committee meetings in FY 1999; February 24-26, in Washington, DC; May 26-28, in Chicago, IL; and September 21-24, in Washington, DC. During this fiscal year, NACMCF completed several reports, including microbiological criteria for fresh produce; microbiological safety evaluations and recommendations on sprouted seeds; review of Codex dairy standards with respect to the level of public health protection offered by pasteurization; and a hazard guide for very small plants. NACMCF reviewed and critiqued several additional issues, including: microbiological testing and temperature under the Agricultural Marketing Service's (AMS) Qualified Through Verification program for fresh produce (for AMS); bare-hand contact with ready-to-eat foods at retail (for FDA); performance standards (or alternative measures that would achieve the same public health goal) for Campylobacter (for FSIS); and risk assessments for Listeria monocytogenes (for FDA and FSIS) and for Vibrio parahaemolyticus (for FDA).

Three meetings are anticipated for FY 2000; the meetings will be held in Washington, DC. At these meetings NACMCF will consider the risk assessments for Listeria monocytogenes and for Vibrio parahaemolyticus, and a new risk assessment for E. coli. O157:H7. The Committee also will consider additional data on Campylobacter prevalence in poultry and the options for performance standards for Campylobacter or alternative measures that would achieve the same public health goal.

RESEARCH, EDUCATION, AND ECONOMICS:

Advisory Committee on Agricultural Biotechnology (ACAB)

This Committee will provide advice to the Secretary on a broad array of policy issues related to the expanding dimensions and importance of agricultural biotechnology. Some of the topics that the Secretary of Agriculture has identified for the ACAB's initial consideration include: effects of industry concentration and consolidation on farmers; intellectual property rights and grower autonomy; effects of biotechnology on small farmers; ways to maximize or encourage potential benefits of biotechnology in different agricultural sectors; and USDA's role in assuring that farmers and consumers have an array of choices for future agricultural technology and practices.

The Secretary announced the formation of the ACAB in the Federal Register on June 7, 1999. The charter is being finalized at present. Committee members have been nominated but have not yet been selected, so no meetings were held in FY 1999. Up to four meetings are planned for FY 2000.

Forestry Research Advisory Council

The Forestry Research Advisory Council (FRAC) was authorized for the purpose of providing the Secretary of Agriculture with recommendations and advice on regional and national planning of forestry research supported by the McIntire-Stennis Cooperative Forestry Program. The Council also provides advice on the Forest Service research program authorized by the Forest and Rangeland Renewable Resources Research Act. The Council is comprised of 20 members appointed by the Secretary and drawn from federal, university, state, industry, and non-governmental organizations.

A general meeting was held May 25-26, 1999 (Washington, DC), to examine forestry research issues and make recommendations to the Secretary. These recommendations addressed the establishment of "a forestry research initiative for non-federal lands" with a focus on: increasing science-based information for forest management with emphasis on sustainability, productivity, and environmental quality across the full breadth of ownerships, types of forest, and watersheds; improving the timeliness and precision of inventory and monitoring information for all forest lands, emphasizing both ecological and economic data; and increasing the flow of forest management options and research results, to non-industrial private forest (NIPF) landowners and the public.

The Council has recommended that one, 2-day meeting take place annually, held early in the year, as the timing of the meeting is crucial to providing timely advice to the Secretary, particularly as related to the budget. As requested by the Forest Service and CSREES, the Forestry Research Advisory Council will provide ongoing advice with regard to planning, budgets, and other activities as they occur during the year.

Strategic Planning Task Force on Research Facilities

This 15-member task force was appointed by Secretary Glickman in May 1997 from a list of 45 nominations supplied by the National Agricultural Research, Education, and Economics Advisory Board. The Task Force was charged by the Federal Agriculture Improvement and Reform Act of 1996, to develop a 10-year Strategic Plan to assure a "comprehensive research capacity" for the conduct of agricultural research.

The Task Force met a total of five times through FY 1998 and met an additional three times in FY 1999. A consensus was reached among task force members on the outline of the final report, which was focused around a set of principles on which federally funded research should be managed, with recommendations for each principle. In addition to the principles and related recommendations, the report includes an inventory of the current intramural and extramural research system. The final report was submitted to the Secretary and to relevant Congressional Committees.

USDA/Hispanic Association of Colleges and Universities

The Secretary of Agriculture signed a formal Memorandum of Understanding (MOU) with the Hispanic Association of Colleges and Universities (HACU) to ensure that the Hispanic community equitably participates in USDA employment, programs, resources, and services. The USDA/HACU Leadership Group, consisting of an equal number of members from USDA and HACU member Institutions, is a national body appointed by the Secretary of Agriculture and the President of HACU. It is USDA's primary organization for recommending department-wide policies and programs to strengthen USDA partnerships with Hispanic Serving Institutions.

The Leadership Group concentrates its efforts on ensuring the fulfillment of objectives of the MOU, which are consistent with President Clinton's Initiative on Educational Excellence for Hispanic Americans and the Office of Personnel Management's Nine-Point Program. A meeting was held in Washington, D.C. on August 2-3, 1998. The Leadership Group continues to make significant progress in implementing the MOU and is currently evaluating the impact of their efforts to facilitate further recommendations.

USDA/American Indian Higher Education Consortium

Section 882 of the Federal Agriculture Improvement and Reform Act of 1996 required the Secretary of Agriculture to develop and implement a formal Memorandum of Agreement (MOA) with the 1994 American Indian Institutions to establish programs to ensure that tribally controlled colleges and Native American communities equitably participate in USDA employment, programs, services, and resources. USDA has developed a MOA with the American Indian Higher Education Consortium (AIHEC) which represents the 1994 Institutions as defined in section 532 of the Equity in Educational Land-Grant Status Act of 1994 and on February 3, 1998, the Secretary of Agriculture and the President of AIHEC signed the MOA.

The MOA between USDA and AIHEC established a cooperative framework for the parties to conduct USDA 1994 Land-Grant Institution programs and activities that will enhance the capability of American Indians to attain educational excellence and to contribute to the fulfillment of USDA's mission. It created a USDA/AIHEC Leadership Group to serve as an advisory body for all partnership initiatives to ensure that mutual benefits and interests are served. The Leadership Group consists of an equal number of members from USDA and employees or officials of AIHEC member institutions.

In FY 1999, the Secretary appointed a Chairperson of the USDA/AIHEC Leadership Group and the USDA members and the President of AIHEC selected a Co-Chairperson of the Leadership Group and AIHEC members. The initial meeting of the USDA/AIHEC Leadership was held on October 6-7, 1999, in Santa Fe, New Mexico.

National Genetic Resources Advisory Council (NGRAC)

The National Genetic Resources Advisory Council was established to advise, consult with and make recommendations to the Secretary of Agriculture and the Director of the National Genetic Resources Program (NGRP) regarding the policies and operations of the NGRP. Membership consists of nine members from the public representing important relevant disciplines and seven ex officio members from USDA and other Federal agencies. Two meetings were held in FY 1999, April 28-29 and August 26-27, both in Washington, D.C. Two meetings are planned for FY 2000 after replacement of the five members whose terms expired September 30. The Charter for the NGRAC was renewed in March 1999. The NGRAC has established a Website at http://www.ars-grin.gov.

FY 1999 recommendations to the Department and the Program: 1) to develop partnerships that increase a broad political and budgetary support for the NGRP; 2) for USDA and Department of State to continue negotiation at the FAO Commission on Genetic Resources for Food and Agriculture for the free and open access to plant genetic resources globally (reflecting the USDA and US historical positions); 3) to develop a road map and strategic plan for the NGRP; 4) to expand NGRP database management and bioinformatics capacities; 5) to develop a long-term animal germplasm repository and increase capacity of storage for plant and animal germplasm brought about by genomic research; 6) to facilitate coordination of the NGRAC with the new Advisory Committee on Agricultural Biotechnology and the committee on invasive species, both committees dealing with genetic resources types being managed under the NGRP; 7) to develop plans for USDA participation in utilizing the results of current genome projects for elucidation of gene function and regulation, particularly as they affect complex economic traits; 8) to address the genomic research needs of other agriculturally important species; 9) to incorporate plans for development of future human resources with training in both newer fields as well as in traditional fields; 10) to develop a broad public education component to include facts, value, and challenges associated with genetic resources; 11) to incorporate into the NGRP means to enhance current USDA efforts for small farms to remain competitive utilizing cooperative efforts with the 1890 Land Grant universities and the 1994 tribal Land Grant colleges; and, 12) to give consideration to the potential impact of the Department's patent on the Technology Protection System (aka Terminator Gene) in respect to small farmers.

National Nutrition Monitoring Advisory Council

The purpose of the National Nutrition Monitoring Advisory Council is to provide scientific and technical advice on the development and implementation of the coordinated National Nutrition Monitoring and Related Research Program and the Ten-Year Comprehensive Plan for National Nutrition Monitoring and Related Research Program and to serve in an advisory capacity to the Secretaries of the Departments of Agriculture and Health and Human Services (HHS).

The National Nutrition Monitoring Advisory Council was established by Executive Order of the President of the United States on January 25,1991. Establishment of the Advisory Council is required by section 201(a)(1) of Public Law 101-445, the National Nutrition Monitoring and Related Research Act of 1990.

The Advisory Council consists of nine members–five Presidential and four Congressional appointees. The Council did not meet in FY 1999. The charter and two Presidential appointments were renewed in 1999.

Dietary Guidelines Advisory Committee

The Dietary Guidelines Advisory Committee is established for the simple, time-limited task of reviewing the 1995 edition of "Nutrition and Your Health: Dietary Guidelines for Americans" and determining if, on the basis of current scientific and medical knowledge, revisions warranted. If so, the Committee will develop recommendations for revisions in a report to the Secretaries of USDA and HHS.

Section 301 of Public Law 101-445, the Nation Nutrition Monitoring and Related Research Act of 1990 directs to the Secretaries of USDA and HHS to issue jointly at least every five years a report entitled "Dietary Guidelines for Americans." By statute the publication shall contain nutritional and dietary information and guidelines for the general public, shall be based on the preponderance of scientific and medical knowledge current at the time of publication, and shall be promoted by each Federal agency in carrying out any Federal food, nutrition, and health programs.

The Committee held three meetings in1999 (March, June, and September). All the meetings were held in Washington, DC. At the March 1999 meeting, about 45 individuals/organizations provided oral testimony. The report is expected to be completed in December 1999. The Committee will propose ten guidelines. A guideline on food safety, and physical activity are new additions. The 1995 guideline on grains, fruits, and vegetables has been divided into two separate guidelines–one on grains and the other on fruits and vegetables.

The meeting transcripts are available on the Internet site http://www.ars.usda.gov/dgac. The public comments received by the Committee and other documents related to the Committee's work are at the National Agricultural Library, Beltsville, MD.

Advisory Committee on Agriculture Statistics

The Advisory Committee on Agriculture Statistics was established on July 16, 1962 in the Department of Commerce, and was chartered under the Federal Advisory Committee Act, 5 U.S.C. App. 2, in January 1973. This Committee was moved to USDA in fiscal year 1997 when responsibility for the census of agriculture transferred from the Department of Commerce to the Department of Agriculture. The census of agriculture is conducted every 5 years; results of the 1997 Census of Agriculture were released in February 1999.

The Committee consists of 25 members from both the public and private sectors of the agricultural community representing a broad range of disciplines and interests. The Committee's purpose is to advise the Secretary of Agriculture and the National Agricultural Statistics Service (NASS) on the conduct of both agricultural censuses and surveys.

The Committee makes recommendations on questionnaire content and design, publicity, publication plans, data dissemination, and virtually all areas related to the conduct of the census of agriculture. In addition, the Committee provides input into NASS' annual agricultural statistics program which helps ensure that the information provided to the public is consistent with current data needs. Meetings are generally held annually, with official proceedings issued shortly after each meeting.

There were no Committee meetings held in FY 1999, since the Committee needed to be chartered and membership established at USDA following its transfer from the Department of Commerce. In fiscal year 2000, the new Committee held its first meeting on November 30-December 1, 1999, in Washington, D.C. Items of business included electing the Committee chair, determining Committee operating procedures, and deciding if subcommittees are needed. Some topics of discussion included the NASS headquarters reorganization, NASS program review, NASS discussion on potential future agricultural statistics issues, and data access and dissemination issues.

Advisory Committee on Small Farms

The Secretary of Agriculture signed on November 18, 1999 appointment letters to 19 members of the Advisory Committee on Small Farms. The purpose of the Committee is to gather and analyze information regarding small farms and ranches within the United States and its Territories. The Committee will recommend to the Secretary of Agriculture actions to take to enhance the viability and economic livelihood of small farms and ranches. Establishment of the Committee also ensures the continued consideration and implementations made by the National Commission on Small Farms in its report, "A Time to Act." Committee members represent small farms, ranches, woodlot owners and will present the diverse interests that USDA programs serve, including but not limited to, finance, commerce, conservation, cooperatives, nonprofit organizations, rural communities, academia, State and local governments, women and minorities, farmworkers, and other interests as the Secretary determines. The Committee met for the first time in Washington, DC on January 19-20, 2000. During this meeting members of the Committee decided on an action plan, meeting frequency and venues, and elected a Co-chair. The Secretary has appointed the Committee's Chair.

MARKETING AND REGULATORY PROGRAMS:

Advisory Committee on Foreign Animal and Poultry Diseases (FAFD)

This Committee advises the Secretary regarding the prevention, suppression, control or eradication of an outbreak of foot-and-mouth disease or other destructive foreign animal diseases should such disease enter the United States. Committee duties involve advising the counseling on policy and regulatory action with regard to dealing with an outbreak, changing practices in the production and marketing of animals, the importation of animals and animal products, and the handling and treatment of unusual or suspicious animal or poultry problems.

Sixteen of the 20 members attended the Committee meeting held on September 14-16, 1999, in Riverdale, Maryland. The Committee recognized the significant efforts of USDA to address the 1998 recommendations that included planning for an Emergency Management Operations Center at Riverdale; review of the applicability of Federal Emergency Management Agency's response structure to animal health; development of a master plan for Agriculture Research Service (ARS) and Animal and Plant Health Inspection Service (APHIS) research diagnostic facilities; development of minimum standards for State animal health emergency management systems, and partnership efforts with the National Animal Health Emergency Management Steering Committee.

To clarify and continue the 1998 recommendations, the Committee emphasized that APHIS should: (1) continue their efforts to educate and train veterinarians and producers regarding foreign animal diseases, utilize

outside expertise where needed, and increase partnerships with academic institutions; (2) maintain lists and mechanisms to mobilize retired and/or non-government disease experts in case of an outbreak, and that greater liaisons and communications be established with veterinary specialty organizations to aid in mobilizing the various industries when needed; (3) establish the Veterinary accreditation to include FAPD recognition, diagnostics, and continuing education; and (4) establish a formal coordinated mechanism between ARS and APHIS for research needs and priorities on FAPD.

The Committee findings and recommendations to the Secretary for FY 2000 include: (1) securing a more adequate budget for APHIS and ARS/FAPD programs and facilities, (2) safeguarding the health of U.S. herds and flocks has become an increasingly complex challenge; in addition, the threats of known foreign animal diseases and new emerging diseases present additional risks to animal health, (3) initiating a safeguard review of animal health emergency management encompassing prevent, preparedness, response, and recovery activities when possible. The results of this review should be presented at the next Committee meeting.

General Conference Committee on the National Poultry Improvement Plan (NPIP)

The Committee represents cooperating State agencies and poultry industry members, and serves as a liaison between the poultry industry and the U.S. Department of Agriculture on matters pertaining to poultry health.

The Committee met on January 20, 1999. The following topics were discussed: (1) variant strain of Mycoplasma synoviae in Minnesota that cannot be detected by the current plate antigen, (2) preparations by APHIS to have Mexico begin enforcement of their new regulation for testing poultry for avian influenza for poultry meat imported into Mexico, (3) overview of current training programs for isolation and identification of Salmonella, and (4) the Layer 99 NAHMS study.

The following motions were passed by the Committee: The General Conference Committee: (1) supports the United States Animal Health Association's proposed Voluntary Standardized Salmonella enteritidis Reduction Program for Eggs, (2) endorsed a U.S. S.enteritidis Clean Started Poultry program for commercial egg-type chicken pullets as an official program of the NPIP, (3) named three future sites for the 2000 Biennial Conference, (4) supports the development of the avian influenza risk analysis by APHIS and the collection of information from the industry to develop it, (5) agreed on the language in the NPIP docket pertaining to the new "U.S. Avian Influenza Clean" classification for primary and multiplier egg-and meat-type chickens.

National Wildlife Services Advisory Committee

This Committee provides advice to the Secretary on policies, program issues, and research needed to conduct the Wildlife Services (WS) program (formerly Animal Damage control Advisory Committee). Members represent a broad spectrum of agricultural, environmental and conservation groups, academia, and other interests.

The Committee met on August 24-25, 1999, in Riverdale, Maryland. Discussion topics included: (1) status of filling the Deputy Administrator's position for Wildlife Services, (2) importance of name change to WS and cooperators, (3) building leadership skills in the workforce, (4) budget process and how it works, (5) conducing an economic analysis of rabies, (6) white tailed deer management work, (7) increased interests in aquaculture, sunflowers, wildlife health, and zoonotic diseases as recommended by the Committee, (8) control of coyotes, bears, and mountain lions, (9) airport safety work, (10) WS funding--explosive wildlife populations are causing resources to become strained, (11) most recent non-lethal methods development, (12) continued support for oral rabies vaccination programs, (13) NEPA update, (14) research needs assessments, and (15) a future committee meeting at Fort Collins, CO.

The Committee submitted 20 recommendations including (1) new funding for a national position with WS to coordinate airport/bird problem identification, (2) continued support for oral rabies vaccination programs, (3) funding for acquisition costs and continued maintenance of turbine aircraft, (4) an APHIS Center for Epidemiology and Animal Health/NAHMS contract with WS where wildlife is considered in the annual surveys of animal health and management issues, (5) cost-sharing with other agencies responsible for food safety, (6) conducting research to determine the economic impact of blackbird damage to rice, sunflowers, and other grain crops, (7) implementing a formal process to disseminate technological research information to the WS customers, (8) implementing APHIS Directive 1040-1, Relationships with Native Americans and Tribal Governments, (9) sources of program funding, (10) cultivating partnerships with State and private organizations to disseminate information on human/wildlife interactions, and how to avoid conflicts with wildlife urban settings, (11) funding to allow full utilization of the new Wildlife Services National Wildlife Research Center, (12) WS and FWS working cooperatively to develop an implement cost-effective programs to control Canada goose and mid-continent light goose populations where control by public hunting is not feasible or does not result in sufficient population reductions, (13) obtaining reimbursement from other Federal agencies for the cost of reintroduction, recovery, and management of threatened and endangered species, (14) the need for congressional directives to be supported by sufficient funding, (15) new funding to provide initial wildlife hazard evaluation at airports and follow-up monitoring visits, (16) protecting and enhancing the WS program infrastructure to carry out its mission of providing leadership in managing problems caused by wildlife, (17) increased funding for aquaculture problems in proportion to aquaculture industry activity in those States, (18) public input during the annual workplan meetings among WS, U.S. Forest Service, and the Bureau of Land Management, (19) continuing WS evaluation and review of the strategic management plan for additional input from the Committee, and (20) providing additional funding and other support for the NWRC's research and development of capture and repellent devices and integrated and wildlife damage management methods that are both effective and socially acceptable.

National Organic Standards Board (NOSB)

The NOSB was established to provide recommendations to the Secretary on implementing the Organic Foods Production Act of 1990, which authorizes a national organic program establishing national standards for the production and certification of organically produced foods.

The Agricultural Marketing Service on December 16, 1997, published in the Federal Register a proposed rule addressing all aspects of the National Organic Program. During fiscal year 1999, the NOSB conducted three public meetings, and one public teleconference. In these meetings the NOSB reviewed Committee reports, developed recommendations on three previously published issue papers on which USDA received nearly 11,000 comments, addressed issues ranging from wild caught salmon and manure use in vegetable production to performing a test materials review and discussing enforcement criteria. The NOSB continued work on substances for inclusion on the proposed National List of materials as required by statute.

The NOSB plans on holding three meetings in FY 2000.

Grain Inspection Advisory Committee

The Grain Inspection, Packers and Stockyards Administration's (GIPSA) Grain Inspection Advisory Committee was established under section 20 of the United States Grain Standards Act on September 29, 1981, and was reauthorized through the year 2000 by Public Law 103-156, U.S. Grain Standards Act Amendments of 1993. The Committee is chartered with advising the GIPSA Administrator on the implementation of the United States Grain Standards Act and the Agricultural Marketing Act of 1946. The Committee is comprised of 15 members and 15 alternate members who represent all segments of the U.S. grain industry. Committee members include producers, processors, handlers, exporters, grain inspection agencies, and scientists.

The Committee counsels GIPSA on a variety of important issues affecting the agency and the official grain inspection and weighing system. In fiscal year 1999, the committee met twice on November 3-4, 1998, in Washington, D.C., and on May 11-12, 1999, in Kansas City, Missouri. At both meetings, there were approximately 40 attendees. At the November 3-4 meeting, topics of discussion included: the projected impact of biotechnology on grain markets, GIPSA, and the U.S. grain standards; GIPSA's financial status; the outlook for grain exports; geographic restrictions on designated agencies; and information technology. At the May 11-12 meeting, topics of discussion included: GIPSA's financial status and reauthorization; GIPSA's moisture meter implementation plan and strategy for implementing corn protein, oil, and starch testing; and utility/feed wheat. The committee also toured GIPSA's Technical Center in Kansas City, Missouri. GIPSA issued a summary report for each of the meetings.

In FY 2000, the Committee met on October 21-22, 1999, in New Orleans, Louisiana. The committee will likely meet once again during the Spring of 1999 in Portland, Oregon. At the October 21-22 meeting, topics of discussion included: GIPSA's role in biotechnology; GIPSA's financial and reauthorization status; corn starch extraction; wheat protein quality; utility/feed wheat; hard white wheat quality targets; deoxynivalenol testing in barley; foreign grain buyers' expectations; the Canadian Grain Commission's perspective of the grain market; and information technology. As part of the meeting, the committee also toured two export grain elevators.

FARM AND FOREIGN AGRICULTURAL SERVICES:

Agricultural Policy Advisory Committee for Trade

Agricultural Technical Advisory Committees for Trade (5)

Pursuant to Departmental Regulation 1042-68, USDA currently administers the Agricultural Policy Advisory Committee for Trade (APAC), and five Agricultural Technical Advisory Committees for Trade (ATACs): (1) Animals and Animal Products; (2) Fruits and Vegetables; (3) Grains, Feed, and Oilseeds; (4) Sweeteners; (5) and Tobacco, Cotton, and Peanuts.

The APAC and the ATACs are jointly chartered by the U.S. Department of Agriculture (USDA) and the Office of the U.S. Trade Representative (USTR). The Committees provide a formal mechanism to ensure ongoing liaison between the Federal government and private sector regarding international agricultural trade matters. Through the APAC and ATACs, USDA and USTR seek information and advice from representatives of the private sector on U.S. negotiating objectives, and bargaining positions, on agricultural issues before and after entering into trade agreements. The APAC provides advice regarding overall agricultural trade issues while the ATACs provide detailed technical advice, recommendations, and information on their respective commodities. The Committees routinely provide advice during meetings and in response to written requests for information. At the conclusion of trade negotiations, the APAC and ATACs are required by statute to prepare reports to the U.S. Trade Representative, the Congress, and the President.

Five of the six committees met during FY 1999: the APAC met on October 2, 1998, December 11, 1998, March 19, 1999, and on July 30, 1999; the Fruits and Vegetables ATAC met on November 16, 1998, June 17, 1998, and traveled to Geneva, Switzerland where they held meetings from March 22 - March 26, 1999; the Grains, Feed, and Oilseeds ATAC met on January 1, 1999, March 18, 1999, and on June 15, 1999; the Animals and Animal Products ATAC met on January 1, 1999, and on September 30, 1999; the Tobacco, Cotton, and Peanuts ATAC met on November 4, 1998, and on March 25, 1999. Excluding the Fruits and Vegetables ATAC trip to Geneva, Switzerland, all of the meetings were held in the U.S. Department of Agriculture in Washington, DC.

Fiscal year 1999 was a very demanding year for the APAC and ATAC committee members due mainly to the preparations for the WTO Ministerial held in Seattle, Washington, from November 29 through December 3.

The Administration relied heavily on the Committees for advice on the upcoming trade negotiations on such matters as goals, scope, timing, and strategy. However, other important agricultural trade policy matters also ensued. The Committee members greatly contributed to the ongoing negotiations in the Asia Pacific Economic Cooperation (APEC) forum, the negotiations on China accession to the WTO, as well as revisions to the U.S. policy on international trade sanctions. The regional issues included China TCK in wheat, the Free Trade of the Americas (FTAA), Canadian grain import policy, India sanitary and phytosanitary issues, the Asian financial crises, China tobacco blue mold, Mexico high fructose corn syrup industry, and Canadian access to U.S. sweetener products market. U.S.- EU bilateral issues such as biotechnology and genetically modified organisms, EU subsidy system, food safety, veterinary standards, labeling, Agenda 2000, the Blair House Agreement, loan deficiency payments, and Minimum Access Agreement involving Spanish and Portuguese tariff rate quotas for feedgrains, were discussed at length between Administration officials and APAC/ATAC Committee members.

The Committees will face another demanding schedule during FY 2000. A top priority will be to solicit the industries' advice on ongoing negotiations within the WTO which will be critical to success for U.S. agriculture. The Committees will also continue their supportive role on regional initiatives such as APEC, FTAA, and the negotiations on U.S. - EU bilateral issues. As a result, it is anticipated that each Committee will meet at least three times during FY 2000.

Advisory Committee on Emerging Markets

The Committee provides information and advice to help the USDA, and specifically the Foreign Agricultural Services (FAS), develop strategies for providing technical assistance and enhancing markets for U.S. agricultural products in developing market economies. Committee members review from a business perspective exporting and marketing proposals developed and initially approved by FAS as appropriate for funding under the Emerging Markets Program. Members' views and advice are considered prior to submitting a proposed export and market access/promotion program to the Under Secretary for approval and funding commitments. Members have in the past had difficulties with certain proposals, and these were revised to meet member concerns, always to the good of the proposed project. A total of $10 million in emerging markets projects are developed, approved and funded each fiscal year.

The Committee represents a cross-section of the agricultural industry, and also of geographic and ethnic diversity. Of the 16 members, 7 are from the East, 6 from the Midwest, 2 from the South/Southeast, and 1 from the West. Two are African-American, and two are women. Sectorial expertise is in agricultural policy; banking and finance; marketing; production and processing of food and feed; livestock seeds; forestry; commodity exchanges, farm cooperatives and management; transport; storage and handling; and project development. All members perform essentially the same function except for the co-chairperson, who helps plan and oversee Committee meetings.

Frequency of meetings varies, depending upon the issues to be considered and the range and importance of activities under consideration by FAS at any given time. On average, the Committee meets two to three times each fiscal year. Meetings always stimulate dialogue between the committee members and FAS staff and are therefore almost a prerequisite to a successful functioning of the Committee. There is also written and telephone communication among the members and with FAS staff in between formal sessions of the Committee.

The Committee review and advice concerning proposed activities under the Emerging Markets Program balances private sector perspectives with Government views on proposed projects and activities, an important consideration since the program encourages, indeed emphasizes the participation of private industry. The Committee represents a wide range of the U.S. agribusiness and farming industry, and members have been trained in and have knowledge of FAS programs and objectives and of the operation and goals of the Emerging

Markets Program, an ingredient crucial to the Committee's purpose of assisting FAS to carry out its mission to emerging markets.

Edward R. Madigan Agricultural Export Excellence Award Board

Section 261 of the Federal Agriculture Improvement and Reform Act of 1996 ("the FAIR Act"), authorized the establishment of the Edward R. Madigan Agricultural Export Excellence Award to honor those who substantially encourage entrepreneurial efforts in the food and agriculture sector for advancing United States agricultural exports. The FAIR Act provides for the establishment of a board of evaluators to make recommendations to the Secretary concerning the selection of award recipients and other matters relating to the making of the award.

The Edward R. Madigan Agricultural Export Excellence Award Board of Evaluators ("the Board") was established by Departmental Regulation 1042-27 on June 17, 1997. Board members were chosen and approved by the Secretary on August 9, 1999. Board members will serve a three-year term to expire September 30, 2001.

Advisory Committee on Begining Farmers and Farmers

The Advisory Committee on Beginning Farmers and Ranchers was established by section 5 of the Agricultural Credit Improvement Act of 1992 (P.L. 102-554). The Committee's purpose is to advise the Secretary on the administration of the Farm Service Agency's (FSA) beginning farmer programs and methods to increase participation between Federal and State programs to provide joint financing to beginning farmers and ranchers. The duration of the Committee is indefinite.

Nominees to serve on the Committee were appointed by the Secretary on January 14, 1999. As required by law the 17 members include representatives from FSA, State beginning farmer programs, commercial lenders, private nonprofit organizations with active beginning farmer programs, the Cooperative State Research, Education, and Extension Service, community colleges, and other entities or persons providing lending or technical assistance for qualified beginning farmers or ranchers. The Secretary also appointed several farmers to serve.

The Committee held its first meeting in Washington, D.C., on August 31-September 2, 1999. Twenty-two attendees were present, including 15 Committee members. The Committee reviewed and discussed the status of existing FSA and State beginning farmer programs, along with outreach and training needs. Numerous issues and recommendations were discussed. On September 9, 1999, the Committee Chair submitted a memorandum to the Secretary addressing six urgent recommendations.

At least one meeting is planning in both fiscal years 2000 and 2001 to address beginning farmer issues and submit additional recommendations to the Secretary.

National Drought Policy Commission (NDPC)

NDPC was established by the National Drought Policy Act of 1998 (The Act) to provide advice and recommendations on the creation of an integrated, coordinated Federal policy designed to prepare for and respond to serious drought emergencies. The NDPC is charged with making recommendations on: (1) How to better integrate Federal drought laws and programs with ongoing State, local, and tribal programs; (2) How to improve public awareness of the need for drought mitigation, prevent, and response; and (3) Whether all Federal drought preparation and response programs should be consolidated under one existing Federal agency, and if so, identify the agency. NDPC consists of 15 members.

The NDPC is to conduct a thorough study and no later than 18 months after the date of the enaction of The Act, submit a report to the President and Congress which contains a detailed statement of the finds and conclusions of the NDPC, together with its recommendations for such legislation and administrative actions as it considers appropriate.

In FY 1999, the NDPC held two meetings and two public hearings. An organizational meeting was held in Washington, DC, on July 22, 1999. A public hearing was held in Washington, DC, on July 23, 1999, in conjunction with the meeting, to receive public comments regrading drought. The second meeting and public hearing were held in Washington, DC, on September 22, 1999, to obtain comments and concerns from individuals and entities in the east who are experiencing a severe drought at the time. The NDPC discussed formulation of a draft report and scheduling public hearings to receive the public's response to the draft.

For FY 2000, a public hearing was held in El Paso, Texas, on October 13, 1999, in conjunction with a United States/Mexico Drought Workshop. A meeting and public hearing was held in Los Angeles, California, on December 1 and 2, 1999 respectively, to review and discuss a draft of the report. A public hearing was held in Austin, Texas, on January 25, 2000, with additional hearings scheduled in Atlanta, Georgia in early February and Billings, Montana in mid February.

The Act specifies that the NDPC shall terminate 90 days after the date on which the NDPC submits its report to the President and the Congress.

Risk Management Advisory Committee

On March 29, 1999, Departmental Regulation No. 1042-132 was filed which serves as the charter of the Risk Management Advisory Committee. The Committee will represent the diverse interests of the agricultural community, and provide advice concerning risk management issues and policies relating to agriculture. Committee members, during a 2-year term, will serve without compensation; however, they may be reimbursed for travel expenses or per diem allowances if such policy results in failure to achieve adequate representation of necessary or desired groups. This Committee will meet once each year or as often the Secretary deems necessary.

The Committee will consist of representatives, appointed by the Secretary of Agriculture, from each of the following broad categories: agricultural producers, academia/public sector, and the crop insurance industry. Within these categories, the 20-member committee will be broken out to represent the following interests of the agricultural community: thirteen (13) farmer/working producers to represent crops, specialty crops and livestock; one (1) representative of academia/public sector; six (6) private insurance persons to represent the insurance and reinsurance industry; cooperatives, credit and banking, futures and options, grower associations, international trade, processing, and transportation. There will be no alternate members.

NATURAL RESOURCES AND ENVIRONMENT:

Task Force on Agricultural Air Quality Research

The Task Force on Agricultural Air Quality Research (AAQTF) was established by statute in 1996 (P.L. 104-127 Sec. 391) to ensure intergovernmental cooperation in research activities relating to agricultural air quality. The Task Force advises the Secretary on his role in providing oversight and coordinated on agricultural air quality. The Task force was reestablished by Department Regulation 1042-126 on August 7, 1998, and is currently in its second 2-year term. The Chief of the Natural Resources Conservation Service chairs the Task Force of 22 representatives from agricultural production, agricultural industry, agricultural air quality research, and health sciences.

The AAQTF held two meetings in fiscal year 1999 to discuss the relationship between agricultural production and air quality. The first meeting was on March 3-4, 1999, in Washington, D.C., with the Natural Resources Conservation Service as host and over 50 attendees in addition to the Task Force members. It was organized in order to orient new appointees. The second meeting was held in Spokane, Washington, on June 22 and 24 1999, with over 50 attendees in addition to Task Force members. The AAQTF forwarded its recommendations on air quality research priorities and associated funding to the Secretary.

The Task Force completed its recommendations on an agricultural burning policy and voluntary programs for States on agricultural air quality at its meeting in Durham, North Carolina on November 9-10, 1999. Its next meeting is scheduled for mid February, in Baton Rouge, Louisiana.

National Commission on Small Farms

The purpose of the National Commission on Small Farms is to gather and analyze information regarding small U.S. farms and ranches and recommend to the Secretary of Agriculture a national strategy to ensure their continued viability, including specific measures the public, nonprofit and private sectors could take to enhance the economic livelihood of small farms. The 30-member Commission was appointed by Secretary Glickman in July 1997. Members represent small farms and ranches, finance, rural communities, nonprofit organizations, academia, State and local governments, Native Americans, and farm workers.

The Commission met October 6-8, 1998, in Washington, DC, to receive an implementation progress report from USDA on the Commission's report, "A time to Act," and to discuss future actions of the USDA and the Commission. A resolution was approved by the Commission that provided its opinion of the Department's implementation progress report and identified priorities for implementation. The Commission did not meet in the planned Spring 1999 meeting, but many of the 30 members independently participated in developing a "Report Card" on USDA implementation of the Commission's recommendations, which was published in February 1999.

The Commission expired in July 1999.

USDA 1890 Task Force

The USDA/1890 Task Force was established in 1988 to create a closer partnership between the USDA and the 1890 Land Grant Institutions; to strengthen the 1890 institutions' facilities; to upgrade the physical facilities on campuses, to broaden the research capabilities of the institutions; and to attract more minorities and outstanding students to professional careers in agriculture, forestry, and related areas. The Task Force customarily meets three times a year, once at the Department and twice on the 1890 campus.

Only two meetings were held in FY 1999—Washington, D.C., in March, and Delaware State University in June. The Task Force met at Prairie View A&M University in October 1999 and is scheduled to meet at Florida A&M University in February 2000.

This year's accomplishments include:

- USDA/1890 National Scholars Program. Twenty-nine scholars were sponsored in FY 99, making a total of approximately 263 scholars since the inception of the program in 1993.

- Capacity Building Grants Program is in its 10th year. Fiscal Year 1999 appropriation remained at $9,200,000. One hundred and eighty two (182) proposals were received, 110 research and 72 teaching proposals. Awards were made to each of the 1890 institutions and Tuskegee University; twenty-five teaching and 18 research projects.

- Centers of Excellence. Fourteen of the 1890 institutions have one or more Centers of Excellence and two have submitted proposals for sponsorship and collaboration.

OFFICE OF THE CHIEF ECONOMIST:

Commission on 21st Century Production Agriculture

The Commission on 21st Century Production Agriculture was established in Subtitle G of the Federal Agricultural Improvement and Reform (FAIR) Act of 1996 (P.L. 104-27). USDA Departmental Regulation 1042-129, dated January 16, 1999, established the charter for the Commission. There are 11 members of the Commission appointed by the President and House and Senate Agriculture Committees. The Commission has two staff members; an Executive Director and a Deputy Director. The Commission's initial charge is to conduct a comprehensive review of changes in the condition of production agriculture under the FAIR Act. This study was published in May 1999 and is available on the Commission's web site, www.agcommission.org.

The Commission is now working on its final charge which is to conduct a comprehensive review of the future of production agriculture in the United States and the appropriate role of the Federal Government in support of production agriculture. The Commission met in Washington, D.C., November 16-17, 1998, to discuss its initial report; February 22-23, 1999, to discuss the agricultural outlook and meet with President Clinton to discuss Commission activities; and July 8-9, 1999, to discuss plans for public listening sessions. The Commission met in Kansas City, Missouri on May 10-11,1999, for a risk management seminar, and hosted public listening sessions in Fresno, California on August 12, 1999; Spokane, Washington on August 14, 1999; Denver, Colorado on August 16, 1999; Chicago, Illinois on September 21, 1999; Montgomery, Alabama on Septeniber 23,1999; and Scranton, Pennsylvania on September 25, 1999. The Commission met on November 15-16, 1999, in Atlanta, GA and focused on small farms issues. A report on the findings of the Commission is due January 1, 2001.

AUTHORITY AND COMPOSITION OF USDA ADVISORY COMMITTEES IN EXISTENCE BETWEEN FY 1999 AND FY 2000				
Committee Title	USDA Agency	Authority Statutory (S) or Discretionary (D)	Committee Membership	Status Continuing (C) Terminated (T)
FOOD, NUTRITION AND CONSUMER SERVICES:				
National Advisory Council on Maternal, Infant and Fetal Nutrition	FNS	S 42 U.S.C. 1786	24	C
FOOD SAFETY:				
National Advisory Committee on Meat and Poultry Inspection	FSIS	S 21 U.S.C. 601	17	C
National Advisory Committee on Microbiological Criteria for Foods	FSIS	D Departmental Regulation 1043-28	33	C
RESEARCH, EDUCATION, AND ECONOMICS:				
Advisory Committee on Agricultural Biotechnology	CSREES	D Secretary's Decision Memorandum	25	C
Forestry Research Advisory Council	CSREES	S 16 U.S.C. 582a	20	C
Strategic Planning Task Force on Research Facilities	CSREES	S P.L. 104-127	15	T
USDA/Hispanic Association of Colleges and Universities	CSREES	D Memorandum of Agreement dated 10/96	18	C
USDA/American Indian Higher Education Consortium	CSREES	S P.L. 104-127	30	C
National Genetic Resources Advisory Council	ARS	S 7 U.S.C. 5843	9	C
National Nutrition Monitoring Advisory Council	ARS	S P.L. 101-445	9	C
Dietary Guidelines Advisory Committee	ARS	D Departmental Regulation 1042-94	11	C
Advisory Committee on Agriculture Statistics	NASS	S 5 U.S.C. App. 2	21	C
Advisory Committee on Small Farms	REE	D Departmental Regulation 1043-46	19	C

AUTHORITY AND COMPOSITION OF USDA ADVISORY COMMITTEES IN EXISTENCE BETWEEN FY 1999 AND 2000				
Committee Title	USDA Agency	Authority Statutory (S) or Discretionary (D)	Committee Membership	Status Continuing (C) Terminated (T)
MARKETING AND REGULATORY PROGRAMS:				
Advisory Committee on Foreign Animal and Poultry Diseases	APHIS	D Departmental Regulation 1043-31	20	C
General Conference Committee of the National Poultry Improvement Plan	APHIS	D Departmental Regulation 1043-8	7	C
National Wildlife Services Advisory Committee (formerly National Animal Damage Control Advisory Committee)	APHIS	D Departmental Regulation 1043-27	20	C
National Organic Standards Board	AMS	S 7 U.S.C. 6518	14	C
Grain Inspection Advisory Committee	GIPSA	P. L. 103-156 S 7 U.S.C. 87i	15	C
FARM AND FOREIGN AGRICULTURAL SERVICES:				
Agricultural Policy Advisory Committee for Trade	FAS	D Departmental Regulation 1042-68	48	C
Ag. Tech. Adv. Comm. For Trade in:				
Animals & Animal Products	FAS	D Departmental Regulation 1042-68	24	C
Fruits and Vegetables	FAS	D Departmental Regulation 1042-68	19	C
Grains, Feed & Oilseeds	FAS	D Departmental Regulation 1042-68	27	C
Sweeteners and Sweetener Products	FAS	D Departmental Regulation 1042-68	14	C
Tobacco, Cotton, and Peanuts	FAS	D Departmental Regulation 1042-68	20	C
Advisory Committee on Emerging Markets	FAS	S P.L. 104-127	16	C
Edward R. Madigan Agricultural Export Excellence Award Board	FAS	S P.L. 104-127	9	C
Advisory Committee on Beginning Farmers and Ranchers	FSA	S P.L. 102-554	17	C

AUTHORITY AND COMPOSITION OF USDA ADVISORY COMMITTEES IN EXISTENCE BETWEEN FY 1999 AND 2000				
Committee Title	USDA Agency	Authority Statutory (S) or Discretionary (D)	Committee Membership	Status Continuing (C) Terminated (T)
National Drought Policy Commission	FSA	S P.L. 105-199	15	C
Risk Management Advisory Committee	RMA	D Departmental Regulation 1042-132	20	C
NATURAL RESOURCES AND ENVIRONMENT:				
Task Force on Agricultural Air Quality Research	NRCS	D Departmental Regulation 1042-126	22	C
National Commission on Small Farms	NRCS	D Departmental Regulation 1043-43	30	T
USDA 1890 Task Force	NRCS	D Deputy Secretary's Memorandum dated 8/29/88	16	C
OFFICE OF THE CHIEF ECONOMIST				
Commission on 21st Century Production Agriculture	OCE	S P.L 104-127	11	C

[The prepared statement and biography of Sally Thompson, Chief Financial Officer follow:]

OFFICE OF THE CHIEF FINANCIAL OFFICER

Statement of Sally Thompson
Chief Financial Officer

Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and members of the Subcommittee, I am pleased to present the fiscal year 2001 budget request for the Office of the Chief Financial Officer--OCFO--and the Department's Working Capital Fund--WCF.

I would like to thank you, your colleagues, and your respective staff members for taking this time to focus on the multiple financial management challenges facing USDA and how we are working to address these concerns. Secretary Glickman has made resolving these issues a major priority, and I thank him for his strong leadership. I also want to recognize this committee's staff for your efforts on behalf of improving financial management. We are moving forward, and this budget request highlights the next steps that we must take to fully achieve USDA's financial management objectives.

During fiscal year 1999, USDA made significant progress towards improving its financial credibility and accountability. The following examples give you a glimpse of our progress:

Financial Statements. USDA submitted its consolidated financial statements to the Office of Management and Budget --OMB-- by the March 1 deadline. The previous year's submission arrived at OMB five months past the deadline. USDA has six stand-alone audits, three of which-- the Food and Nutrition Service, the Rural Telephone Bank, and the Federal Crop Insurance Corporation--received unqualified --clean-- audit opinions. An unqualified audit opinion assures policy makers, the Congress, program recipients, and taxpayers that these financial statements reflect credible, reliable information that complies with laws, regulations, and accepted authoritative requirements. These clean opinions on three stand-alone audits are a major step toward USDA achieving an unqualified audit opinion on its consolidated financial statements in FY 2001.

Debt Collection. USDA collected $136.2 million in delinquent debt through Treasury's Administrative Offset Program and other debt-collection tools during FY 1999. This figure represents a 45 percent increase over the $93.9 million collected in FY 1998 and a 90-percent increase over the $71.5 million collected in FY 1997. In addition, USDA lowered the amount of delinquent debt in its overall loan portfolio from $7.5 billion in delinquencies in FY 1997 to $6.4 billion in FY 1999, a drop of nearly 15 percent.

Integrated Financial Management System. USDA made significant progress in implementing the Foundation Financial Information System --FFIS. Along with senior-level staff from the Office of the Secretary and other top USDA officials, I made significant changes to the implementation's project management. Under this new management structure, the Forest Service and the Food Safety and Inspection Service, which together represent 46 percent of USDA's workforce, implemented the system on October 1, 1999. The Risk Management Agency implemented this administrative system on October 1, 1998. This success led the

Secretary to accelerate the system's implementation in the current fiscal year to include four major agencies-- Animal and Plant Health Inspection Service -- APHIS, Rural Development-- RD, Farm Service Agency-- FSA, Natural Resource Conservation Service-- NRCS. These agencies are expected to have the system in place by October 1, 2000.

National Finance Center. OCFO's National Finance Center-- NFC-- in New Orleans processes the payroll for 40 percent of the Federal civilian workforce and administers the $90 billion Thrift Savings Plan, a 401(k) type plan for 2.5 million Federal employees. NFC has added three new payroll clients: The Peace Corps --900 employees, The Federal Elections Commission --350 employees, and the county-based employees from the Farm Service Agency within USDA-- 1,200 employees in addition to the 16,300 in FY 1999. NFC has added 21,400 individuals to the list of employees receiving payroll services in the last two years. Adding customers to the NFC payroll service helps to reduce the cost per transaction for all users of the service.

These examples represent progress that will continue only if we receive the necessary resources to establish the framework in which we will lead, direct, and coordinate USDA's financial management priorities to satisfy congressional mandates and provide the Secretary, the Congress, and program managers with credible financial information on which they can base decisions.

FY 2001 Budget Request

Mr. Chairman, OCFO is requesting an increase of $1,505,000 over our FY 2000 appropriation. The $500,000 increase that we received in FY 2000 marked the first time in several years that OCFO, or its predecessor agency, received an increase in its appropriated

budget. We thank you for recognizing financial management's increasingly important role in ensuring that sound business practices are in place. We will use the increase in FY 2001 to devote the necessary staff and resources to continue working on the following goals:

Lead Corporate Systems Strategy. The Secretary has directed me to lead a executive group, including the Chief Information Officer and the Assistant Secretary for Administration, to develop a corporate strategy for Department-wide administrative/financial systems, including accounting/budget execution and formulation functions, procurement, property, human resources, travel, and the associated telecommunications and security. These financial management systems require OCFO to review all current business practices in the affected agencies to ensure that these systems will produce accurate, timely and reliable data. Currently, program managers, policy officials, members of Congress, and other stakeholders do not always have the reliable and timely information needed to support essential program and financial management decisions, as well as develop, monitor, and report on performance plans and their goals and objectives, as required by GPRA. The added resources for this corporate systems strategy will help OCFO accomplish these specific objectives: (1) adequately implement Congressionally mandated debt collection provisions, (2) implement a financial information architecture that fully complies with Federal requirements, (3) maintain guidelines for cost distribution processes to include guidelines for the establishment of fees, (4) ensure compliance with the Single Audit Act and non-procurement debarment and suspension/drug-free workplace requirements, and (5) participate as a key player in Government-wide efforts to continually define and refine financial information requirements.

Implement Information Infrastructure. Consistent with the corporate systems strategy, OCFO will work with four agencies-- Rural Development, FSA, NRCS and APHIS-- to implement

FFIS, the integrated administrative accounting system that 46 percent of the Department's workforce now relies on for its accounting services.

Resolve Credit and Debt Management Issues. In FY 1999, OCFO initiated a pilot with the Department's two major credit agencies-- Rural Development and FSA-- to jointly address credit reform issues in partnership with OCFO, the Office of Inspector General, and the Office of the General Counsel. The pilot was funded through reimbursable agreements among OCFO, FSA, and Rural Development. The Federal Government's quest for a clean audit opinion on the Government-wide Financial Statements is in jeopardy if the Department does not resolve these credit-related issues.

Fully implement GPRA. OCFO must (1) conduct oversight and provide expert guidance within the Department to ensure that the strategic planning function meets legislative requirements; (2) publish the Department's Strategic Plans and the annual performance reports; and (3) ensure that a demonstrated linkage exists between annual performance plans and the strategic plan and that cost data are aligned with performance goals and correlate with budget requests. The resources OCFO needs to manage financial and administrative systems reforms will be used to link program managers with the essential information they need to examine performance measures and cost data.

Direct Cost Accounting Reforms. OCFO leads the USDA Cost Accounting Task Force efforts and will use the additional resources to ensure that the systems modernization efforts comply with these standards and produce the appropriate cost-accounting information that program officials need.

Produce An Accountability Report. Without additional resources, OCFO would have to divert resources from other high profile financial management initiatives, new systems

implementation, and/or audit resolution to issue an accountability report. An accounting report would streamline financial and performance reporting and provide internal and external stakeholders with a single source of comprehensive information on the Department's performance on program and financial management issues. With this funding, an accountability report could be produced by March 31, 2001.

Provide oversight, guidance, and coordination for audit monitoring, tracking, and resolution. The added resources would ensure that Federal funds are utilized for the purposes for which they are intended, and that instances of program abuse and/or fraud do not go undetected, but are addressed by Government managers in a timely fashion. In the last year, OCFO developed an Automated Tracking System-- ATS-- to produce better, more efficient management information. Since the OCFO has been designated as the central point to receive and track USDA audits these funds are needed to carry out that function.

Working Capital Fund

Finally, Mr. Chairman, I will conclude my remarks by providing you with a brief update on our WCF. As you know, the WCF serves as the Department's primary financing mechanism for centrally managed financial, administrative, and information technology services. As such, it supports more than 20 distinct activity centers. Much of what I have already discussed, with respect to implementing FFIS and our new corporate systems, will be financed by our WCF and result in some short-term cost increases.

I cannot tell you, Mr. Chairman, how many USDA officials have come to me over the last twenty-three months and raised concerns on the WCF and the perceived lack of controls over its costs. I share these concerns and last fall initiated a study to evaluate those WCF costs at the

National Finance Center. I recently expanded the study to look at all services performed at the Center, with the exception of those performed on behalf of the Thrift Investment Board. When the study is concluded, my goal will be to determine what it costs the Center to provide its accounting services.

USDA's leadership wants to control costs, not only for the WCF but for the individual agencies. The agencies' support for establishing a corporate strategy is indicative of this awareness. Furthermore, we are seeing a much greater collaboration between the activity centers that provide the WCF services and the agencies to ensure we are not duplicating each others work. For example, Mr. Chairman, last year the Department's Executive Information Technology Investment Review Board--EITRB-- reviewed the major administrative, financial, and program systems. This Board is comprised of the Department's senior policy officials chaired by the Deputy Secretary. In this manner, we are better able to reduce the duplication of systems development and to coordinate the Secretary's administrative and financial priorities. In the long run, I also see this process as a means to maintain and improve the WCF's integrity.

As you know, the WCF is a revolving fund and totally dependent on transfers and income it receives from its customers for the services we provide. We are here today requesting no funding from the Committee, only to justify them. Much of the increase includes a number of items related to the modernization investments, re-engineering efforts, and enhanced accounting services I have spoken of already, along with associated increases related to the Thrift Savings Plan, or TSP. These increases are essential to modernize our operations, so we can maintain and improve upon the high quality of service delivery all of our customers demand. Only a small portion of the increases are related to inflation or other cost increases. With respect to TSP, we are requesting an increase in operating funds to provide for an expansion of services. The Thrift

Investment Board has requested these increases so they can meet the expected legislative requirements allowing military personnel to participate in the TSP; make certain other changes relating to changes in employees' eligibility; and significantly expand the plans capabilities. These increased costs will be fully reimbursed by the Board as the customer. I am pleased to report that we, along with the Board and a private contractor, are in the final stages of implementing a new system in October 2000 that will provide two new investment options for TSP participants and allow them the capability to conduct on-line investing within their own accounts. These changes will bring TSP up to the standards on-line traders currently enjoy on the Web.

We have learned that modernizing our financial and administrative systems is an expensive and continuing process, and we are currently paying for years of inadequate investments that prevented NFC from keeping up with current technology standards. That's why we are having to bear high costs for modernizing NFC and for re-engineering a wide variety of administrative, information technology, and financial processes.

As I mentioned, we are evaluating innovative methods to provide financing for our major initiatives, including the performance-based contracting. With this in mind, the President's Budget includes new language to be included in the Department's General Provisions that would grant authority to the Secretary to transfer certain funds to the WCF for plant and equipment investments in administrative, financial, and information technology services. In a rapidly changing technological environment, we are always going to be faced with the need to make improvements, redesign systems, re-engineer processes, and generally manage our operations in a virtual environment. Our customers will no longer accept less than what they can get in the market place or from our competitors. Therefore, we must have access to investment capital that

is both sustainable and flexible. We need to be able to bring needed resources to bear quickly and efficiently. There is no clearer example of our emerging need than our efforts to re-engineer our corporate systems, as I noted before. When completed, we will be able to provide to all of our customers real-time information in an interactive environment. Again, our customers will accept no less.

Mr. Chairman, we have a shared responsibility to ensure that we can meet the needs of our agencies as they address the needs of the American farmer and agricultural community. I am eager to work with you and the members of this Committee to ensure that those needs are met. The resource estimates that I am presenting to you is our commitment to fulfilling our responsibilities. Thank you, Mr. Chairman. I welcome any questions the Committee might have.

USDA Biographical Sketch

Sally Thompson
Chief Financial Officer



THOMPSON SWORN IN AS CHIEF FINANCIAL OFFICER

WASHINGTON, March 2, 1998--Agriculture Secretary Dan Glickman today formally swore in Sally Thompson as the chief financial officer for the U.S. Department of Agriculture.

"I am thrilled to have a fellow Kansan, Sally Thompson, on my team here at USDA," Glickman said. "She has done an outstanding job as state treasurer of Kansas and I know that she will make her mark here in Washington."

As chief financial officer, Thompson reports directly to the Secretary on all financial management activities relating to the programs and operations of USDA. She is also responsible for maintaining an integrated agency accounting and financial management system.

Prior to her appointment, she served as the Kansas state treasurer since 1991. While in that position she reformed the state's investment laws, earning Kansas $700 million in interest income, and updated the state's unclaimed property laws, returning more than $12 million in abandoned assets to the rightful owners.

Thompson was the president and chief operating officer of Shawnee Federal Savings in Topeka, Kan., from 1985 to 1990. She served as the vice president and manager of business planning and financial analysis at the United Bank of Denver from 1982 to 1985 and was a certified public accountant, audit manager, and management consultant for Touche Ross from 1975 to 1982.

A native of Spokane, Wash., Thompson graduated magna cum laude from the University of Colorado at Boulder with a B.S. degree in business, accounting, and finance in 1975.

#

March 1998

[Questions submitted for the record for the Office of the Chief Financial Officer follow:]

Questions submitted by Mr. Skeen

STOVE PIPING AMONG USDA AGENCIES

Mr. Skeen: According to last years testimony, the Department was coordinating strategic planning across mission areas and agencies to reduce agency stove piping. Provide specific examples where stove piping has been reduced as a result of the strategic planning process.

Response: There are a number of strategic planning cross-cutting efforts in the Department. To name a few examples, agencies are coordinating their efforts in the area of farm safety net, bioenergy, domestic and international markets, sustainable agriculture development, small farms, field Service Center improvements, and rural community outreach initiatives. In addition, there are coordinated initiatives in management areas, such as civil rights, information technology and financial management. Plans are developed , budget proposals are coordinated and implementation activities are coordinated. Supporting efforts are reflected in our component agencies' revised fiscal year 2000 and fiscal year 2001 annual performance plans.

Even more importantly, to further reduce stove piping, USDA is moving towards a corporate management approach that will foster a results orientation throughout the Department. Using this approach, we will issue an updated Strategic Plan which will be presented from the Department level perspective by September 30, 2000. It is envisioned that, as we move forward in this endeavor and agencies gain more experience with GPRA, substantial, qualitative improvements will occur in USDA's ability to plan, monitor, assess, and report its performance. These improvements will result in better program management and service delivery which will be reflected in more concise and coherent Plans and Reports at the Departmental level and more cogent Plans and Reports at the agency level.

AMOUNTS PAID INTO WORKING CAPITAL FUND BY CURRENT AGENCY STRUCTURE

Mr. Skeen: Provide a table that shows, by current agency structure, the amount paid into the Working Capital Fund for fiscal year 1999 and estimates for fiscal years 2000 and 2001.

Response: We will be happy to provide that information. The information in the table below also appears on page 3-27 of the budget explanatory notes.

[The information follows:]

WORKING CAPITAL FUND COST DISTRIBUTION SUMMARY: FY 1999 - 2001
(Dollars in Thousands)

Agency	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate
Office of the Secretary	560	626	681
AMS	5,189	5,808	6,323
ARS	6,683	7,859	8,556
Rural Development	18,413	19,019	20,705
RMA	2,699	1,080	1,176
FAS	2,687	2,709	2,949
FS	51,063	48,692	53,010
OC	663	869	946
OGC	557	630	686
NRCS	12,098	13,232	14,405
ERS	540	591	643
NASS	1,962	2,198	2,393

CSREES	2,193	2,416	2,630
OIG	1,089	1,165	1,268
FNS	3,863	4,135	4,502
APHIS	6,911	7,394	8,049
GIPSA	1,004	1,111	1,209
FSIS	7,947	9,049	9,851
OCE	214	225	245
OBPA	156	199	217
OCFO	3,586	6,091	6,631
AARC	39	0	0
DA	3,209	3,513	3,824
OES	64	52	57
FSA	15,115	18,634	20,286
OCIO	3,221	2,515	2,738
NAD	547	569	619
Total/USDA Basic Services	152,272	160,381	174,599
Non-USDA/Non-TSP	62,062	60,324	61,985
Thrift Savings Plan	40,844	50,025	51,296
Total Working Capital Fund/1	255,178	270,730	287,880

1/ Does not include "intrafund adjustments;" this amount reflects total amounts billed or estimated to be billed.

WCF OPERATING COSTS

Mr. Skeen: In addition, update the table on page 785 of last year's hearings that compares the operating plan and actual expenditures for fiscal years 1992 through 1999.

[The information follows:]

WORKING CAPITAL FUND OPERATING COSTS, COMPARISON OF OPERATING PLAN AND ACTUAL EXPENDITURES FY 1993-FY 1999
(Dollars in millions)

	1993	1994	1995	1996	1997	1998	1999
Plan	$173.9	$187.1	$194.2	$203.3	$211.1	$230.7	$251.4
Actual	171.1	178.0	184.1	197.4	208.9	235.7	252.2*

* Includes $4.0 million in "intrafund adjustments" --amounts billed between WCF activities for services. Actual costs billed to agencies would not include this intrafund adjustment; to do so would constitute "double-counting" of costs.

WCF PURCHASE OF COMPUTER EQUIPMENT AND SERVICES

Mr. Skeen: How much did the fund contribute toward the purchase of computer equipment and services in the Department for fiscal year 1999 and how much is estimated for these purchases in fiscal years 2000 and 2001?

[The information follows:]

WORKING CAPITAL FUND - COMPUTER EQUIPMENT AND SERVICES PURCHASES
FY 1999 - FY 2001
(Dollars in millions)

	FY 1999	FY 2000	FY 2001
Capital Acquisitions (capital)	$22.1	$25.2	$17.6
Hardware/Software Leases (operating costs)	11.9	7.1	7.3
Non-Capital Equipment (operating cost)	2.9	2.0	1.9
Total	36.9	34.3	26.8

WCF PLANNED CAPITAL ACQUISITIONS

Mr. Skeen: What capital acquisitions are planned in fiscal years 2000 and 2001?

[The information follows:]

WORKING CAPITAL FUND - CAPITAL ACQUISITIONS
FY 2000 - FY 2001
(Dollars in millions)

Activity	FY 2000	FY 2001
Administration	$0.4	$0.2
Video, Teleconferencing, and Visual Design Services	0.3	0.3
Finance and Management	14.9	9.4
Information Technology	9.6	7.8
Executive Secretariat	0.0	0.0
Total*	25.2	17.6

* Differences due to rounding

BENEFITS FOR PROVIDING PAYROLL SERVICES TO NON-FEDERAL FSA COUNTY OFFICE EMPLOYEES

Mr. Skeen: Provide the committee with an update on the status of providing payroll services to the non-Federal county office employees.

Response: In October 1999, we completed the implementation of almost 17,000 non-Federal county office employees into the payroll/personnel system.

USDA TRAVEL COSTS

Mr. Skeen: Please provide the Committee with a table displaying department-wide travel costs for the past five years to include Fiscal Year 1999.

[The information follows:]

USDA TRAVEL COSTS
(Dollars in Millions)

FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
$232	$240	$244	$306	$275

Mr. Skeen: What are the estimated department-wide travel costs for fiscal year 2000 and 2001?

[The information follows:]

ESTIMATED TRAVEL COSTS
(Dollars in Millions)

FY 2000	FY 2001
$282	$293

Mr. Skeen: Provide a table showing the agencies that are now in production operation in Foundation Financial Information System (FFIS), those planned for operation in 2000, and those planned for operation in 2001.

[The information follows:]

USDA FFIS Implementations			
Fiscal Year	Total USDA Employment	Number of USDA Employees Served	Percentage of Total USDA Workforce
1999	104,661	528	.005%
2000	101,772	44,544	43.76%
2001	104,220	75,257	72.2%

Fiscal Year	FFIS Production Operation Date	Agency Name
1998	October 1, 1997	Office of the Chief Financial Officer, Forest Service (approximately 1/3 of Forest Service)
1999	October 1, 1998	Risk Management Agency
2000	October 1, 1999	Remaining 2/3 of Forest Service, Food Safety and Inspection Service
2001	October 1, 2000	Natural Resources Conservation Service, Farm Service Agency, Animal and Plant Health Inspection Service, Rural Development

Mr. Skeen: What is the five-year cost to have all USDA agencies implemented by October 1, 2002? Who is the contractor that is developing a data warehouse

strategy to ensure USDA's compliance with OMB's integrated financial system requirements?

Response: The new USDA FFIS Project Team formulated and submitted a five-year implementation budget that addressed the FFIS implementation costs to replace the legacy Central Accounting System at the National Finance Center and the development of the data warehouse. The five-year plan includes implementation of the FFIS and the data warehouse for the USDA agencies and the six executive agencies cross-serviced by the National Finance Center. The budget included four years of agency and cross-served agency implementations from FY 1999 through FY2002, and a post implementation closeout of the legacy Central Accounting System in FY 2003. The implementation budget for FY 1999 - FY 2002 is $85 million; the FY 2003 closeout budget is estimated at $21.8 million.

The data warehouse strategy vision was developed by USDA in FY 1999 with contracting support from IBM. The FFIS Project Office has a warehouse team comprised of government and contractor personnel with technical and financial management expertise. Ensuring compliance with OMB Circular A-127 is the responsibility of the data warehouse team. The FFIS Project Office will also use an Independent Validation and Verification --IV&V-- contractor to review the progress of the data warehouse effort and its compliance with A-127 and other laws and regulations.

Mr. Skeen: What has been spent in total on FISVIS to date and what is expected to be spent in fiscal years 2000 and 2001?

Response: To ensure a better understanding of the FFIS project budget and costs, in FY 1999, the new project management team was asked to develop a budget that segregated implementation costs from the ongoing operational costs of implemented USDA agencies. In FY 1999, implementation costs were $16.9 million. The implementation budget for FY 2000 is $25.5 million and for FY 2001 is $25.2 million. FY 2000 and FY 2001 will be the most intensive years for implementation of USDA agencies. As reported to you last year, through Fiscal Year 1998, $57.4 million had been spent for development and implementation activities. This amount includes USDA personnel costs and contractor costs in support of the overall project and individual agency implementation efforts. It does not include any internal agency costs for business process re-engineering or similar activities.

Mr. Skeen: What has been the total cost of the contract at NFC with American Management Systems to date?

Response: Actual contract costs incurred by NFC through 1997 were $22,068,000. Costs for fiscal year 1998 were $2,575,459. Most of this was with AMS, but a small amount went to other support contractors.

During FY 1999, the original contract budget for FFIS was approximately $11.2 million. In order to address the FFIS reporting strategy, the data warehouse, and other FFIS Project Office budget needs, the FFIS Project Office realigned the FFIS budget. The contract budget was reduced to $8,392,496. Of that, the following was obligated to various contractors: $6,135,562 to AMS; $1,218,436 to IBM for technical services; $224,183 to Logistics Management Institute for business process re-engineering studies and to provide security and disaster recovery documentation; $518,920 to Planning Technologies, Inc. for assistance with telecommunications infrastructure and security analysis, including working with NFC for telecommunications support; and $ 57,517 to Federal Data Corporation for FFIS Customer Service Help Desk implementation.

Using the realigned FY 1999 budget priorities, the FFIS Project Office negotiated a $3.1 million reimbursable agreement with the USDA Office of the Chief Information Officer for technical services and support to the FFIS Financial Data Warehouse, the FFIS reporting tool.

Because of the successful implementation of the Forest Service and the Food Safety and Inspection Service on October 1, 1999, the Secretary accelerated the FFIS agency implementations for FY 2000. The FY 2000 contracts budget is approximately $13.6 million. To date, this includes the following obligations: $8,756,322 to AMS; $874,782 to Logistics Management Institute for security certification services for FFIS and the data warehouse and for development of a transition plan and posting model analysis of the NFC legacy feeder systems; and, $1,050,177 to Government Micro Resources, Inc. for data warehouse technical development support.

In addition to contractor services, the FFIS Project Office negotiated two FY2000 reimbursable agreements, totaling $4,676,714 with USDA OCIO for telecommunications infrastructure analysis and for data warehousing support and services.

Mr. Skeen: What was the total projected cost of the AMS contract when the contract was signed and has the projected cost changed since last spring?

Response: The total projected contract costs to be incurred when the contract was signed was $35,786,000 through fiscal year 2002. Most of this was with AMS, but a small amount went to other support contractors. The new project management team was asked to develop a revised budget for the project. As part of that effort, new contract estimates were developed for FY 1999 - FY 2003. The FFIS project uses a mix of contractors and government personnel to ensure that functional and technical expertise is available when needed. Therefore the FY 1999 - FY 2003 contract estimates cover not only estimated AMS contract costs, but also estimated costs for other contractors with expertise in many of the other critical project activities including financial management reporting and the related data warehousing, cash reconciliation activities, internal controls, security assessments and certifications, and telecommunications traffic analysis, as well as other implementation activities as needed. As reported to you last year, for fiscal years 1999-2003 the estimated contract costs are $57.3 million. As stated, this includes contracting not only for AMS, but other contractors as well.

Mr. Skeen: How much other contractor support do you anticipate needing to support telecommunications?

Response: During FY 1999, the FFIS Project Office contracted with Planning Technologies, Inc. for telecommunications traffic analyses for the two FFIS implementations, Forest Service and Food Safety and Inspection Service. The FFIS Project Office also received telecommunications services from the Office of the Chief Information Officer --OCIO, Network Engineering Division through a reimbursable agreement. They performed traffic simulations and provided the telecommunications methodology, telecommunications security recommendations and testing for the FFIS project Office. During FY2000, and for future FFIS implementations and ongoing telecommunications analyses, the FFIS Project Office expects to use the OCIO's Network Engineering Division. Their reimbursable agreement cost is approximately $1 million per year and includes the telecommunications analyses for the FFIS, the data warehouse and the Customer Service Help Desk implementation, as well as telecommunications security analyses and technical product recommendations.

STAFF YEAR LEVELS AT THE NATIONAL FINANCE CENTER

Mr. Skeen: Provide a table showing the staff year levels at the National Finance Center for fiscal years 1991 through 1999 and estimates for fiscal years 2000 and 2001.

[The information follows:]

NATIONAL FINANCE CENTER

STAFF YEAR UTILIZATION
FY 1991-FY 2001

1991	1,358
1992	1,449
1993	1,535
1994	1,613
1995	1,584
1996	1,591
1997	1,617
1998	1,634
1999	1,595
2000 Estimate	1,621
2001 Estimate	1,609

CROSS SERVICING

Mr. Skeen: Provide a list of all cross-serving the Center performs and were any added in fiscal year 1999 or to date in fiscal year 2000? Has the deletion of appropriations bill language regarding cross servicing had an effect on the operation of the NFC? If so, please explain.

[The information follows:]

Non-USDA Federal Agencies Serviced by the National Finance Center			
Agency	**Previously Serviced By**	**Date Implemented**	**No. of Employees**
Full-Service			
Merit Systems Protection Board	Self (Personnel) Interior (Payroll)	October 1984	331
U.S. Commission on Civil Rights	GAO	October 1987	90
Occupational Safety and Health Review Commission	GAO	October 1988	73
U.S. Court of Appeals for Veterans Claims	New Agency	August 1989	86
Office of Government Ethics	Self	September 1989	94
Federal Housing Finance Board	OTS	September 1997	115
Payroll/Personnel			
U.S. Office of Special Counsel	Self	October 1984	96
Federal Mine Safety and Health Review Commission	GSA	January 1985	55

Non-USDA Federal Agencies Serviced by the National Finance Center			
Agency	Previously Serviced By	Date Implemented	No. of Employees
DEPARTMENT OF COMMERCE (DOC) National Institute of Standards and Technology	Self DOC	June 1985	3,000
Technology Administration Office of the Secretary Economic Development Administration Bureau of Economic Analysis International Trade Administration Patent and Trademark Office Minority Business Development Agency National Telecommunications and Information Administration National Technical Information Service Office of Inspector General Economics and Statistics Administration Bureau of Export Administration	DOC	December 1985	14,801
National Oceanic and Atmospheric Administration	DOC	June 1986	12,000
Bureau of Census	DOC	December 1986	6,000
Appalachian Regional Commission	Census	December 1986	65
National Endowment for the Arts	GSA	January 1987	316
Federal Deposit Insurance Corporation	Self	April 1987	14,702
Smithsonian Institution	Self	October 1987	6,860
Department of Housing and Urban Development and Interagency Council for the Homeless	Self	April 1988	13,350
General Accounting Office (GAO)	Self	October 1988	5,382
Commission for Security and Cooperation in Europe	GAO	October 1988	18

Non-USDA Federal Agencies Serviced by the National Finance Center			
Agency	Previously Serviced By	Date Implemented	No. of Employees
DEPARTMENT OF TREASURY (TR) Savings Bond Division (Transferred to Bureau of Public Debt in 11/93)	Self TR	October 1988	231
Bureau of Alcohol, Tobacco, and Firearms	TR	June 1989	4,447
Departmental Offices	TR	October 1989	1,412
Office of Inspector General	TR	October 1989	319
Bureau of Public Debt	TR	April 1990	1,996
U.S. Secret Service	TR	July 1990	4,703
Internal Revenue Service-Mid-Atlantic Region	TR	October 1990	14,544
U.S. Mint	TR	October 1990	2,348
Internal Revenue Service-North Atlantic Region	TR	May 1991	18,655
Financial Management Service	TR	May 1991	2,372
Internal Revenue Service-Central Region	TR	July 1991	12,239
Internal Revenue Service-Mid-West Region	TR	July 1991	13,941
Internal Revenue Service-National Office	TR	October 1991	11,806
Internal Revenue Service-Southeastern Region	TR	October 1991	20,174
Internal Revenue Service-Western Region	TR	May 1992	20,033
U.S. Customs Service	TR	May 1992	20,767
Federal Law Enforcement Training Center	TR	May 1992	495
Internal Revenue Service-Southwestern Region	TR	June 1992	21,653
Bureau of Engraving and Printing	TR	June 1992	2,947
Office of Comptroller of the Currency	TR	June 1992	3,973
Small Business Administration	TR	October 1989	5,370
Federal Emergency Management Agency	TR	October 1989	6,436

Non-USDA Federal Agencies Serviced by the National Finance Center			
Agency	Previously Serviced By	Date Implemented	No. of Employees
National Gallery of Art	TR	October 1989	1,108
Farm Credit Administration	TR	April 1990	445
Farm Credit System Insurance Corporation	New Agency	April 1990	8
Library of Congress (LoC)	Self	July 1990	5,029
Congressional Budget Office	LoC	July 1990	256
Federal Communications Commission	Self	October 1990	1,809
Commodities Futures Trading Commission	Self	July 1991	565
Architect of the Capitol (AoC)	LoC	October 1991	2,415
U.S. Senate Restaurants	AoC	October 1991	250
U.S. Botanic Gardens	AoC	October 1991	52
National Labor Relations Board	TR	May 1991	2,138
DEPARTMENT OF JUSTICE (DoJ) Office of Justice Programs	Self DoJ	July 1991	343
Office of Inspector General	DoJ	July 1991	433
Headquarters Components Justice Management Division Executive Office of Immigration Review Headquarters Components (Remaining)	DoJ	July 1991 October 1991	7,066
U.S. Marshals Service	DoJ	May 1992	4,147
Executive Offices of the U.S. Attorney	DoJ	October 1992	9,944
Immigration and Naturalization Service	DoJ	October 1992	19,542
U.S. Trustee Program	DoJ	October 1992	1,332
Federal Prison System	DoJ	May 1993	24,065
Drug Enforcement Administration	DoJ	May 1993	7,340
U.S./Saudi Arabian Joint Commission on Economic Cooperation	New Agency	November 1993	70

Non-USDA Federal Agencies Serviced by the National Finance Center			
Agency	**Previously Serviced By**	**Date Implemented**	**No. of Employees**
Corporation for National and Community Service	Self	November 1993	40
Treasury Technical Assistance	New Agency	June 1995	50
Department of Justice Executive Office for Immigration Review	New Agency	May 1996	1,110
Federal Mediation and Conciliation Service	SEC	May 1996	300
Office of Compliance	New Agency	October 1996	23
U.S. Capitol Police (House)	Congress	April 1997	625
U.S. Architectural and Transportation Barriers Compliance Board (Access Board)	GSA	April 1997	29
National Capital Planning Commission	GSA	September 1997	55
Department of Treasury Treasury Inspector General for Tax Administration	New Agency	March 1998	934
U.S. Capitol Police (Senate)	Congress	March 1998	600
National Endowment for the Humanities	GSA	June 1998	200
Institute of Museum and Library Services	GSA	June 1998	54
International Boundary and Water Commission	Self	June 1998	260
U.S. Peace Corps	State	June 1999	900
Farm Service Agency - County Employees (Pilot States)	Self	June 1999	2,000
Federal Election Commission	Self	October 1999	320
Farm Service Agency - County Employees (Remaining)	Self	October 1999	18,000
Property Management Information System			
Department of Commerce	Self	January 1988 February 1990	35,801
General Accounting Office	Self	March 1992	5,382
Travel System			
Department of Education	Self	November 1983	4,500

Non-USDA Federal Agencies Serviced by the National Finance Center			
Agency	**Previously Serviced By**	**Date Implemented**	**No. of Employees**
U.S. Marshals Service	Dept of Justice Headquarters	March 1995	4,147
Thrift Savings Plan System			
Federal Retirement Thrift Investment Board (All Federal Agencies)	New Organization	April 1987	2,400,000
Direct Premium Remittance System			
Direct Premium Remittance System (All Federal Agencies)	New Service	January 1990	23,704

We do not feel the deletion of the appropriations language regarding cross servicing has any impact on the operations of the National Finance Center. There continues to be strong support within USDA for the Center to maintain and expand its cross-servicing activities.

PERCENT OF EMPLOYEES USING DIRECT DEPOSIT/ELECTRONIC FUNDS TRANSFER

Mr. Skeen: Please update the statistics on participation in the use of Direct Deposit/Electronic Funds Transfer provided on page 795 of last year's hearing record.

[The information follows:]

PERCENT OF EMPLOYEES USING ELECTRONIC FUNDS TRANSFER

	As of February			
	1997	1998	1999	2000
Serviced by the NFC				
USDA agencies.....	87.6	90.4	95.2	96.4
Non-USDA agencies..	95.9	97.1	98.5	98.8
Department of the Treasury.....	88.2	90.1	91.6	91.6
Average.....	91.2	93.1	95.4	95.8

As of Pay Period 4 in fiscal year 2000, salary checks still being mailed were as follows: USDA agencies: 3,932, Department of the Treasury bureaus: 13,332, and other non-USDA agencies: 2,239.

GAO AND OIG AUDITS

Mr. Skeen: Briefly describe the findings and recommendations and actions taken on each GAO and OIG audit listed in the explanatory notes.

[The information follows:]

#11-401-0004-FM, FY 98 National Finance Center Review of Internal Control Structure

The Inspector General sought to obtain reasonable assurance that: the internal control structure at the National Finance Center --NFC-- presents fairly, in all material respects, the aspects of the National Finance Center's policies and procedures that may be relevant to a user organization's internal control structure; the control structure policies and procedures included were suitably designed to achieve control objectives, if those policies and procedures were complied with, placed in operation and were operating effectively.

The Office of Inspector General's --OIG-- report resulted in an adverse opinion because of numerous long-standing material internal control weaknesses and the lack of corrective action.

The NFC formed a team headed by a senior manager reporting directly to the Director, NFC. The team, representing all NFC organizations, developed a corrective action plan. NFC has taken the following actions in the past fiscal year:

- Issued and implemented a revised production deviation process directive which establishes a definition for production deviations and the management approval and NFC senior management staff review processes.
- Assessed requirements to achieve Capability Maturity Model level 2 for administrative systems, which serves as a standard for software engineering and management practices and is essential to support the increasing maturity of NFC's software engineering capabilities.
- Issued a directive to all agency security officers on producing and using systems access reports.
- Limited the bypass label process privilege and restricted inappropriate access by computer operations personnel.
- Implemented network intrusion detection system
- Restricted access to the NFC computer room and tape library.
- Implemented a process to prevent and restrict unauthorized access to internal NFC systems and from executing commands on the system from remote locations.
- Made software changes and revised systems testing procedures.

As a result of these efforts for FY 1999, OIG issued a qualified audit opinion on NFC's internal controls, an improvement over the adverse opinion in FY 1998.

#11-401-005-FM, Agreed-Upon Procedures: Retirement Health and Life Insurance, and Head Count Information Submitted to OPM

OIG did not issue any recommendations. No action was required by NFC.

#50-017-0003-FM, Foundation Financial Information System Contract Management Audit

OIG's examination of American Management Systems' personnel histories and resumes disclosed no evidence that the contractor overstated qualifications, training, and work experience of the personnel who were approved to work on the contract.

No recommendations were issued, and no actions are necessary.

#50-401-0030-FM, USDA Consolidated Financial Statements for FY 1998

OIG concluded that the Department's financial information system is unable to provide accurate and timely accounting and financial reporting.

There were seven recommendations for which management decisions have not been reached.

Actions taken to correct weaknesses are as follows:

- Participated in an adjustment documentation seminar conducted by OIG,
- Published revised directive, entitled "Approval of Accounting Adjustments,"
- Implemented the Central Accounting System manual adjustments database and pilot program for the Financial Services Division, and trained fourteen employees to use the database,
- Established a Cash Reconciliation Project Team led by a senior executive and comprised of NFC personnel from all organizations and developed a

comprehensive plan to resolve cash reconciliation issues and cash transactions within 120 days of receipt of the Statement of Differences from the Department of the Treasury,
- Established functional work teams to reconcile all current and prior year cash balances utilizing extensive contractor support,
- Identified systemic problems that continue to cause out-of-balance conditions with the Treasury.

#50-801-001-HQ, U.S. Department of Agriculture's Review of the Final Action Process

OIG found that corrective actions on audit recommendations have not been implemented in a timely manner and recommended that OCFO amend Departmental Regulation (DR)1720-1 to: 1) require that agency heads provide OCFO with a time-phased implementation plan describing pending action and estimated completion dates in conjunction with the Secretary's Management Report to Congress, and 2) incorporate a formal process elevating individual audits without final action one year after the management decision date to the Secretariat level.

OCFO revised the semi-annual notification process to require agency heads to submit estimated completion dates and justification for any changes, as well as a time-phased implementation plan for corrective actions. Semiannually, the CFO elevates audits without final action one year after the management decision to the appropriate Sub-cabinet official through a briefing and issuance of an audit Aging Report for their review and concurrence that appropriate action is underway to implement open recommendations.

#11-401-0006-FM, Agreed-Upon Procedures: Retirement Health and Life Insurance, and Head Count Information Submitted to OPM

NFC was not posting retirement, health benefits, and life insurance withholdings to the prescribed standard general ledger account.

No recommendations were issued.

NFC personnel made manual adjustments to correct the incorrect postings for the fiscal year 1999 financial statements and corrected the fiscal year 2000 posting models.

#50-801-0007-FM, Effective Implementation of Foundation Financial Information System --FFIS-- will Reduce USDA's Many Financial Management System Problems

The OIG's evaluation reviewed USDA's actions to address the financial management problems that OIG, GAO, and Department officials had identified that would impact the successful implementation of FFIS.

The OIG noted that FFIS is a highly significant and much needed undertaking by OCFO and the USDA agencies, to address the many severe and longstanding financial management problems within the Department.

In response to the OIG finding that "Problems in legacy accounting systems impact CAS data and FFIS implementation," the CFO is developing, in consultation with the Assistant Secretary for Administration and Departmental users, a long-range plan to (1) perform an independent analysis of each feeder system, (2) ascertain on a Departmental level the need for the system, and (3) consolidate, integrate, and/or reengineer the feeder systems as appropriate.

The FFIS Project Office also has taken corrective actions to institute reportable processes for providing daily assurance reviews of the FFIS reporting data warehouse, and for providing quarterly accounting reports to the FFIS agencies.

In addition to these measures, the FFIS Project Office has worked with the USDA agencies to establish operational roles and responsibilities for financial management tasks that ensure the agencies' accountability for data.

#50-099-0019-FM, Audit of USDA Payroll/Personnel and Other Selected Payment Systems

OIG found controls to be inadequate over certifying officers' personal codes and the submission of miscellaneous vouchers and payments.

A review of NFC employees' access to the certifying officers' personal code file was conducted and access was limited. New personal codes were issued to all certifying officers.

Additional corrective actions planned for FY 2000 include:

- Issuance of a bulletin to ensure security over hard copy documents containing certifying officers' personal codes,
- Updating the certifying officer database file to include social security numbers,
- Developing an automated matching of the Miscellaneous Payment System's voucher vendor tax identification number to the USDA Payroll/Personnel database's employee social security number and the certifying officers' database file,
- Development of an automated crosswalk to check for separating or transferring certifying officers against the payroll/personnel database to disable the personal code and update the certifying officers' file.

#11-099-0012-FM, NFC Cost Allocation and Billing Process

Still in progress. No audit on file to date.

#50-099-0023-FM, Audit of Purchase Card Management System/Administrative Payments

Still in progress. No audit on file to date.

#50-099-0024-FM, Survey of Security Over USDA Information Technology Resources

Still in progress. No audit on file to date.

#50-401-0036-FM, USDA Working Capital Fund Financial Statements

Still in progress. No audit on file to date.

#50-401-0035-FM, USDA Consolidated Financial Statements for FY 1999

OIG did not express an opinion on the Department's financial statements. There were 18 recommendations for which management decision has not been reached.

The report was recently issued and corrective actions are pending management decision. OIG's findings are similar to those found in previous audits, so we have plans in place to address these issues.

AIMD-99-195, Information Systems Access Control over the Financial Information System Maintained by USDA's National Finance Center

This was a limited, secured report. However, report # AIMD-99-227 below contains excerpts of findings and recommendations from this report.

AIMD-99-227-USDA Information Security: Weaknesses at National Financial Center Increase Risk of Fraud, Misuse, and Improper Disclosure

Access control weaknesses have compromised the Center's ability to detect and prevent unauthorized changes to payment data or computer software, control electronic access to Thrift Savings Plan account information, and restrict physical access to sensitive computing areas.

Ensure that NFC has an effective entity wide security planning and management program. Such a program would include: assessing risks periodically to determine needs and select cost-effective policies and related controls; implementing policies and controls that are based on risk; communicating the policies and controls, as well as the risks that prompted their adoption, to those responsible for complying with them; evaluating the effectiveness of policies and related controls; and establishing a central security management focal point to ensure that major elements of the security planning and management program are carried out and provide a communications link among organizational units.

Corrective actions taken for this audit are the same as for audit #11-401-0004-FM, FY 98 National Finance Center Review of Internal Control Structure above.

GGD/AIMD-99-215, Managing for Results: Opportunities for Continued Improvements in Agencies Performance Plans

This report provides summary information based on GAO's review and evaluation of the FY 2000 performance plans of the 24 agencies covered by the CFO Act. GAO discusses the extent to which the agencies' plans included three key elements of informative performance plans: (1) clear pictures of intended performance, (2) specific discussions of strategies and resources, and (3) confidence that performance information will be credible. GAO also identified the degree of improvement the fiscal year 2000 performance plans represent over the fiscal year 1999 plans.

OCFO and the Office of Budget and Program Analysis provided specific guidance to agencies for preparation and submission of annual performance plans and program performance reports. This guidance included a discussion of the key elements outlined by GAO. In addition, agency heads were required to provide an attestation statement as to the credibility of the data included in their annual performance reports.

RCED-99-187, Results Act: Observations in the USDA FY 2000 Performance Plan

GAO found that the fiscal year 2000 performance plan shows moderate improvement in addressing the weaknesses identified in GAO's assessment of the fiscal year 1999 performance plan as it relates to providing a clear picture of intended performance across the agency.

GAO found that USDA's performance plan could be improved by more consistently (1) identifying crosscutting programs and coordination strategies for those programs and (2) describing how the Department will address the management challenges it faces, including how it will address certain information technology and financial management challenges identified by us and its Office of Inspector General.

USDA agencies' annual performance plans were reviewed by OCFO and the Office of Budget and Program Analysis for compliance with guidance. Specific comments were provided to agency GPRA Coordinators to make revisions, where necessary, that address GAO's concerns.

COST FOR FFIS IMPLEMENTATION

Mr. Skeen: Provide for the record an agency by agency breakout of the fiscal years 1999 through 2001 costs for FFIS implementation.

Response: WCF FFIS total costs were reexamined during fiscal year 1999 and implementation costs were broken out from the total costs. The adjusted costs for FFIS implementation for fiscal year 1999 and 2000 are reflected on the chart that follows. The fiscal year 2000 implementation budget is $25,531,000 which includes $6,000,000 of capitalized costs. The capital costs will not be billed to the agencies during FY 2000, they will be recovered in future years over the useful life of the system. FFIS implementation costs are allocated to agencies on an annual basis. The FY2001 distribution estimate could be revised based on the annual review of WCF budgets within the Department.

[The information follows:]

FFIS Cost Distribution: FY 1999 actual, and FY 2000 and 2001 estimates

	FY 1999	FY 2000	FY 2001
OSEC	$46,000	$18,000	$23,000
AMS	743,000	681,000	877,000
ARS	672,000	1,445,000	1,861,000
RD	586,000	1,314,000	1,693,000
RMA	55,000	99,000	128,000
FAS	96,000	142,000	183,000
FS	8,726,000	7,887,000	10,161,000
OC	28,000	25,000	32,000

OGC	39,000	66,000	85,000
NRCS	1,832,000	2,370,000	3,053,000
ERS	65,000	100,000	129,000
NASS	113,000	204,000	263,000
CSREES	51,000	69,000	89,000
OIG	84,000	139,000	179,000
FNS	179,000	320,000	412,000
APHIS	656,000	1,184,000	1,525,000
GIPSA	114,000	154,000	198,000
FSIS	736,000	1,807,000	2,328,000
OCE	13,000	9,000	12,000
OBPA	10,000	14,000	18,000
OCFO	7,000	19,000	24,000
DA	168,000	136,000	175,000
OES	5,000	4,000	5,000
FSA	462,000	1,171,000	1,508,000
OCIO	48,000	47,000	61,000
NAD	21,000	25,000	32,000
AARC	6,000	0	0
Subtotal/USDA	15,561,000	19,449,000	25,054,000
Non-USDA	106,000	82,000	106,000
Grand Total	$15,667,000	$19,531,000*	$25,160,000

*For FY2000 the FFIS implementation budget is $25,531,000 which includes $6,000,000 of capitalized costs. These capital costs are not distributed to the agencies during FY2000.

PAYROLL/PERSONNEL SYSTEM AT NFC

Mr. Skeen: Have any changes been made to the payroll/personnel system at NFC? Do you plan to make any changes to the payroll system at NFC? If so, what changes are you planning, and when do you anticipate the implementation?

Response: The primary focus for changes to the payroll/personnel system is to complete the redesign of the payroll portion of the system, known internally as the Payroll Engine Project. The project is an initiative to obtain a new, more user-friendly, web-enabled state-of-the-art payroll system for the NFC's current and future client base. We are working closely with USDA's Office of General Counsel and Procurement Officer, along with the General Services Administration to develop our contracting strategy.

While the Payroll Engine Project redesign is in process, the NFC will maintain the existing system and provide the functionality required by the client base. During the last year, the NFC implemented three Windows-based payroll/personnel applications that improved functionality for our customers. The first application, the Entry, Processing, Inquiry, and Correction System --EPIC--, permits personnel offices to enter, process, inquire about, and correct payroll and personnel transactions for employees. EPIC replaces five existing applications that were operating with outdated technology. The second Windows-based system, the Personnel Desktop Solution System --PODS--, provides personnel offices with previously unavailable capabilities to process requests from a manager to the personnel office to promote, transfer, reassign, or perform other employee-related transactions. Another Windows-based system, the System for Time and Attendance Reporting --STAR--, is being deployed throughout the Department this spring to replace an existing time and attendance system that operated using Disk Operating System --DOS-- technology. STAR provides easier navigation through Windows technology and also provides timekeepers additional functionality to assist them in their job. In addition, NFC modified the payroll/personnel system to allow purchase of Series I bonds and to handle the new Federal Employee Group Life Insurance coverage code options.

We expect to continue improving the payroll/personnel system for our customers while the new payroll engine is being developed. In the near future, NFC expects to implement new Federal Employee Health Benefit codes and forms, and to implement web-based versions of the STAR and EPIC systems.

INCREASE FOR CORPORATE SYSTEMS STRATEGY

Mr. Skeen: How much of the requested increase of $1.505 million will go towards the corporate strategy?

Response: Approximately $775,000 of the total increase would go to support the overall corporate strategy.

Recognizing the pivotal role of the Chief Financial Officer at USDA, in November 1999, Secretary Glickman appointed her the Chairperson of an Executive Committee to develop a corporate administrative/financial systems strategy for the department. Current USDA administrative/financial systems support stove-piped operations at USDA, and because they are over 20 years old, do not support efforts to obtain corporate information about operations for management and reporting purposes. The Foundation Financial Information System --FFIS, the new integrated financial management system, is intended to be the foundation of the corporate strategy and is well along in implementation. However, FFIS is only a single component of the corporate administrative/financial systems strategy, which also includes human resources, payroll, budget formulation -- salary projections, travel, property and procurement, along with the related security and telecommunications. All these systems must function together and provide consistent information about the department and how money is being spent. To ensure that the information from these various systems is integrated and reliable, the Secretary initiated the corporate systems effort.

While many of these systems will be implemented by other functional areas, e.g., the Procurement organization in Departmental Administration, the Chief Financial Officer organization will be expected to provide oversight and staffing to these efforts as they progress to ensure that the financial component and internal controls of these systems are properly developed using common data elements, policies and procedures. Continuous involvement by the OCFO staff will be required to ensure these systems comply with new laws and regulations and to realize their full reporting and management potential, e.g., identifying performance metrics for reporting.

OCFO is also responsible for ensuring that FFIS becomes the "foundation" of the integrated financial information system for USDA. The Financial Data Warehouse --FDW, that is being developed as part of the FFIS effort, will be used to produce and store the information for the USDA Consolidated Financial Statement, and represents the integrated system for USDA. As such, the FDW will receive not only FFIS data, but also data from the program systems, such as the loan systems. OCFO staff will need to work on an ongoing basis with the program areas to ensure that financial data from program systems is derived using common data elements, policies and procedures both within an agency and across mission areas and that new laws and regulations are being complied with. This will be particularly critical in areas where weaknesses have already been defined, such as credit reform, and to ensure that performance reporting linked to budgets and cost accounting can be accomplished.

Mr. Skeen: Specifically, how do you propose to lead the corporate systems strategy? What does this include?

Response: The Secretary initiated the corporate strategy initiative on November 24,1999, when he directed the Chief Financial Officer, working with the Chief Information Officer and the Assistant Secretary for Administration, to lead the effort to develop a corporate systems strategy to standardize administrative and financial systems and processes within USDA. The CFO serves as the chairperson of this Executive Committee established by the Secretary. The

Committee is examining of all major existing administrative systems in the department and in setting priorities as to which systems should be replaced with new integrated and inter-operable systems and when and how the new systems can be funded. Teams representing the various functional areas --e.g., departmental procurement-- will recommend to the Committee which commercial off-the-shelf systems and processes to use as replacements. The Committee will report its recommendations, budget and timetables to the Executive Information Technology Investment Review Board --EITIRB, comprised of the Under Secretaries and Chaired by the Deputy Secretary. Following their review, the Secretary and Deputy will decide the best strategy to begin new systems implementations.

Once the overall strategy is approved, implementation of the various systems will be the responsibility of targeted project teams in the specific functional area comprised of members of that area and various other realted functional areas. For example, while it is expected that the implementation of the procurement system will be lead by a project team in departmental procurement, staff from OCFO and the agencies will participate on the team and take the lead in their area of expertise. Ongoing participation by OCFO staff will ensure that when the system is implemented and integrated with FFIS, it meets all government-wide requirements and can produce reliable information for the financial statements and performance. The OCFO staffing resources requested will support this effort and the ongoing interaction required with other functional areas as we move from "stove-piped" operations to integrated, corporate operations, systems and information.

Mr. Skeen: Do you have a plan in place to bring all USDA agencies into a corporate systems strategy? If so, how will that plan be implemented?

Response: As mentioned above, the Corporate Administrative Systems Executive Committee has established a process to review existing administrative systems and make recommendations to the Secretary for replacing these systems, including a budget and timetable. The Secretary will make his decision on this proposed plan in this fiscal year.

INCREASE FOR INFORMATION INFRASTRUCTURE

Mr. Skeen: How much of the requested increase of $1.505 million will go towards information infrastructure?

Response: As I mentioned earlier, we have identified approximately $775,000 of the total increase for establishing the corporate strategy, which also includes establishing the information infrastructure. Because the corporate strategy and information infrastructure are so closely integrated, we cannot really identify costs specifically for either segment.

FFIS FINANCIAL DATA WAREHOUSE

Mr. Skeen: What is the FFIS' financial data warehouse?

Response: The FFIS financial data warehouse is intended to provide the reporting strategy and capability for FFIS. It is also part of the financial management vision to achieve an integrated financial management system for USDA through enhanced capabilities to produce the USDA Consolidated Financial Statements. The concept for the warehouse is to provide flexible, on-demand financial management reporting with data linkages from program, other USDA mixed systems, and performance data bases. The data warehouse will provide the architecture to address the USDA compliance with OMB Circular A-127. The first phase of the Data Warehouse implementation will address the FFIS reporting requirements for the FFIS agency implementations. During FY 2001, there will be eight FFIS agencies using the FFIS financial Data warehouse for reporting purposes. Phase II of the financial data warehouse will incorporate the

consolidated financial statements. The financial data warehouse strategy and tools are also being designed so additional functions and capabilities can be added later at both the corporate USDA and agency level. Examples of these include performance reporting and cost accounting.

Mr. Skeen: Is this work being performed in-house or is a contractor performing the work?

Response: The FFIS financial data warehouse work is being performed by both in-house government staff and contractors. The FFIS Project Office Warehouse Team is leading the government team. They receive in-house technical support from the FFIS Project Office Quality Assurance team and the Office of the Chief Information Officer --for technical warehouse systems support and telecommunications analyses. In-house functional financial management reporting expertise is provided by the FFIS Project Office Functional Team, the USDA Office of the Chief Financial Officer standards organization, National Finance Center reporting experts, USDA Agency representatives from the agencies producing stand-alone financial statements, and the Office of the Inspector General. Contractor support for the government technical and functional teams consists of: security assessments and security certification support from Logistics Management Institute; hardware and software design and development support from Government Micro Resources; and functional financial statements expertise from American Management Systems.

Mr. Skeen: If a contractor is performing the work, who is the contractor and what is the dollar amount of the contract?

Response: There are several contractors performing work related to the data warehouse. Several contractors are required because the scope of the project is both very technical in nature and requires accounting expertise related to the development of the consolidated financial statements not currently resident in-house. For FY 2000, contractor support for the data warehouse includes obligations for: $1,050,177 to Government Micro Resources; approximately $150,000 to the Logistics Management Institute; and approximately $670,000 to American Management Systems. Contractor estimates for FY 2001 will be refined as detailed requirements for the FY 2001 work are finalized. Estimates are included in the FFIS FY 2001 budget in the WCF for the overall FFIS reporting requirements, which includes the warehouse.

Mr. Skeen: According to the explanatory notes, phase I of the financial data warehouse is scheduled for implementation on October 1, 2000. Can the warehouse begin implementation without additional funds?

Response: Yes, the warehouse can begin implementation without additional funds. The data warehouse is the reporting strategy for FFIS and is included in the FFIS implementation costs and budget. The data warehouse will be the reporting repository for eight FFIS production agencies in FY 2001.

Mr. Skeen: How many phases are included in the plan?

Response: There are currently two implementation phases for the data warehouse. Phase I focuses on the agency FFIS reporting requirements and is intended to provide an online, flexible, modern tool the agencies can use for standard and ad hoc on-demand reporting. Phase I will be complete in October 2000. Refinements to the warehouse will be made, as required, as agencies are implemented on FFIS through October 2002. Phase II focuses on the integrated financial management system as defined by the production of the USDA consolidated financial statements from a common database with defined, auditable links to program systems and other sources of financial data. In FY 2002, we expect to produce the statements from the data warehouse using a tool intended for that

purpose. This process will be refined in subsequent years as changes to the financial statements process are introduced. The data warehouse structure and tools are being designed so additional processes and functions can be added later at both the corporate USDA and agency levels. Examples of these include performance reporting and cost accounting.

Mr. Skeen: What is the total cost for all phases including contractor and USDA costs?

Response: The Phase 1, FFIS Financial Data Warehouse implementation costs are already included in the five-year FFIS implementation budget. FFIS Data Warehouse capabilities will be implemented for each agency and/or cross-serviced executive agency implemented through October 1, 2002. The data warehouse concept is the FFIS reporting strategy. This is not an added FFIS cost. Costs for the Phase 2 implementation of the USDA Consolidated Financial Statements in FY 2001 are also included in the FFIS estimates. Costs for subsequent functionality will be estimated when additional requirements are identified and fully analyzed.

Mr. Skeen: Please provide a copy of the plan for full implementations of the financial data warehouse for the record.

Response: As indicated above, the data warehouse is the reporting strategy for FFIS, and as such, its implementation follows the implementation of the USDA agencies on FFIS. The overall FFIS reporting requirements will be identified by October 2000, with refinements made as all USDA agencies are implemented on FFIS through October 1, 2002. The implementation of the USDA consolidated financial statements will occur during FY 2001. Detail will be added to the statements tools in subsequent fiscal years to improve the efficiency of statements production and add data for audit purposes. While the tool is being designed to easily accommodate additional requirements for functionality such as performance reporting and cost accounting both at the corporate USDA and agency level, there are currently no dates for phases identified for this additional functionality. Further analysis will be required; however, a powerful, flexible and modern tool will be available to accommodate a variety of future USDA and agency reporting needs.

INCREASE FOR CREDIT AND DEBT MANAGEMENT

Mr. Skeen: How much of the requested increase of $1.505 million will go towards resolving credit and debt management issues?

Response: We have earmarked approximately $130,000 of the increase to address credit and debt management issues.

Mr. Skeen: Please provide for the record a list of all outstanding debt and credit management issues facing the department on an agency by agency basis.

[The information follows:]

Rural Development

Rural Development --RD, along with OCFO, is working with Department of Treasury --Treasury-- to determine the best way to service delinquent loans. Since many of the RD loans have special servicing requirements and the delinquency rate is extremely low compared to the other credit agencies, it would appear that it would be in the Government's best interest for Treasury to issue a waiver for cross-servicing its delinquent debts.

Representatives from RD also are working with the General Accounting Office --GAO-- and OIG to develop models to accurately reflect subsidy cost for its loan programs. However, due to RD's limited resources, developing models for the single family direct loans and the guaranteed loans may take longer than we plan.

Since 1993, RD's program responsibilities have increased 51 percent, while its funding to administer these programs has decreased 28 percent.

Farm Service Agency/Commodity Credit Corporation

The Farm Service Agency --FSA-- and Commodity Credit Corporation --CCC-- services $3 billion of foreign debt that is delinquent. FSA is working with the Export Import Bank and Treasury to determine the best approach to collect these delinquencies.

FSA is also working with GAO and to refine its credit subsidy models. As these models are being refined, FSA is working to document and validate the data that are being used in each of the credit reform models.

Food and Nutrition Service

The Food and Nutrition Service continues to use the Treasury's Administrative Offset Program very effectively to collect food stamp overpayments. However, they are continuing to work with Treasury to and the individual States to determine if Treasury's Cross-Servicing Program is the best approach to use in the collection of $1.3 billion debts when the average debt is less than $90 per account.

Other USDA Agencies

The other USDA agencies continue to use Treasury's Administrative Offset program very effectively, however, have found that the use of Treasury's Cross-Servicing Program to require special software to be developed to provide timely exchange of information with Treasury. The National Finance Center and the Forest Service are working with Treasury to resolve these issues.

National Finance Center

The Department of the Treasury --Treasury-- denied NFC's request to be a Debt Collection Center for cross servicing in January 2000. NFC is developing plans to refer debt that is eligible for cross servicing to Treasury. The plans include an automated interface to electronically transmit the eligible delinquent debt to Treasury. Upon completion of the automated interface, NFC plans to refer eligible debt to Treasury for cross servicing by September 2000. Of $10.3 million in debts maintained by NFC, $8.75 million belongs to non-USDA client agencies of NFC. NFC can only refer debt of client agencies after concurrence from those agencies. Some of the issues that will affect the amount referred to Treasury for cross servicing are debts in appeal status, without taxpayer identification number, awaiting write-off, or mis-classified.

Mr. Skeen: Does the entire Federal government quest for a clean audit opinion hinge on the Department's credit and debt management issues that are not resolved? Please explain.

Response: Yes, it does. As GAO has testified, the financial results of credit activities make up a significant portion of certain components of the Consolidated Financial Statements of the U.S. Government. For example, the Department is responsible for managing the Nation's largest Federal direct loan portfolio, with reported net credit program receivables of about $70.7 billion as of September 30, 1999. Since USDA is the largest direct lender in the Federal Government and the amount involved is material, the completion of credit reform cash flow models and process improvements is critical to GAO's ability to issue an unqualified opinion on the Consolidated Financial Statements of the U.S. Government.

INCREASE FOR FULLY IMPLEMENTING GPRA

Mr. Skeen: How much of the requested increase of $1.505 million will go towards fully implementing GPRA?

Response: OCFO's leadership efforts regarding GPRA in the Department will require approximately $230,000 of the increase in fiscal year 2001.

GPRA IMPLEMENTATION

Mr. Skeen: How much of the GPRA has the Department implemented?

Response: At the conclusion of the first full cycle of GPRA implementation, USDA has met the primary requirements through the submission of a strategic plan by September 30, 1997; annual performance plans for fiscal years 1999, 2000, and 2001; and an annual program performance report that will be submitted by March 31, 2000. The Department recognizes that successful implementation of the GPRA will be a valuable tool for working with Congress to shape USDA programs; for making policy decisions; and for improving its program management effectiveness. USDA agencies are also making progress in using GPRA requirements as a means to focus on desired results.

Although USDA has met all the statutory time frames, we recognize that there are impediments to future progress that must be overcome if USDA is to improve its performance and realize the full benefits of GPRA. These impediments include: (1) inadequate systems, which call into question the availability of accurate, credible, reliable, and timely performance data; (2) numerous crosscutting and organizational cultural issues that must be addressed carefully due to their complex nature, and the inherent difficulties in changing organizational cultures; (3) poor quality in many of our performance goals and indicators; (4) the difficulty in aligning performance goals to the budget structure; (5) numerous competing and sometimes conflicting programs; and (6) USDA's difficulty in managing and controlling outcomes in selected programs because of reliance on third parties --Federal, State, local, or tribal governments, or private sector partners-- to deliver key components of USDA programs and services.

Mr. Skeen: What does full implementation of GPRA mean?

Response: The Government Performance and Results Act is intended to (1) improve program performance, (2) help restore the American public's confidence in Government, and (3) emphasize formal planning and measurement of outcomes or results, especially quantitative measurement. To fully implement GPRA, USDA must (1) conduct oversight and provide expert guidance within the Department to ensure that plans and reports meet legislative requirements and reflect sound business practices; (2) compile and publish the Department's strategic plans, annual performance plans, and reports; and (3) ensure that plans, budget requests, and cost data are linked. First and foremost, we will use timely performance information for decision-making to proactively manage for results; we will know the degree of confidence our customers and stakeholders have in our ability to deliver quality programs and services; and, finally, we will be held accountable for achieving stated program results.

Implementation of USDA's corporate management approach is expected to help overcome many of these impediments to future progress. This approach demonstrates how the Department may address problem solving, a process that can be applied to GPRA.

INCREASE FOR COST ACCOUNTING REFORMS

Mr. Skeen: How much of the requested increase of $1.505 million will go towards directing cost accounting reforms?

Response: We will apply approximately $240,000 of the increase towards directing and implementing cost accounting at the Departmental level.

INCREASE FOR ACCOUNTABILITY REPORT

Mr. Skeen: How much of the requested increase of $1.505 million will go towards producing an accountability report?

Response: Approximately $130,000 of the increase will be used to develop a Department-wide accountability report.

Mr. Skeen: Why will the Office of the Chief Financial Officer have to divert resources from other high priority financial management initiatives to issue an accountability report?

Response: For a number of years, the Office of the Chief Financial Officer has been operating with declining resources despite a steady increase in workload. Limited available resources are devoted to high priority financial management activities that are statutorily required as well as necessary to ensure USDA programs are conducted in an effective and efficient manner. The unit that will have primary responsibility for accountability reporting also has responsibility for: 1) Department-wide implementation of performance management including development of strategic plans, annual performance plans, and annual program performance reports; 2) audit resolution and production of semiannual reports to the Congress; 3) oversight and reporting on material management control weaknesses and high risk areas; and 4) coordination of single audit compliance requirements and distribution of single audit reports.

Accountability reporting will require a major partnership and coordination effort among mission areas' program managers, Office of Inspector General, OCFO, and other staff office personnel as well as a re-engineering of current processes and data collection mechanisms. It will involve development of complimentary processes for thorough and timely completion within required timeframes. Current funding and staffing levels for OCFO only allow us to satisfy the requirements for existing legislatively mandated functions.

Mr. Skeen: Is the date for this report mandated in law? If so, please cite that law.

Response: The Government Management Reform Act --GMRA-- of 1994 directs improvement in financial management reporting within the Federal Government through streamlining, elimination or consolidation of duplicate or obsolete reporting requirements. There is currently no date for mandatory compliance, but Federal agencies have participated in the pilot program on a voluntary basis. USDA is the only civilian CFO Act agency that has not yet prepared an accountability report. The Office of Management and Budget's --OMB's-- statutory authority to conduct the Accountability Report Program ended December 31, 1999. A legislative proposal to extend that authority was granted through April 1, 2000. Additional legislation has been submitted and is pending to make the accountability report a permanent requirement. OMB plans to contact those agencies not yet producing the report to seek a firm commitment or an assessment of the likelihood of producing an accountability report for 2000.

Accountability reporting is an appropriate vehicle to streamline reporting within USDA and it is included as an objective in the USDA Financial Management Status Report and 5-Year Plan. When implemented, the accountability report must be issued by March 1 to coincide with the date required for issuance of audited financial statements. The financial statements are an integral part of an accountability report.

Mr. Skeen: What is an accountability report?

Response: GMRA granted OMB the authority to streamline and consolidate financial management reporting through elimination or consolidation of duplicate or obsolete reporting requirements. As a result, the Government-wide Chief Financial Officers Council made recommendations on how to provide more useful

information to decision makers by linking information required by several management statutes.

Accountability reports integrate the following reports into a single document: the Federal Managers' Financial Integrity Act Report; the Chief Financial Officers' Act Annual Report, including audited financial statements; GMRA; Management's Report on Final Action, as required by the Inspector General Act; the Debt Collection Improvement Act and Federal Civil Monetary Penalties Adjustment Act reports; and available information on agency performance compared with its stated goals and objectives as required by the Government Performance and Results Act.

In this single document, an agency is able to communicate to internal and external stakeholders: 1) what it is trying to do 2) why it is doing it; 3) is it getting the job done; 4) what it is costing the taxpayers; and 5) was it worth it. Agencies can demonstrate good management of the resources provided by the Congress by linking together budget, program and financial performance information, reporting major programmatic and managerial accomplishments, and interpreting and analyzing financial statement for lay readers as well as meeting other reporting requirements. At the same time, agencies can highlight problems and describe solutions to address the many management challenges facing federal agencies.

Mr. Skeen: Who are the internal stakeholders that this report is targeted towards? Who are the external stakeholders that this report is targeted towards?

Response: Internal stakeholders of the Accountability Report include: USDA mission-area and agency senior management for use as a tool for decision making and to communicate useful information about major program accomplishments and major management challenges; line management to enable them to see how their programs and activities support the overall mission and priorities of the Department; and, finally, the employees to see how what they do on a daily basis contributes to the results achieved by the Department.

External stakeholders include Congress; the taxpayers; OMB; other federal agency partners; state and local government partners; union partners; industry partners; interest groups; and the media. The report puts fiscal accountability and program results in a concise and user friendly format, much like a private corporation's annual report.

INCREASE FOR AUDIT MONITORING, TRACKING AND RESOLUTION

Mr. Skeen: How much of the requested increase of $1.505 million will go towards oversight, guidance, and coordination for audit monitoring, tracking and resolution?

Response: This is a key element towards developing our corporate strategy, so we can better ensure that individual agencies throughout the department are addressing management control and audit issues not only in a timely manner, but in a consistent manner. Approximately $75,000 of the amount identified for the corporate strategy would go towards providing better oversight, guidance and coordination for audit monitoring, tracking and resolution.

Mr. Skeen: Why was accounting support transferred to the chief financial officer from departmental administration in FY 2000?

Response: As part of Departmental Administration's reorganization, the Management Support Staff was abolished and the staff reassigned to the component staff offices to provide day-to-day administrative and financial management support. The accounting function for Departmental Administration, however, is broader than the activities of any one staff office. The function, accordingly, was transferred to the Office of the Chief Financial Officer--OCFO, which also provides budget services to Departmental Administration. With this change, the

Budget Division within OCFO is now responsible for both budget and accounting services to Departmental Administration.

TRANSFER OF ACCOUNTANTS FROM DEPARTMENTAL ADMINISTRATION

Mr. Skeen: Does the $177,000 now become part of the Chief Financial Officer's base funding level.

Response: Yes, the $177,000 does become part of the Chief Financial Officer's base funding level.

[The justifications of the budget request follow:]

2001 Congressional Explanatory Notes

OFFICE OF THE CHIEF FINANCIAL OFFICER

Purpose Statement

Under authority provided in Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201), the Secretary of Agriculture established the Office of the Chief Financial Officer (OCFO) in fiscal year 1995. The Chief Financial Officers Act of 1990 established a Chief Financial Officer to provide overall direction and leadership in the development of modern Federal financial management structures and systems.

The purpose of the OCFO is to:

> Shape an environment in which USDA officials have and use high quality financial and performance information to make and implement effective policy, management, stewardship and program decisions.

OCFO is responsible for:

- Financial management system policy and the provision of timely, accurate, and reliable information from financial systems.
- Development of financial statements, cost accounting policy and financial management budgets.
- Policy guidance and oversight of the Department's internal controls and management accountability programs and reporting to ensure adequate controls over Department assets.
- Oversight of the Departmental Working Capital Fund (WCF).
- Coordinating implementation of the Government Performance and Results Act (GPRA) in USDA, including strategic planning and performance planning.
- Providing policy guidance and oversight of the travel system, grants management, cash and credit management operations and other financial management functions.
- Budget support for Departmental Offices and the Office of the Secretary.
- Operation of the National Finance Center (NFC).

OCFO operations are led by the CFO, who is assisted by the Deputy CFO, and the Associate CFO. The Deputy CFO shares responsibility with the CFO for all OCFO policy and operations. The Associate CFO is responsible for management of operations, including oversight of the National Finance Center (NFC) in New Orleans. NFC employs approximately 1,700 staff in the operation of centralized, automated, and integrated financial, payroll, personnel, administrative payments, and central accounting systems which serve more than 40 Departments, independent agencies, and congressional entities, including USDA. Operations at NFC are financed entirely by fee-for-service contracts with customers through the USDA WCF. No direct appropriated funding for NFC is reflected in the OCFO operating budget.

The headquarters Office is located in Washington, D.C. As of September 30, 1999 there were 1,765 employees, of which 1,634 were full-time permanent employees and 131 other than full-time permanent employees. These employees were assigned as follows:

Location	Full-time Permanent	Other	Total
Washington, D.C.	76	2	78
Field Unit, New Orleans, LA	1,558	129	1,687
Total	1,634	131	1,765

Office of the Inspector General Reports

Audit reports released during fiscal year 1999:

#11-401-0004-FM 9/29/99 FY 98 National Finance Center Review of Internal Control Structure

#11-401-0005-FM 12/9/98 Agreed-Upon Procedures Retirement, Health, Life Insurance and Headcount

Information Submitted to OPM
#50-017-0003-FM 12/12/98 Review of Contract Compliance for FFIS
#50-401-0030-FM 2/1/99 Fiscal Year 1998 USDA Consolidated Financial Statements
#50-801-001-HQ 7/9/99 Review of the Department's Final Action Process
#50-801-0007-FM 9/29/99 Effective Implementation of FFIS will Reduce USDA's Many Financial Management Systems Problems

Audits in Process as of September 30, 1999:
#11-099-0012-FM 2/28/99 NFC Cost Allocation and Billing Process
#11-401-0006-FM 8/10/99 Retirement, Health Benefits & Life Insurance Withholdings Contributions and Supplemental Semiannual Headcount Request
#50-099-0019-FM 11/1/98 Review of Controls over Selected USDA Administrative Systems & Related Payments - Phase II
#50-099-023-FM 7/1/99 Audit of Purchase Card Management System/Administrative Payments
#50-099-0024-FM 8/3/99 Survey of Security Over USDA Information Technology Resources
#50-401-0035-FM 4/1/99 FY 99 USDA Consolidated Financial Statements
#50-401-0036-FM 5/1/99 FY 99 USDA Working Capital Fund Financial Statements

General Accounting Office Reports:
AIMD-99-195 Information Systems Access Controls over the Financial Information Systems Maintained by USDA's National Finance Center
AIMD-99-227 USDA Information Security: Weaknesses at National Finance Center Increase Risk of Fraud, Misuse, and Improper Disclosure
GGD/AIMD-99-215 Managing for Results: Opportunities for Continued Improvements in Agencies Performance Plans
RCED-99-187 Results Act: Observations on the U.S. Department of Agriculture's Fiscal Year 2000 Performance Plan

OFFICE OF THE CHIEF FINANCIAL OFFICER

Available Funds and Staff Years
1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation:	$4,321,000	48	$4,960,000	69	$6,465,000	69
Obligations Under Other USDA Appropriations:						
Management, Oversight, and Administrative Services (provided to WCF Activities)	1,658,381	15	1,919,814	18	2,042,236	18
Financial Development	93,645	1	210,000	1	210,000	1
Total, Other USDA Appropriations	1,752,026	16	2,129,814	19	2,252,236	19
Total, Agriculture Appropriations	6,073,026	64	7,089,814	88	8,717,236	88
Working Capital Fund:						
National Finance Center	118,342,000	1,113	127,373,000	1,135	140,460,000	1,124
Thrift Savings Plan	40,844,000	526	50,025,000	535	51,296,000	546
Purchase of Equipment	10,409,000	--	14,906,000	--	9,420,000	--
Total, Working Capital Fund	169,595,000	1,639	192,304,000	1,670	201,176,000	1,670
Total, Office of the Chief Financial Officer	175,668,026	1,703	199,393,814	1,758	209,893,236	1,758

OFFICE OF THE CHIEF FINANCIAL OFFICER

Permanent Positions by Grade and Staff Year Summary
1999 Actual and Estimated 2000 and 2001

	1999			2000			2001		
Grade	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Exec Level IV	1	0	1	1	0	1	1	0	1
ES-5	1	1	2	1	1	2	1	1	2
ES-4	0	0	0	0	1	1	0	1	1
ES-3	1	3	4	1	3	4	1	3	4
ES-2	0	1	1	0	1	1	0	1	1
ES-1	1	1	2	1	0	1	1	0	1
GS-15	12	15	27	12	7	19	12	7	19
GS-14	18	42	60	18	38	56	18	38	56
GS-13	36	152	188	50	134	184	50	134	184
GS-12	4	225	229	4	209	213	4	209	213
GS-11	2	170	172	2	176	178	2	176	178
GS-10	1	38	39	1	31	32	1	31	32
GS-9	2	51	53	2	101	103	2	101	103
GS-8	0	41	41	0	30	30	0	30	30
GS-7	4	321	325	4	302	306	4	302	306
GS-6	0	224	224	0	227	227	0	227	227
GS-5	0	182	182	0	185	185	0	185	185
GS-4	0	69	69	0	117	117	0	117	117
GS-3	0	42	42	0	47	47	0	47	47
GS-2	0	44	44	0	41	41	0	41	41
GS-1	0	1	1	0	0	0	0	0	0
Ungraded Positions.....	0	25	25	0	10	10	0	10	10
Total, Permanent Positions.....	83	1,648	1,731	97	1,661	1,758	97	1,661	1,758
Unfilled Positions end-of-year...	-7	-90	-97	--	--	--	--	--	--
Total, Permanent Full-Time Employment, end-of-year..	76	1,558	1,634	97	1,661	1,758	97	1,661	1,758
Staff Year Ceiling.....	64	1,639	1,703	88	1,670	1,758	88	1,670	1,758

OFFICE OF THE CHIEF FINANCIAL OFFICER

Classification by Objects
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$3,222,220	$3,795,000	$4,809,000
11 Total personnel compensation	3,222,220	3,795,000	4,809,000
12 Personnel benefits	581,598	883,000	1,198,000
Total personnel compensation & benefits.	3,803,818	4,678,000	6,007,000
Other Objects:			
21 Travel	11,977	11,000	11,000
22 Transportation of things	932	1,000	1,000
23.3 Communications, utilities, and misc. charges	143,624	109,000	138,000
24 Printing and reproduction	34,076	43,000	32,000
25.2 Other services	125,176	105,000	215,000
26 Supplies and materials	49,170	13,000	13,000
31 Equipment	129,004	0	48,000
Total other objects	493,959	282,000	458,000
Total direct obligations	4,297,777	4,960,000	6,465,000
Position Data:			
Average Salary, ES positions	$125,900	$125,900	$125,900
Average Salary, GS positions	$57,765	$58,256	$59,471
Average Grade, GS positions	12.75	12.80	12.95

OFFICE OF THE CHIEF FINANCIAL OFFICER

The estimates include appropriation language for this item as follows (new language underscored, deleted matter enclosed in brackets):

For necessary expenses of the Office of the Chief Financial Officer, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $10,000 is for employment under 5 U.S.C. 3109, [$4,783,000] $6,465,000.

OFFICE OF THE CHIEF FINANCIAL OFFICER

Appropriations Act, 2000		$4,783,000
Budget Estimate, 2001		6,465,000
Increase in Appropriation		+1,682,000
Adjustments in 2000:		
Appropriations Act, 2000	$4,783,000	
Transfer of Accounting Support from Departmental Administration a/	+177,000	
Adjusted Base for 2000		4,960,000
Budget Estimate, 2001		6,465,000
Increase over Adjusted 2000		+1,505,000

a/ Pursuant to authority given to the Secretary under the Reorganization Plan 2 of 1953, accounting support services are transferred to the Office of the Chief Financial Officer from Departmental Administration. The transfer of the accounting support will take place in fiscal year 2000.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	2000 Estimated	Program Changes	2001 Estimated
Office of the Chief Financial Officer	$4,960,000	+$1,505,000	$6,465,000

Project Statement
(On basis of adjusted appropriation)

	1999 Actual		2000 Estimated		Increase or	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
Chief Financial Officer	$4,297,777	48	$4,960,000	69	+$1,505,000	$6,465,000	69
Unobligated Balance	23,223	--	--	--	--	--	--
Total available or Estimate	4,321,000	48	4,960,000	69	+1,505,000(1)	6,465,000	69
Transfer from: DA	-38,000	--	-177,000	-2			
Total Appropriation	4,283,000	48	4,783,000	67			

Justification of Increases and Decreases

(1) An increase of $1,505,000 for the Office of the Chief Financial Officer ($4,960,000 available for fiscal year 2000):

An increase of $1,505,000 for USDA Financial Credibility and Accountability.

OCFO must direct the Department's compliance with all Congressional mandates, relevant laws and regulations regarding financial management. The Office of the Chief Financial Officer (OCFO) needs the increase to ensure that sound business practices are established, that valid and reliable data are available to support decision-making processes, and that financial expertise is available to all component agencies.

In FY 2000, OCFO received an increase of $500,000, which only absorbed pay costs associated with the current staffing structure. This action represented the first program increase for OCFO and/or its predecessor agency, Office of Finance and Management, since 1990. The Congress has issued a series of important mandates, including the Chief Financial Officer Act of 1990, the Government Performance and Results Act (GPRA), and the Debt Collection Improvement Act of 1996, for which OCFO is responsible for directing the Department's implementation. Furthermore, OCFO must ensure the Department's systems and policies comply with other rules and regulations established by the Federal Accounting Standards Advisory Board, the Joint Financial Management Improvement Program, and other regulatory entities.

The entire $1,505,000 increase supports Strategic Goal #1 and Strategic Goal #2 of the OCFO 2001 Annual Performance Plan. The additional resources will be used for these primary purposes.

- **Lead Corporate Systems Strategy.** OCFO must develop a corporate strategy for Departmentwide administrative/financial systems including accounting/budget execution and formulation functions, procurement, property, human resources, travel, and the associated telecommunications and security. Currently, program managers, policy officials, members of Congress, and other stakeholders need better and more timely information to support essential program and financial management decisions, as well as meet the requirements of GPRA. The added resources for this corporate systems strategy will help OCFO accomplish these specific objectives: (1) adequately implement Congressionally mandated debt collection provisions, (2) implement a financial information architecture that fully complies with Federal requirements, (3) maintain guidelines for cost distribution processes including guidelines for the establishment of fees, (4) ensure compliance with the Single Audit Act, non procurement debarment and suspension/drug-free workplace requirements, and (5) participate as a key player in Government-wide efforts to continually improve financial information requirements.

- **Implement Information Infrastructure.** Consistent with the corporate systems strategy, OCFO will work with four agencies to implement the Foundation Financial Information System (FFIS), the integrated administrative accounting system which now services half of the Department based on work force. The FFIS' Financial Data Warehouse (FDW), which is intended to provide corporate information and reporting and consolidated financial statements, is under

development with Phase I scheduled for implementation on October 1, 2000. The FDW will "warehouse" and merge the financial information from FFIS, program systems (e.g., loans) and administrative systems (e.g., procurement). It will employ current technology and "user-friendly" access. Without the timely and accurate financial information that this warehouse would provide, the Department cannot provide credible data necessary to support legislative proposals and other Departmental and Administration initiatives.

- **Resolve Credit and Debt Management Issues.** The Federal Government's quest for a clean audit opinion on the Government-wide Financial Statements is in jeopardy if the Department does not resolve its credit and debit management issues. OCFO has used existing resources to address the outstanding debt and credit management issues. In FY 1999, OCFO initiated a pilot with the Department's two major credit agencies to jointly address credit reform issues in partnership with OCFO, the Office of Inspector General, and the General Counsel. These added resources would support the coordination required by Strategic Goal #1 and the infrastructure development under Strategic Goal #2 as reflected in the 2000 and 2001 Annual Performance Plan.

- **Fully implement GPRA.** OCFO must (1) conduct oversight and provide expert guidance within the Department to ensure that the strategic planning function meets legislative requirements and reflects sound business practices; (2) compile and publish the Department's strategic plans and the annual performance plans and reports; and (3) ensure that plans, budget requests, and cost data are linked. The resources OCFO needs to manage financial and administrative systems reforms will be used to link program managers with the essential information they need to examine performance measures and cost data. The added resources would support the Strategic Goal #1, Strategic Objective #5 "Promote performance management and accountability throughout the Department."

- **Direct Cost Accounting Reforms.** OCFO leads the USDA Cost Accounting Task Force efforts to (1) identify agency programs and outputs to be costed, (2) define agency responsibility segments and cost centers, and (3) identify processes and methodologies to accumulate, measure, and assign direct and indirect costs to reporting periods and costs objects. OCFO will use the additional resources to ensure that the systems modernization efforts comply with these standards and produce the appropriate cost-accounting information that program officials need.

- **Produce An Accountability Report.** Without additional resources, OCFO would have to divert resources from other high priority financial management initiatives, including GPRA, new systems implementation, and/or audit resolution to issue an accountability report. This report would provide internal and external stakeholders with useful information on the Department's performance on program and financial management issues. The added resources will allow OCFO to accomplish Strategic Goal #2–Create an infrastructure to carry out financial management policies, including Strategic Objective #2 "Streamline and enhance information reporting at the Department level."

- **Provide oversight, guidance, and coordination for audit monitoring, tracking, and resolution.** OCFO is responsible for ensuring that the Office of Management and Budget's Compliance Supplement for each fiscal year contains current and accurate information for all USDA programs affected by the Single Audit Act. Sufficient resources are not currently available to ensure all

appropriate programs have been identified for inclusion in future Compliance Supplements, and to work with program managers to bring about the needed improvements. The added resources would support Strategic Goal #1 of the 2001 Annual Performance Plan, ensuring Federal funds are utilized for the purposes for which they are intended, and that instances of program abuse and/or fraud do not go undetected, but are addressed by Government managers in a timely fashion.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia..	$4,297,777	48	$4,960,000	69	$6,465,000	69
Unobligated balance.	23,223	--	--	--	--	--
Total, Available or Estimate.....	4,321,000	48	4,960,000	69	6,465,000	69

OFFICE OF THE CHIEF FINANCIAL OFFICER

STATUS OF PROGRAM

The Office of the Chief Financial Officer (OCFO) will shape an environment in which USDA officials have and use high quality financial and performance information to make and implement effective policy, management, stewardship and program decisions. The OCFO organization has Departmentwide leadership responsibility for financial operations, activities, systems, and personnel. The OCFO is the USDA's chief financial management policy officer and as such is the chief financial management advisor to the Secretary and his mission area heads.

Goal 1: Promote sound financial management through leadership, policy or oversight.

Current Activities:

Financial Management Systems. The Chief Financial Officer, along with senior-level staff from the Office of the Secretary and top USDA officials, made significant changes to the implementation of the Department's Financial Foundation Information System (FFIS). Under this new management structure, the Forest Service and the Food Safety and Inspection Service, which together represent 46 percent of USDA's workforce, implemented FFIS at the beginning of FY 2000. This success led to the Secretary's decision to accelerate the system's implementation in the current fiscal year to include four major agencies: Rural Development, the Farm Service Agency, the Natural Resources Conservation Service, and the Animal and Plant Health Inspection Service. These agencies will begin using FFIS in October 2000. The FFIS Financial Data Warehouse (FDW), which is intended to provide corporate information and reporting and consolidated financial statements, is under development with Phase 1 scheduled for implementation on October 1, 2000. The FDW will "warehouse" and merge the financial information from FFIS, program systems (e.g., loans) and administrative systems (e.g., procurement). It will employ current technology and "user-friendly" access. This warehouse will provide timely and accurate financial information to support better program management, legislative proposals and other Departmental and Administration initiatives.

Cost Accounting. OCFO continues to work with the USDA agencies to implement the Government's new cost accounting standards so that consistent, reliable, timely, and useful information on the full cost of goods and services can be provided to program managers and officials for informed decisionmaking. OCFO leads the USDA Cost Accounting Task Force efforts to (1) identify agency programs and outputs to be costed, (2) define agency responsibility segments and cost centers, and (3) identify processes and methodologies to accumulate, measure, and assign direct and indirect costs to reporting periods and costs objects. OCFO has issued a policy to identify the types of costs and specific cost elements that managers should consider when making decisions on how to improve asset management and operating efficiency, evaluate cost-effectiveness, and establish user charges for goods and services.

Audit Followup. As required by the Single Audit Act and the Inspector General Act Amendments of 1998, the OCFO is responsible for: codifying into regulations and interpreting revisions to OMB Circulars A-50, "Audit Follow-up," and A-133, "Audits of States, Local Governments, and Non-Profit Organizations," as well as researching and analyzing audits, making determinations on final actions, monitoring management's actions on audits, tracking individual audit recommendations, and reporting semiannual results to the Congress. The OCFO also services agencies by providing policy guidance and assistance with technical matters. Specific efforts are now focusing on:

- Increasing management's awareness of open audit issues that are not completed in a timely manner.

- Working with agency management and the Office of the Inspector General (OIG) to ensure that actions agreed to in management decisions are appropriate and achievable, will correct the identified deficiencies, are cost effective, and provide an action plan with milestones for completion.

- Continuing to streamline the semiannual reporting process to provide information that is more useful to management and to the Congress for decision making and resource allocation.

- Defining and implementing the added responsibilities of the revisions to the Single Audit Act and OMB Circular A-133.

Management Accountability and Control. The OCFO is responsible for management accountability and control under the CFO Act and the Federal Managers' Financial Integrity Act (FMFIA), for ensuring that USDA agencies comply with the requirements of FMFIA, and for determining and reporting on material weaknesses and financial system nonconformances to be included in the FMFIA annual report to the President and the Congress. OCFO is working with agencies to integrate FMFIA with the strategic planning, annual performance planning, and budgeting processes. Current efforts include:

- Increasing management's awareness of open material deficiencies and encouraging timely correction.

- Working with management and the OIG to verify the continued materiality of disclosed deficiencies.

Government Performance and Results Act (GPRA). The OCFO is responsible for coordinating the Departmentwide implementation of GPRA. GPRA establishes guidelines and time frames for developing outcome/results oriented strategic plans, annual performance plans, and reporting results throughout the Federal Government. The OCFO continues to work with mission area and agency representatives and the Office of Budget and Program Analysis in the following activities to implement GPRA requirements:

- Enhancing and refining agency performance goals and indicators to reflect the results of program operations with a customer orientation.

- Developing compliant annual performance plans for the Department that clearly demonstrate the linkages to the strategic plan.

- Developing and implementing reliable data systems to support performance measurement and reporting.

- Enhancing coordination efforts within USDA and with other Federal agencies to ensure that common goals and performance measures are developed for cross-cutting functions and programs are complementary, appropriate in scope, and not unnecessarily duplicative, and that common goals and performance measures are developed.

- Continuing consultations with the Congress as the Department further enhances and refines its strategic plan and performance measures.

- Developing strategies and methodologies to change the orientation for strategic planning from process to results.

Grants and Cooperative Agreements Management. The OCFO develops, coordinates, and oversees the implementation of Departmentwide Federal assistance administrative regulations and processes. For the past several years the primary effort has been focused on ensuring a reasonable level of uniformity in the administrative processes utilized by various Federal Departments. Special emphasis is being placed on gaining uniformity to decrease the burden recipients face when they have to respond to a wide variety of administrative methodologies.

Debt Management. The OCFO is responsible for coordinating and guiding USDA agencies in the credit management and debt collection program. As of September 30, 1999, USDA had $103.4 billion in gross accounts and loans receivable, down from $105.0 billion the previous year. Delinquencies were about $6.4 billion as of September 30, 1999, about the same as the previous year. OCFO's current efforts are focused on providing guidance and assisting USDA agencies in referring eligible debt to the Treasury offset program, referring eligible debt to Treasury's cross servicing program, and assuring that debtor' due process and Privacy Act rights are safeguarded.

Cash Management and Electronic Funds Transfer (EFT). The OCFO provides direction to USDA agencies in use of electronic collection and payment mechanisms for its customers. USDA continues to expand the use of EFT mechanisms such as Automated Clearing House, Fedwire, Plastic Card Collection Network, Government Purchase Card, and Travel Card. OCFO efforts have focused on providing direction to agencies in (1) switching from more expensive forms of EFT to less expensive forms, (2) expanding the use of EFT mechanisms in place of cash or checks, (3) reducing and eliminating imprest funds, and (4) implementing revised prompt pay regulations.

Budget and Fiscal Services. A wide variety of budget and fiscal services are provided to the Office of the Secretary, Executive Operations, the Office of Communications, the Office of the Chief Information Officer, and Departmental Administration offices. These services include: (1) the preparation of detailed tables, computer print materials, and supporting justification for the FY 2001 budget request to the Office of Management and Budget and the Congress; and (2) financial advice and assistance to policy and program officials relating to ongoing operating programs, including analysis of issues, monitoring of resource utilization, and development of alternatives and recommended courses of action. This service covers 20 appropriation accounts, and up to 20 subprograms, which encompass diverse functions or programs, each of which require technical service at a level equivalent to the operation of a separate appropriation.

Selected Examples of Recent Progress:

Financial Statements. USDA's consolidated financial statements for FY 1998 cover total program costs of approximately $65 billion and total assets of approximately $122 billion. USDA submitted its consolidated financial statements for FY 1998 to the Office of Management and Budget (OMB) by the March 1 deadline. The previous year's submission arrived at OMB five months past the deadline. USDA has six stand-alone audits. The Federal Crop Insurance Corporation, Food and Nutrition Service, and Rural Telephone Bank received unqualified opinions; the Rural Development (RD) mission area received a qualified opinion; and the Commodity Credit Corporation, Forest Service (FS), and USDA as a whole received disclaimers of opinion. FS and RD are making substantive progress to overcome deficiencies related to their implementation of new accounting standards. USDA's goal is to make substantive progress to obtain an unqualified audit opinion on all of these agencies' financial statements for FY 2001.

Debt Management. USDA collected $136.2 million in delinquent debt through Treasury's Administrative Offset Program and other debt collection tools during FY 1999. This figure represents a 45 percent increase over the $93.9 million collected in FY 1998 and a 90 percent increase over the $71.5 million collected in FY 1997. In addition, USDA continues to lower the amount of delinquent debt in its loan portfolio, dropping from $7.5 billion in delinquencies in FY 1997 to $6.4 billion in FY 1999--a reduction of almost 15 percent.

Management Accountability and Control. The FY 1998 Federal Manager's Financial Integrity Act (FMFIA) report, which was published during FY 1999, showed that 46 percent of action plans to correct material weaknesses reported under the FMFIA were proceeding as scheduled. OCFO staff worked with agency officials to develop and implement plans to address audit issues not being addressed in a timely manner. Also, OCFO began to address agencies' training needs in management controls by participating in training sessions for selected mission areas' headquarters and Statewide offices. As a result of these efforts, OCFO was able to make significant progress during FY 1999 in addressing material weaknesses reported under the FMFIA. The number of material weaknesses dropped from 39 to 35 and the percent of material deficiencies with timely corrective action increased by 30 percent.

Audit Follow-up. During FY 1999, OCFO developed and implemented an automated audit tracking system to produce better management information and work management statistics. The implementation of the new system will streamline the semi-annual reporting process by reducing reconciliation time by at least 50 percent.

Working with agencies and the Office of the Inspector General, OCFO reduced the number of old audit issues that remain open. Of the 92 audits that were closed between April 1, 1999 and September 30, 1999, 89 percent were included in the inventory balance carried over the last reporting period. OCFO now requires agencies to submit time-phased implementation plans for all audits reported in a prior Secretary's Management Report, so that the timeliness and effectiveness of agencies' corrective actions can be evaluated.

Government Performance and Results Act. OCFO worked closely with USDA agencies and staff offices to coordinate GPRA implementation including (1) development of guidance for annual performance plans (APP) and the first annual program performance report, (2) reviewing and providing comments on draft plans and reports to ensure consistency with issued guidance, (3) providing input for the Department's overview to the APP, (4) posting the revised FY 1999 and final FY 2000 APP to the OCFO homepage and responding to internal and external requests for information on the strategic plan and APP, (5) meeting with external groups including representatives from the Ukraine and Canada, as well as other Federal agencies to discuss USDA planning and reporting efforts, (6) participating in numerous USDA and Federal interagency forums related to GPRA and performance management which included planning and presentation of numerous government-wide training sessions, (7) developing a matrix of USDA financial management goals for FY 2000 to easily communicate information to component agencies (the matrix depicted explicit requirements for agency performance plans in order to link financial management activities in component agencies to departmental goals), (8) initiating consultation process with Congressional committees on USDA strategic planning, annual performance planning, and annual performance reporting efforts.

Grants Management Rules. OCFO and the Food and Nutrition Service are proposing regulatory amendments that will provide administrative consistency for both entitlement and non-entitlement programs. These amendments will also offer a level of regulatory simplification to entitlement program recipients who currently must comply with older, less flexible rules.

Cash Management and Electronic Funds Transfer. For FY 1999, about 72 percent of USDA's payments were by EFT, up from 57 percent the previous year. USDA collects about $21 billion annually. For FY 1999, about 94 percent of USDA's collections were received through improved cash management mechanisms, up from 89 percent the previous year. As of September 30, 1999, USDA had 428 imprest funds remaining with a dollar value of $916,000, down from 683 imprest funds and $1.4 million the previous year.

Travel Management. OCFO worked closely with USDA agencies, the General Services Administration (GSA) and Bank of America to coordinate implementation of the new charge card vendor contract including (1) selection of the travel charge card contractor, (2) transfer of files from the previous contractor, (3) issuance of over 60,000 individual and 90 centrally billed charge cards, (4) participating in numerous meetings with GSA contracting officials, and (5) conducting user group transition meetings to forestall significant problems and to provide a forum for discussion of implementation issues.

Goal 2: Create an infrastructure to carry out financial management policies.

Current Activities:

Corporate Financial and Administrative Systems. The Secretary has directed OCFO to develop a corporate strategy for administrative/financial systems that affect the entire Department, including accounting/budget execution and formulation functions, procurement, property, human resources, travel, and the associated telecommunications and security. These financial management systems require OCFO to review all current business practices in the affected agencies to ensure that these systems will produce accurate, timely and reliable data. Currently, program managers, policy officials, members of Congress, and other stakeholders do not consistently have reliable and timely information needed to support essential program and financial management decisions, as well as develop, monitor, and report on performance plans and their goals and objectives, as required by GPRA.

Selected Examples of Recent Progress:

Central Billing of Transportation Accounts. Reconciliation and payment of centrally-billed transportation accounts have been a matter for concern for a number of years. Through the joint endeavors of the OCFO and American Express, we were able to reconcile and close out accounts when American Express lost the contract for these services. OCFO is working with the new contractor, Bank of America, to develop a bank-driven reconciliation program.

Administrative Systems. Considerable progress was made in working with users in enhancing the administrative systems. Most notable was the completion of the development and the implementation of the Purchase Card Management System which provided automated tools to greatly simplify the use of the government credit card. The team working on the project received the Vice President's Hammer Award. Other enhancements included significant progress in upgrading the payroll/personnel system and developing additional systems to automate the work of personnel offices.

Goal 3: Operate a financial center that produces timely and reliable information, and provide oversight of the operation of financial and related systems to ensure production of auditable data and information.

Current Activities:

Operating Systems. USDA maintains and operates 70 financial management systems with a total of 144 applications. These systems service USDA agencies that have an estimated program level of approximately $80 billion for FY 1999 and assets of approximately $122 billion. In addition, the systems at OCFO's National Finance Center (NFC) are used to cross-service 43 Federal departments and agencies. For instance, NFC currently processes the payroll every 2 weeks for approximately 430,000 employees and supports the Federal Retirement Thrift Savings Plan with more than 2 million accounts.

Selected Examples of Recent Progress:

NFC added three new payroll clients during FY 1999: the Peace Corps, the Federal Elections Commission, and the country-based employees from USDA's Farm Service Agency. NFC has added 21,400 individuals to its payroll services in the last two years.

WORKING CAPITAL FUND

Purpose Statement

The USDA Working Capital Fund (WCF) was established in FY 1944 (7 U.S.C. 2235). The mission of the WCF is to provide an effective financing mechanism to support those services the Secretary, with the approval of the Director of the Office of Management and Budget, determines may be performed more advantageously as central services and to make unnecessary the maintenance of separate like services in the agencies of the Department. The WCF is used to finance services provided to USDA and non-USDA agencies on a centralized basis. The costs of providing services to all WCF clients are recovered on the basis of the level of service each client receives. Services to non-USDA agencies reduce the share of fixed costs for WCF-supported services as the number of agencies sharing those costs expands. Centrally managed operations provide efficient, economical services through economies of scale, extensive management attention, and high-level, regular fund reviews. Users benefit from cost avoidances for administrative and support services.

The Office of the Chief Financial Officer (OCFO) performs duties of the WCF Controller, including monitoring and supervising fund management activities. Activities financed under the WCF are managed in five organizations, as follows:

1. OCFO manages 2 WCF activities:

   (A) National Finance Center (NFC): provides financial and administrative management services to USDA agencies and more than 30 non-USDA entities. Services provided by NFC fall into three broad categories: USDA Services, External Support (services to non-USDA/non-Thrift Savings Plan agencies), and Thrift Savings Plan (TSP) Support.

   (B) Foundation Financial Information System (FFIS) Project Management Office: administers development, implementation, and data warehousing aspects of the FFIS development effort. The objective of this initiative is to implement improved financial and accounting processes at USDA; to replace the current accounting system at the NFC (thereby ensuring compliance with the Standard General Ledger, a prerequisite for achieving unqualified opinions of Departmental financial statements); and to develop a Financial Data Warehouse that will merge financial information from FFIS, program systems, and administrative systems. Funds and staffing resources for this initiative are included in the estimates provided for the NFC.

   Additionally, OCFO administers reimbursable agreements with "process owners" of modernization initiatives funded by the WCF. Collectively, they are reflected under the item "Modernization" in the Finance and Management category in the Summary of Increases and Decreases, and Project Statements accompanying these notes. These initiatives are an outgrowth of the Modernization of Administrative Processes (MAP) project (closed as an organizational entity in October 1997), are as follows:

   - Departmental Administration:

     - Procurement Modernization (which includes both the Procurement Modernization Team (PMT) effort and the Purchase Card Management System (PCMS) initiative). Efforts in PMT are geared toward streamlining and improving procurement processes and systems, and developing and implementing an integrated acquisition "toolkit." PCMS focuses on improvements in purchase card processes and development, implementation, and operation of a purchase card system.
     - Time and Attendance Pilot project. This project evaluates time and attendance processes and software solutions to make those processes as useful and efficient as possible (no FY 2001 WCF funding is provided for this activity).

- Office of the Chief Information Officer:

  - Telecommunications Online Billing and Inventory (TOBI) project. TOBI combines a revised administrative process with an automated management information system to address problems in current administrative processes, procedures, and automated information systems used for ordering, billing, and inventory. There are no funds included with the FY 2001 WCF operating estimates so as to allow the OCIO time to evaluate project results to date and reformulate a strategy for achieving the project's objectives.

2. The Office of Communications manages 2 WCF activities:

   (A) Video and Teleconferencing Center (V/T): provides video production services to USDA agencies, and studio and production facilities for teleconferences in which USDA agencies participate.

   (B) Design Center: provides USDA agencies with exhibit design and visitor center support services.

3. Departmental Administration (DA) manages 9 activity centers in three broad categories:

   (A) Landover Service Center:

   - Central Supply Stores: operates a self-service supply facility in the USDA South Building (Washington, DC) and a bulk warehouse in Landover, Maryland. Both facilities stock common office supplies.
   - Consolidated Forms and Publications Distribution Center: provides forms warehousing, distribution, and transportation services for Departmental, agency, and standard forms.
   - Central Excess Property Operation: provides Departmental agencies with excess and surplus property disposition services in addition to furniture rehabilitation services.

   (B) Mail and Reproduction Management:

   - Central Mail Unit: furnishes USDA agencies in the D.C. Buildings Complex with door-to-door mail pick up and delivery services.
   - Departmental Mailing List Service: furnishes USDA agencies with update and maintenance services for Departmental mailing lists, and high-volume headquarters local printing services for National Finance Center reports.
   - Reproduction Services: provides short-order and special order duplicating services, and walk-up/self-service and high volume copying services (this item includes what was identified in previous years as Duplicating Unit and Copier Service).

   (C) Miscellaneous Central Services:

   - Central Shipping and Receiving: administers receipt and shipment of parcels in the D.C. Buildings Complex and the Beltsville Office Facility (George Washington Carver Center).
   - Central Imprest Fund: provides cash disbursement services for small purchases and travel (this activity is being phased out in FY 2000)
   - Agriculture Contract Automation System: maintains and upgrades a software system to provide agencies with standard contract language support services.

3. The Office of the Chief Information Officer (OCIO) completed a reorganization in 1998 resulting in a reconfiguration of WCF activities. OCIO manages information technology services under 7 activity centers in two organizations (old names, where applicable, are noted in parentheses):

(A) National Information Technology Center:

- Mainframe: provides mainframe computing services, ADP training, and other ADP services to USDA agencies and non-USDA entities
- Applications Services: supports systems and software development services to USDA agencies and non-USDA users.

(B) Telecommunications Services and Operations:

- Telecommunications Business Services (formerly included in Network Management Services): responsible for Department-wide telecommunications management support services; provides an integrated information system for inventory management, FTS2000 and FTS2001 billing, reporting, and validation; supports Telecommunications Network Stabilization and Migration Program (TNSMP) forecasting and Telecommunications Accounting and Operations Services (TAOS); manages the Internet Access Network; provides optimal Wide Area Network solutions for security and operations, and telecommunications research and development, test and evaluation.
- Network Engineering (formerly included in Network Management Services): responsible for engineering and streamlining the Department-wide telecommunications network environment through the identification and facilitation of the implementation of shared opportunities. Ensures agency telecommunications network solutions are compliant with Departmental program goals and objectives.
- Computer Services Unit: plans, acquires, implements, and manages information technology (IT) resources for the Office of Secretary and Office of the Chief Information Officer. Ensures compliance with information resources management standards and polices. Provides economies and efficiencies in the use of IT through elimination of duplication and sharing of resources.
- Telecommunications Customer Services (formerly Telephone Services Operation): Maintains and administers the USDA telecommunications equipment and services inventory in the D.C. Buildings Complex, publishes the USDA telephone directory, provides automated telephone directory employee locator services, manages the Departmental voice mail system service.
- Network Services (formerly Local Area Network): provides technical and operations assistance on data networking telecommunications systems, and design, installation, operation, and management of value-added, common shared services provided on Departmental Headquarters networks and platforms. Participates on the design, engineering, provisioning, and operations management of the Enterprise Network. Responsible for the USDA Telecommunications Security program.

5. The Office of the Executive Secretariat analyzes, manages, and tracks mail in fulfilling its responsibilities to control executive correspondence, ensures the timely and accurate response to inquiries made to the Department, provides information to Department officials in a timely manner and establishes Department-wide procedures and policies for handling executive records and documents.

Management of the WCF through the Office of the Chief Financial Officer is accomplished in Washington, D.C. Of the 25 entities identified above that to be financed through the WCF (21 activity centers, 4 modernization initiatives) in FY 2001, 17 are operated in Washington, D.C. (13 activities and 4 modernization initiatives), 3 are operated in Landover, Maryland; 3 are operated in Fort Collins, Colorado, and 1each in Kansas City, Missouri, and New Orleans, Louisiana. The current personnel estimate for FY 2000 for the WCF is 2,089 FTEs. Of the total FTEs, 1,831are located in field offices (including Landover, Maryland), and 258 are located in Washington, D.C.

OIG Reports

Audit No. 50401-36-FM, U.S. Department of Agriculture Working Capital Fund Financial Statements for Fiscal Year 1999 (expected date for completion of audit: February 1, 2000)

Audit No. 11099-12-FM, National Finance Center Cost Allocation and Billing Process (schedule for completion to be determined by the Office of the Inspector General)

WORKING CAPITAL FUND

Available Funds and Staff Years
1999 Actual and Estimated 2000 and 2001

Item	1999 Actual		2000 Estimated		2001 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Working Capital Fund						
Recurring Oper. (USDA)						
Administration	$19,392,000	151	$19,434,000	158	$19,653,000	158
Communications	4,284,000	27	4,470,000	28	4,654,000	28
Fin. & Mgt.	78,060,000	680	85,043,000	688	96,695,000	671
Info. Technology	48,647,000	184	49,966,000	181	52,055,000	181
Exec. Secretariat	1,358,000	17	1,468,000	18	1,542,000	18
Intrafund Adj. a/	-3,957,000	0	-5,378,000	0	-5,534,000	0
Subtot. (Rec Op)	147,784,000	1,059	155,003,000	1,073	169,065,000	1,056
Purch of Equip.	22,081,000	0	25,178,000	0	17,634,000	0
Subtotal (USDA)	169,865,000	1,059	180,181,000	1,073	186,699,000	1,056
Recurring Oper. (Non-USDA)						
Administration	3,048,000	16	3,078,000	16	3,156,000	16
Communications	186,000	0	179,000	0	155,000	0
Fin. & Mgt.	43,542,000	433	45,236,000	447	47,673,000	453
Info. Technology	12,881,000	18	11,831,000	18	11,001,000	18
Exec. Secretariat	0	0	0	0	0	0
Intrafund Adj.	0	0	0	0	0	0
Subtot. (Rec Op) (Non-USDA)	59,657,000	467	60,324,000	481	61,985,000	487
Recurring Oper. (Non-Federal)						
Thrift Svgs Plan	40,844,000	526	50,025,000	535	51,296,000	546
Total, WCF	270,366,000	2,052	290,530,000	2,089	299,980,000	2,089

a/ Represents costs for information technology support provided by NITC/Mainframe and Network Engineering to the FFIS project. These costs are already reflected in the NFC budget. Without the adjustment, they would be "double-counted" in the total WCF estimate.

WORKING CAPITAL FUND
Permanent Positions by Grade and Staff Year Summary
1999 Actual and Estimated 2000 and 2001

Grade	1999			2000			2001		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES-5	0	1	1	0	0	0	0	0	0
ES-4	0	0	0	0	1	1	0	1	1
ES-3	0	3	3	0	3	3	0	3	3
ES-2	0	1	1	0	1	1	0	1	1
ES-1	1	2	3	1	1	2	1	1	2
GS-15	7	20	27	6	14	20	5	14	19
GS-14	13	59	72	23	62	85	21	62	83
GS-13	15	208	223	19	187	206	22	187	209
GS-12	14	325	339	22	282	304	19	284	303
GS-11	11	188	199	8	188	196	9	188	197
GS-10	2	38	40	1	31	32	0	31	31
GS-9	11	48	59	13	109	122	13	110	123
GS-8	1	50	51	3	44	47	1	44	45
GS-7	9	325	334	16	315	331	15	315	330
GS-6	15	226	241	15	229	244	18	229	247
GS-5	10	187	197	6	188	194	6	188	194
GS-4	46	69	115	49	117	166	49	117	166
GS-3	4	32	36	2	47	49	2	47	49
GS-2	4	31	35	0	41	41	0	41	41
GS-1	1	1	2	1	0	1	1	0	1
Other Gr.Pos.	0	0	0	0	0	0	0	0	0
Ungr.Pos.	23	45	68	23	21	44	23	21	44
Total Perm.Pos.	187	1,859	2,046	208	1,881	2,089	205	1,884	2,089
Unf. Pos. eoy	-8	-73	-81	0	0	0	0	0	0
Total, Perm. Full-Time Emp. End-of-year	179	1,786	1,965	208	1,881	2,089	205	1,884	2,089
Staff Yr. Ceiling	179	1,873	2,052	208	1,881	2,089	205	1,884	2,089

WORKING CAPITAL FUND

CLASSIFICATION BY OBJECTS
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$10,302,000	$13,928,000	$13,862,000
Field	82,549,000	93,019,000	98,989,000
11 Total personnel compensation	92,851,000	106,947,000	112,851,000
12 Personnel benefits	17,356,000	19,994,000	20,838,000
13 Benefits for former personnel	4,000	39,000	39,000
Total personnel comp. & benefits	110,211,000	126,980,000	133,728,000
Other Objects:			
21 Travel	1,872,000	1,906,000	1,888,000
22 Transportation of things	766,000	873,000	894,000
23.1 Rental payments to GSA	4,909,000	5,196,000	5,373,000
23.2 Rental payments to others	1,814,000	2,062,000	2,109,000
23.3 Communications, utilities, and misc. charges	26,337,000	21,119,000	22,154,000
24 Printing and reproduction	1,524,000	1,631,000	1,859,000
25.2 Other services	43,184,000	55,229,000	61,288,000
25.3 Purchases of goods and services from Government Accounts	11,119,000	10,938,000	11,135,000
25.4 Operation and maintenance of facilities	562,000	663,000	681,000
25.7 Operation and maintenance of equipment	35,432,000	30,787,000	33,368,000
26 Supplies and materials	7,373,000	5,607,000	5,607,000
31 Equipment	25,263,000	27,537,000	19,894,000
43 Interest	0	2,000	2,000
Total other objects	160,155,000	163,550,000	166,252,000
Total direct obligations	270,366,000	290,530,000	299,980,000
Position Data:			
Average Salary, ES positions	$109,000	$114,000	$118,000
Average Salary, GS positions	$36,000	$37,000	$39,000
Average Grade, GS positions	8.8	9.0	9.1

WORKING CAPITAL FUND

Recurring Operations	
Current Estimate, 2000	$265,352,000
Budget Estimate, 2001	282,346,000
Increase in Estimate	+16,994,000
Capital Acquisitions	
Current Estimate, 2000	$25,178,000
Budget Estimate, 2001	17,634,000
Decrease in Estimate	-7,544,000
Total, Working Capital Fund	
Current Estimate, 2000	$290,530,000
Budget Estimate, 2001	299,980,000
Increase in Estimate	+9,450,000

WORKING CAPITAL FUND

SUMMARY OF INCREASES AND DECREASES

(Program Activity)

Item of Change	2000 Estimated	Pay Costs	Program Changes	2001 Estimated
1. Administration:	$22,512,000	+$213,000	+$84,000 (1)	$22,809,000
CS-Stores	2,622,000	+20,000	+30,000	2,672,000
CFPDC	4,529,000	+24,000	+122,000	4,675,000
CEPO	2,123,000	+25,000	+36,000	2,184,000
Cent. Ship./Rec.	789,000	+3,000	+16,000	808,000
Imprest Fund	92,000	0	-92,000	0
AGCAS	203,000	+1,000	+12,000	216,000
Cent. Mail	4,780,000	+92,000	-12,000	4,860,000
Repro. Svcs.	7,103,000	+44,000	-50,000	7,097,000
DMLS	271,000	+4,000	+22,000	297,000
2. Communications:	4,649,000	+54,000	+106,000 (2)	4,809,000
Video & Tele.	2,521,000	+33,000	+46,000	2,600,000
Design Ctr.	2,128,000	+21,000	+60,000	2,209,000
3. Finance & Mgt.:	180,304,000	+2,480,000	+12,880,000 (3)	195,664,000
NFC/USDA	82,137,000	+1,029,000	+9,621,000	92,787,000
NFC/Ext. Supp.	45,236,000	+655,000	+1,782,000	47,673,000
NFC/TSP Supp.	50,025,000	+796,000	+475,000	51,296,000
Modernization	2,906,000	0	+1,002,000	3,908,000
4. Info. Technology:	61,797,000	+538,000	+721,000 (4)	63,056,000
NITC/MF	41,566,000	+235,000	+2,596,000	44,397,000
NITC/App. Svc.	6,713,000	+109,000	-616,000	6,206,000
Tele. Bus. Svcs.	3,825,000	+85,000	+58,000	3,968,000
Network Engin.	1,699,000	+85,000	-88,000	1,696,000
Comp. Svc. Unit	1,369,000	0	-1,369,000	0
Tel. Cust. Svcs.	1,928,000	+15,000	+30,000	1,973,000
Network Svcs.	4,697,000	+9,000	+110,000	4,816,000
5. Exec. Secr.	1,468,000	+33,000	+41,000 (5)	1,542,000
Intrafund Adj./a	-5,378,000	0	-156,000	-5,534,000
Total Rec. Oper.	265,352,000	+3,318,000	+13,676,000	282,346,000
Capital Equip.	25,178,000	0	-7,544,000 (6)	17,634,000
Total	290,530,000	+3,318,000	+6,132,000	299,980,000

a/ Represents costs for information technology support provided by NITC/Mainframe and Network Engineering to the FFIS project. These costs are already reflected in the NFC budget. Without the adjustment, they would be "double-counted" in the total WCF estimate.

PROJECT STATEMENT
(Program Activity)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Admin.:	$22,440,000	167	$22,512,000	174	+$297,000 (1)	$22,809,000	174
CS-Stores	2,911,000	10	2,622,000	10	+50,000	2,672,000	11
CFPDC	4,468,000	26	4,529,000	27	+146,000	4,675,000	27
CEPO	2,711,000	11	2,123,000	11	+61,000	2,184,000	11
Cent. Ship./Rec.	478,000	1	789,000	2	+19,000	808,000	2
Imprest Fund	218,000	2	92,000	2	-92,000	0	0
AGCAS	242,000	2	203,000	1	+13,000	216,000	1
Cent. Mail	4,524,000	78	4,780,000	81	+80,000	4,860,000	82
Repro. Svcs.	6,767,000	36	7,103,000	37	-6,000	7,097,000	37
DMLS	121,000	1	271,000	3	+26,000	297,000	3
2. Comm:	4,470,000	27	4,649,000	28	+160,000 (2)	4,809,000	28
Video & Tele.	2,291,000	16	2,521,000	16	+79,000	2,600,000	16
Design Ctr.	2,179,000	11	2,128,000	12	+81,000	2,209,000	12
3. Fin. & Mgt.:	162,446,000	1,639	180,304,000	1,670	+15,360,000(3)	195,664,000	1,670
NFC/USDA	75,800,000	680	82,137,000	688	+10,650,000	92,787,000	671
NFC/Ext. Supp.	43,542,000	433	45,236,000	447	+2,437,000	47,673,000	453
NFC/TSP Supp.	40,844,000	526	50,025,000	535	+1,271,000	51,296,000	546
Modernization	2,260,000	0	2,906,000	0	1,002,000	3,908,000	0
4. Info. Tech.:	61,528,000	202	61,797,000	199	+1,259,000 (4)	63,056,000	199
NITC/MF	43,153,000	118	41,566,000	114	+2,831,000	44,397,000	116
NITC/App. Svc.	6,054,000	42	6,713,000	44	-507,000	6,206,000	44
Tele. Bus. Svcs.	4,973,000	27	3,825,000	16	+143,000	3,968,000	16
Network Engin.	0	0	1,699,000	9	-3,000	1,696,000	9
Comp. Svc. Unit	1,459,000	6	1,369,000	6	-1,369,000	0	0
Tel. Cust. Svcs.	1,920,000	5	1,928,000	3	+45,000	1,973,000	6
Network Svcs.	3,969,000	4	4,697,000	7	+119,000	4,816,000	8
5. Exec. Secr.:	1,358,000	17	1,468,000	18	+74,000 (5)	1,542,000	18
Intrafund Adj.	-3,957,000	0	-5,378,000	0	-156,000	-5,534,000	0
Total Rec. Oper.	248,285,000	2,052	265,352,000	2,089	+16,994,000	282,346,000	2,089
Capital Equip.	22,081,000	0	25,178,000	0	-7,544,000 (6)	17,634,000	0
Tot. Avail. or Est.	270,366,000	2,052	290,530,000	2,089	+9,450,000	299,980,000	2,089

PROJECT STATEMENT
(USDA Activity)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Admin.:	$19,392,000	151	$19,434,000	158	+$219,000 (1)	$19,653,000	158
CS-Stores	2,911,000	10	2,622,000	10	+50,0000	2,672,000	11
CFPDC	2,323,000	14	2,259,000	15	+83,000	2,342,000	15
CEPO	1,858,000	7	1,362,000	7	+47,000	1,409,000	7
Cent. Ship./Rec.	478,000	1	789,000	2	+19,000	808,000	2
Imprest Fund	218,000	2	92,000	2	-92,000	0	0
AGCAS	242,000	2	203,000	1	+13,000	216,000	1
Cent. Mail	4,524,000	78	4,780,000	81	+80,000	4,860,000	82
Repro. Svcs.	6,717,000	36	7,056,000	37	-7,000	7,049,000	37
DMLS	121,000	1	271,000	3	+26,000	297,000	3
2. Comm:	4,284,000	27	4,470,000	28	+184,000 (2)	4,654,000	28
Video & Tele.	2,105,000	16	2,342,000	16	+103,000	2,445,000	16
Design Ctr.	2,179,000	11	2,128,000	12	+81,000	2,209,000	12
3. Fin. & Mgt.:	78,060,000	680	85,043,000	688	+11,652,000 (3)	96,695,000	671
NFC/USDA	75,800,000	680	82,137,000	688	+10,650,000	92,787,000	671
NFC/Ext. Supp.	0	0	0	0	0	0	0
NFC/TSP Supp.	0	0	0	0	0	0	0
Modernization	2,260,000	0	2,906,000	0	+1,002,000	3,908,000	0
4. Info. Tech.:	48,647,000	184	49,966,000	181	+2,089,000 (4)	52,055,000	181
NITC/MF	32,294,000	109	32,221,000	105	+3,440,000	35,661,000	107
NITC/App. Svc.	4,032,000	33	4,227,000	35	-286,000	3,941,000	35
Tele. Bus. Svcs.	4,973,000	27	3,825,000	16	+143,000	3,968,000	16
Network Engin.	0	0	1,699,000	9	-3,000	1,696,000	9
Comp. Svc. Unit	1,459,000	6	1,369,000	6	-1,369,000	0	0
Tel. Cust. Svcs.	1,920,000	5	1,928,000	3	+45,000	1,973,000	6
Network Svcs.	3,969,000	4	4,697,000	7	+119,000	4,816,000	8
5. Exec. Secr.:	1,358,000	17	1,468,000	18	+74,000 (5)	1,542,000	18
Intrafund Adj.	-3,957,000	0	-5,378,000	0	-156,000	-5,534,000	0
Total Rec. Oper.	147,784,000	1,059	155,003,000	1,073	+14,062,000	169,065,000	1,056
Capital Equip.	22,081,000	0	25,178,000	0	-7,544,000 (6)	17,634,000	0
Tot. Avail. or Est.	169,865,000	1,059	180,181,000	1,073	+6,518,000	186,699,000	1,056

PROJECT STATEMENT
(Non-USDA Activity)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Admin.:	$3,048,000	16	$3,078,000	16	+$78,000	$3,156,000	16
CS-Stores	0	0	0	0	0	0	0
CFPDC	2,145,000	12	2,270,000	12	+63,000	2,333,000	12
CEPO	853,000	4	761,000	4	+14,000	775,000	4
Cent. Ship./Rec.	0	0	0	0	0	0	0
Imprest Fund	0	0	0	0	0	0	0
AGCAS	0	0	0	0	0	0	0
Cent. Mail	0	0	0	0	0	0	0
Repro. Svcs.	50,000	0	47,000	0	+1,000	48,000	0
DMLS	0	0	0	0	0	0	0
2. Comm:	186,000	0	179,000	0	-24,000	155,000	0
Video & Tele.	186,000	0	179,000	0	-24,000	155,000	0
Design Ctr.	0	0	0	0	0	0	0
3. Fin. & Mgt.:	84,386,000	959	95,261,000	982	+3,708,000	98,969,000	999
NFC/USDA	0	0	0	0	0	0	0
NFC/Ext. Supp.	43,542,000	433	45,236,000	447	+2,437,000	47,673,000	453
NFC/TSP Supp.	40,844,000	526	50,025,000	535	+1,271,000	51,296,000	546
Modernization	0	0	0	0	0	0	0
4. Info. Tech.:	12,881,000	18	11,831,000	18	-830,000	11,001,000	18
NITC/MF	10,859,000	9	9,345,000	9	-609,000	8,736,000	9
NITC/App. Svc.	2,022,000	9	2,486,000	9	-221,000	2,265,000	9
Tele. Bus. Svcs.	0	0	0	0	0	0	0
Network Engin.	0	0	0	0	0	0	0
Comp. Svc. Unit	0	0	0	0	0	0	0
Tel. Cust. Svcs.	0	0	0	0	0	0	0
Network Svcs.	0	0	0	0	0	0	0
5. Exec. Secr.:	0	0	0	0	0	0	0
Intrafund Adj.	0	0	0	0	0	0	0
Total Rec. Oper.	100,501,000	993	110,349,000	1,016	+2,932,000	113,281,000	1,033
Capital Equip.	0	0	0	0	0	0	0
Tot. Avail. or Est.	100,501,000	993	110,349,000	1,016	+2,932,000	113,281,000	1,033

JUSTIFICATION OF INCREASES AND DECREASES

The following table provides a summary of the Increase and Decrease for the Working Capital Fund (WCF) operating estimate and capital investments between the FY 2000 and FY 2001 estimates.

	Operating	Capital	Total
FY 2000 Expenditures	$265,352,000	$25,178,000	$290,530,000
Changes due to:			
National Finance Center			
Accounting Implementations	+5,629,000	-6,000,000	-371,000
Accounting Operations	+3,017,000	0	+3,017,000
USDA Administrative Systems	+2,192,000	+514,000	+2,706,000
Thrift Savings Plan Support	+1,271,000	0	+1,271,000
Other Non-USDA Support	+2,249,000	0	+2,249,000
Subtotal, National Finance Center	+14,358,000	-5,486,000	+8,872,000
Modernization	+1,002,000	0	+1,002,000
All Other WCF (net)	+1,634,000	-2,058,000	-424,000
FY 2001 Expenditures	$282,346,000	$17,634,000	$299,980,000

The changes in total expenditure levels from FY 2000 to FY 2001 for Accounting Implementation and Operations reflect the Department's investment in improving the financial and administrative systems that the National Finance Center operates for USDA Agencies.

Of special note is the line item "Accounting Implementations." Total expenditures in this area (operating plus capital expenditures) will reflect a slight reduction from FY 2000 to FY 2001, as follows:

Accounting Implementations:	FY 2000	FY 2001	Change
Operating Expenditures	$19,531,000	$25,160,000	+$5,629,000
Capital Investments	6,000,000	0	-6,000,000
Total Expenditures	$25,531,000	$25,160,000	-$371,000

This is due to the manner in which certain expenditures are treated for accounting purposes in FY 2000. Of the total FY 2000 expenditure estimate, $6,000,000 is being capitalized, meaning that these expenditures will be recovered over the life of the accounting system being implemented by the Department. No such capital expenditures are included in the FY 2001 budget (no costs in FY 2001 would qualify for capitalization under criteria employed by the WCF).

With regard to other operating expenditures, approximately $3.5 million of the total increase in operating expenditures is associated with specific administrative systems and services provided by the National Finance Center to non-USDA clients ($2.2 million for non-USDA customer support and $1.3 million for Thrift Savings Plan support). Specific activity-by-activity changes are provided as follows:

(1) A net increase of $297,000 for recurring operations of Administration consisting of:

Central Supply Stores	+$50,000
Consolidated Forms and Publications Distribution Center	+$146,000
Central Excess Property Operation	+61,000
Central Shipping and Receiving	+19,000
Central Imprest Fund	-92,000
Agriculture Contract Automation System	+13,000
Central Mail	+80,000
Reproduction Services	-6,000
Departmental Mailing List Service	+26,000
Total	+$297,000

(a) An increase of $213,000 for pay costs.

This increase is needed to retain personnel needed to meet the expected level of program operations.

(b) A increase of $84,000 for program delivery.

Program increases are expected in Consolidated Forms and Publications Distribution Center, due to higher supply and transportation-related costs and space rental costs.

(2) A net increase of $160,000 for recurring operations of Communications, consisting of:

Video and Teleconferencing	+$79,000
Design Center	+81,000
Total	+$160,000

(a) An increase of $54,000 for pay cost.

This increase is needed to retain personnel needed to meet the expected level of program operations.

(b) An increase of $106,000 for program delivery.

Estimated increases for program delivery are expected to be lower than prevailing inflation. Since demand for service is expected to be consistent with the FY 2000 level for both activities, a portion of the cost increase associated with expected inflation will be absorbed. For both activities, demand is heavily dependent on agencies' demand for video, teleconferencing, and visual design services and could vary significantly.

(3) A net increase of $15,360,000 for recurring operations of Finance and Management consisting of:

National Finance Center/USDA Services	+$10,650,000
National Finance Center/External Support	+2,437,000
National Finance Center/Thrift Savings Plan Support	+1,271,000
Modernization	+1,002,000
Total	+$15,360,000

(a) An increase of $2,480,000 for pay cost.

This increase is needed to retain personnel needed to meet the expected level of program operations.

(b) An increase of $12,880,000 for program delivery.

Most of the cost increase in FY 2001 is associated with service to USDA agencies and is due to an increase in the estimate for implementations and data warehousing services for the Foundation Financial Information System (FFIS) project. The FY 2000 base from which this change is made does not include $6.0 million in funds that will be obligated as capital funds, to be used for investments for which costs will be recovered over the life of the assets acquired. There are no capital funds allocated to the FFIS project in FY 2001. Therefore, the difference reflects the appropriate accounting treatment for each year's expenditures rather than an increase in funding requirements. For an illustration of this breakdown of operating and capital expenditures, please refer to the table on page 3-21, "Accounting Implementations."

Most of the remaining FY 2001increase reflects an increase in costs for accounting services (approximately $3.0 million). Cost increase for other basic services provided to USDA and non-USDA agencies are due to expected inflation and expected demand for service. Cost increases for Thrift Savings Plan support reflect higher transaction volumes among the accounts managed. Costs for this item are administered via a reimbursable agreement between USDA and the Thrift Investment Board.

Modernization activities are identified under this section to reflect the mechanics of modernization program initiatives. While the initiatives are managed by "process-owners" in Department-level offices, the activities are governed by reimbursable agreements between those process-owners and the WCF. Since the WCF is administered under the Office of the Chief Financial Officer, the funds are identified in this section. In FY 2001, two activities will be funded:

- Procurement Modernization Team (PMT)
- Purchase Card Management System (PCMS)

PMT and PCMS are administered by Departmental Administration as process owner for these systems. The efforts are geared to achieving such goals as: improving procurement processes, pursuing development and implementation of an integrated acquisition "toolkit," and improvement of the purchase card system. Cost increases in FY 2001 are the result of the PMT effort, primarily in contract support as the effort moves forward from examining alternatives and testing systems toward a "build-or-buy" decision. A third activity – Time and Attendance – was funded in FY 2000, but it is assumed that this activity will expire as a WCF activity in FY 2001 with support reverting to Departmental Administration.

(4) A net increase of $1,259,000 for recurring operations of Information Technology consisting of:

NITC/Mainframe	+$2,831,000
NITC/Applications Services	-507,000
Telecommunications Business Services	+143,000
Network Engineering	-3,000
Computer Services Unit	-1,369,000
Telephone Customer Service Center	+45,000
Network Services	+119,000
Total	+$1,259,000

(a) An increase of $538,000 for pay cost.

This increase is needed to retain personnel needed to meet the expected level of program operations.

(b) An increase of $721,000 for program delivery.

Estimated program increases in NITC/Mainframe reflect estimates of substantial increases in workload (approximately 13 percent in basic processing services). Increases in Telecommunications Business Services, Telecommunications Customer Services Center, and Network Services are primarily inflationary. Offsetting decreases in NITC/Applications are the result of lower contract cost estimates. However, costs for this activity are incurred under terms of reimbursable agreements with each serviced agency. To the extent higher contract costs would be incurred to deliver service, those costs would be recovered under terms of those agreements. Decreases in Network Engineering are the result of a slight reduction in fund-wide administrative costs allocated to this center. The reduction in Computer Services Unit reflects a change in funding for this activity. Beginning in FY 2001, costs for services provided by this activity will be recovered under individual reimbursable agreements for agency-specific services, as a program reimbursement for other services, and through existing appropriated funds in the Office of the Chief Information Officer for services provided to the Office of the Secretary.

(5) A net increase of $74,000 for recurring operations of Executive Secretariat.

(a) An increase of $33,000 for pay cost.

This increase is needed to retain personnel needed to meet the expected level of program operations.

(b) An increase of $41,000 for program delivery.

The increase in this area is due to expected non-pay inflation and provides adequate support for servicing estimated workload levels that will approximate those of FY 2000.

(6) An expenditure of $17,634,000 for capital acquisitions in FY 2001 ($25,178,000 allocated in FY 2000):

(a) Expenditures for capital acquisitions are as follows:

Administration:	2000	2001
Consolidated Forms and Publ. Distr. Center ...	135,000	0
Central Mail Unit	15,000	50,000
Reproduction Services	220,000	75,000
Departmental Mailing List	0	59,000
Total	$370,000	$184,000
Communications:		
Video and Teleconferencing Services	$255,000	$255,000
Total	$255,000	$255,000
Finance and Management:		
National Finance Center	$14,906,000	$9,420,000
Total	$14,906,000	$9,420,000
Information Technology:		
NITC/Mainframe	$7,592,000	$6,125,000
NITC/Applications Services	245,000	225,000
Telecommunications Business Services	575,000	300,000
Computer Services Unit	40,000	0
Network Services	1,195,000	1,125,000
Total	$9,647,000	$7,775,000

Capital acquisitions reflect the most economical purchases of equipment and other capital investments in FY 2001. Capital is allocated among activity centers up to the limit of availability based on their respective equipment and capital needs. Such allocations are not based on any prior year allocation that might have been made to activities. Requests for capital must be justified to and reviewed by the WCF Executive Committee and WCF Controller before final allocations are made. In evaluating capital requests, the primary principle governing allocations is that where it is advantageous for the Government to purchase rather than lease assets (based on total costs over the life of the asset), capital acquisition resources are allocated. Where it is less advantageous to do so, equipment and other assets are leased (lease costs are reflected in operating costs for activity centers). In all cases, acquisitions (purchase or lease) are made in response to anticipated demand for service with an eye toward minimizing unit costs of service. Further, acquisitions will be made in a manner consistent with requirements set forth by the Office of the Chief Information Officer for information technology investments. Also, changes in accounting rules governing capitalization of "internally-developed software" (either in-house or under contract) beginning in FY 2001 may require changes in this allocation of funds.

Working Capital Fund
Geographic Breakdown of Funding and Staff-Years
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Colorado	$12,291,000	69	$11,358,000	60	$10,699,000	60
District of Columbia	38,884,000	223	50,926,000	261	49,304,000	258
Louisiana	157,188,000	1,595	169,679,000	1,606	179,924,000	1,606
Maryland	10,164,000	47	9,409,000	48	9,531,000	49
Missouri	51,839,000	118	49,158,000	114	50,522,000	116
Total, Available or Estimate	270,366,000	2,052	290,530,000	2,089	299,980,000	2,089

WORKING CAPITAL FUND

STATUS OF PROGRAM

Current activities, progress, and current programs are outlined below. Activities funded under the Working Capital Fund (WCF) are not included in the Strategic or Annual Performance Plans for the Office of the Chief Financial Officer, with the exception of the National Finance Center. Where appropriate, discussion of goals regarding WCF activities would be contained among strategic and performance plans of the respective organizations administering those activities:

ADMINISTRATION

Current Activities. Activities under this heading are managed under the Assistant Secretary for Administration and include the following (all activities in Washington, DC, unless otherwise noted):

Activity Centers:

Landover Service Center (Landover, MD):
- Central Supply Stores (self-service store operations managed in Washington, DC)
- Consolidated Forms and Publications Distribution Center
- Central Excess Property Operation

Central Shipping and Receiving (services both Washington, D.C. and Beltsville Office Facility (George Washington Carver Center) offices)
Central Imprest Fund (to be closed in FY 2000)
Agriculture Contract Automation System
Central Mail Unit
Reproduction Services (includes the Duplicating Unit and Copier Service)
Departmental Mailing List Service

Modernization Initiatives:

Procurement Modernization Team
Purchase Card Management System
Time and Attendance Pilot

Activity centers under this heading provide cost-effective property, mail and reproduction, and other administrative services to USDA agencies and a variety of non-USDA customers. Since services are demand-based (i.e., customers have discretion to make use of the services provided), the primary goals are sustaining high quality in service delivery and minimizing unit costs for services delivered.

Modernization initiatives are aimed at improving procurement systems and processes, acquisition and payment methods, and time and attendance reporting and accounting processes. These initiatives are managed as reimbursable agreements between the respective process owners of the initiatives and the WCF. Three modernization initiatives are managed by Departmental Administration:

- Procurement Modernization Team, whose aim is to implement a redesigned acquisition process in USDA, complimented by the development and deployment of a comprehensive USDA acquisition toolkit.
- Purchase Card Management System, responsible for bringing on line purchase card applications.
- Time and Attendance Reporting, which is focused on the development and implementation of a more effective and efficient time and attendance reporting system.

WORKING CAPITAL FUND COST DISTRIBUTION SUMMARY: FY 1998 - 2001
(Rounded to Thousands)

Agency	FY 1998 Actual	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate
Office of the Secretary	595,000	560,000	626,000	681,000
AMS	5,081,000	5,189,000	5,808,000	6,323,000
ARS	6,809,000	6,683,000	7,859,000	8,556,000
RD	17,257,000	18,413,000	19,019,000	20,705,000
RMA	4,043,000	2,699,000	1,080,000	1,176,000
FAS	2,596,000	2,687,000	2,709,000	2,949,000
FS	46,070,000	51,063,000	48,692,000	53,010,000
OC	728,000	663,000	869,000	946,000
OGC	522,000	557,000	630,000	686,000
NRCS	11,791,000	12,098,000	13,232,000	14,405,000
ERS	483,000	540,000	591,000	643,000
NASS	1,460,000	1,962,000	2,198,000	2,393,000
CSREES	2,793,000	2,193,000	2,416,000	2,630,000
OIG	882,000	1,089,000	1,165,000	1,268,000
FNS	3,287,000	3,863,000	4,135,000	4,502,000
APHIS	6,505,000	6,911,000	7,394,000	8,049,000
GIPSA	1,049,000	1,004,000	1,111,000	1,209,000
FSIS	7,764,000	7,947,000	9,049,000	9,851,000
OCE	164,000	214,000	225,000	245,000
OBPA	168,000	156,000	199,000	217,000
OCFO	407,000	3,586,000	6,091,000	6,631,000
AARC	67,000	39,000	0	0
DA	3,222,000	3,209,000	3,513,000	3,824,000
OES	48,000	64,000	52,000	57,000
FSA	12,702,000	15,115,000	18,634,000	20,286,000
OCIO	1,935,000	3,221,000	2,515,000	2,738,000
NAD	356,000	547,000	569,000	619,000
NSIIC	7,000	0	0	0
Total/USDA Basic Services	138,791,000	152,272,000	160,381,000	174,599,000
Non-USDA/Non-TSP	61,228,000	62,062,000	60,324,000	61,985,000
Thrift Savings Plan	35,659,000	40,844,000	50,025,000	51,296,000
Total Working Capital Fund/1	235,678,000	255,178,000	270,730,000	287,880,000

1/ Does not correct for "intrafund adjustments;" this amount reflects total amounts billed or estimated to be billed.

Selected Examples of Recent Progress.

1. Landover Service Center (Central Supply Stores/Consolidated Forms and Publications Distribution Center/Central Excess Property Operation):

   - Central Supply Stores (CSS):

     - Began using the GSA On-Line Advantage system for stock replenishment to reduce the delivery time and lower the on-hand inventory.
     - Placed the stock catalog and ordering procedures on the Internet.

   - Consolidated Forms and Publications Distribution Center (CFPDC):

     - Began working with its customers to identify strategies to reduce their on-hand inventory. Each agency's inventory is being reviewed to identify old stock that should be disposed of in order to reduce stock levels. Reducing inventory will allow agencies to avoid storage costs.
     - Continued progress in its Print-on-Demand program, meeting with industry representatives to explore more efficient and effective ways of printing by using duplication and reproduction equipment.

2. Mail and Reproduction Management (Mail Services/Duplicating Unit/Copier Service/Departmental Mailing List):

   - Reproduction Services:

     - Copier Service expanded to four new locations, plus the New George Washington Carver Center. Agricultural Research Service joined the central service by turning over more than 15 copiers to the central system.
     - Taking advantage of volume discounts from a copier vendor, Copier Service will provide services to USDA at a savings of approximately $200,000 in production costs per year.
     - Duplicating Unit participated with CFPDC in negotiations with vendors to annotate forms-on-demand. This will be rolled out in FY 2000, saving more than 40,000 square feet of storage space and saving agencies $100,000.

   - Central Mail Unit:

     - Central Mail Unit automated 70 percent of incoming mail. A single database of mail users that has increased the accuracy of sorting mail has been created.
     - All outgoing letter mail was pre-sorted, saving $90,000 in postage. The sorting of 9x12 envelopes was tested and could provide additional savings.
     - Central Mail Unit provided service to five new leased locations and the new George Washington Carver Center. This represents more than one thousand new customers.

3. Modernization/Procurement:

   - USDA Purchase Card and Fleet Card Program Changes. On November 30, 1998, USDA began using Bank of America for its purchase and fleet card services, with over 19,000 purchase cards and 42,000 fleet cards successfully issued to USDA personnel. During FY 1999, these credit cards and related convenience checks allowed USDA to quickly and efficiently complete over 1.9 million purchase transactions for fuel, goods, and services totaling more than $400 million. Cardholders reconciled their purchase transactions using USDA's Purchase Card Management System (PCMS), an easy to use on-line system that eliminates paper statements, maximizes rebates from the bank, and provides improved management oversight. USDA upgraded PCMS software and hardware during the year to provide improved card set-up and maintenance functions and faster performance in mission support.

- Integrated Acquisition System. During Fiscal Year 1999, the Procurement Modernization Team continued a structured Commercial Off-the-Shelf (COTS) software research effort targeted toward implementation of a new suite of procurement tools throughout USDA. Activities included: the completion of a build-versus-buy acquisition software review; briefings of the analysis findings to the Departmental officers and organizations; negotiation and signature of an Interagency Agreement and Memorandum of Agreement with the Department of Interior (DOI) to procure two 25 user database licenses and support services for the DOI's COTS acquisition software IDEAS-Procurement Desktop; installation of the IDEAS-PD software at the Acquisition Modernization Laboratory in Fort Collins, Colorado; and, the initiation of a pre-pilot software assessment tasked with testing and justifying the DOI software for potential pilot deployment within USDA during Fiscal Year 2000.

COMMUNICATIONS

Current Activities. Activities under this heading are managed by the Office of Communications and include the following (all activities in Washington, DC):

- Video and Teleconferencing Center
- Design Center

Centrally managed teleconferencing services and applications of current video production technologies afford users promising cost efficiencies. These strategies allow users to avoid higher costs of travel while maintaining contact between agency headquarters offices and field offices, agricultural program clients, and the general public. The Video and Teleconferencing Center has been the recipient of numerous awards over the past several years for videos produced by that unit, evidence of the quality of service provided in video production.

Taking advantage of changing technology in desktop publishing, computer-aided graphics, and similar processes, as well as web applications, greatly enhances visual design services in support of conferences, seminars, hearings, public meetings, and interagency programs.

Selected Examples of Recent Progress.

1. Video and Teleconferencing Division (V/T):

- Video Teleconference and Radio (VTR) Center won two Golden Eagle Awards from the Council on International Non-theatrical Events (CINE), and four Telly Awards in a competition with 11,000 entries. The Telly Awards showcase and recognize outstanding TV commercials, public service announcements as well as non-network TV programming. From 11,000 entries, only 100 awards were given. The VTR Center earned a Telly for each of its four entries, which were videos done for the Natural Resources Conservation Service, Risk Management Agency, Animal and Plant Health Inspection Service, and for the Cooperative State Research Education and Extension Service.

- Almost 6,000 audio conferences on a variety of agricultural, nutritional and rural development related topics were produced. This is an increase of more than 80 percent above the FY 1998 level and more than twice the volume staff produced in past years despite a reduction in operators from four to two. Economies generated from increasing service volumes has kept rates for audio conferences steady while helping USDA agencies communicate with field staffs about ongoing and emerging issues.

- Live audio and video streaming through the Internet from USDA's Home Page brought desktop coverage of such topics as food nutrition and safety, farmer hearings and discussion by the Small Farms Commission. This coverage was stored for later use after the event was completed. The VTR Center's pioneering efforts in this field have drawn interest from government clients from both outside and inside USDA.

- Satellite telecasting capabilities permitted live broadcasts such as: an Earth Day broadcast from the National Mall, a nationwide distance learning session on food safety, a government-wide broadcast for Office of Personnel Management on dependent elder care, and a national ceremony honoring George Washington Carver. Through international phone lines, the VTR Center linked sites in Pretoria, Johannesburg and Cape Town with officials in Washington, D.C. via two-way video to support U.S. trade talks and negotiations with South Africa.

- Implementation of automated applications provided the VTR Center with the capability to enhance USDA videos with 3D characters, logos and animation. The benefit to agencies in implementing such technologies is in both cost and time, since the VTR Center can control each project's content and workflow, allowing files to be shared for print, video and the Internet.

2. Design Center:

- Visitor Center support activities included the production of education and signage, design and fabrication of exhibits.

- Headquarters and field support services included support for:

  - USDA Patio events, including: Forest Service's Sidney R. Yates Federal Building Dedication, Harvest for the Hungry, Millennium Symposium, and Earth Day events.
  - Design work and contract compliance review on behalf of Forest Service visitor center projects and U.S. Army Corps of Engineers
  - National Arboretum signage program support, as well as completion of art and specifications for fabrication of informational signs along the Kaibab Scenic Byway in Arizona.
  - Completion of a full-color Child Care Recipes Kit for the Food and Nutrition Service and completion of visual materials (graphic, poster, booklet, other handouts) for the Children's Food Guide Pyramid project
  - Web site support to Board of Contract Appeals and a USDA Children's web site.

- Responding to increasing need for portable exhibits, the Design Center moved to a digital standard to ensure timely and effective response to customer needs. Digital output for panel graphics is now the standard for 95 percent of all exhibits. Design Center expects to continue development in this area by establishing and implementing graphic standards for portable exhibits to complement the Department's visual image program.

FINANCE AND MANAGEMENT

Current Activities: Activities under this heading are managed by the Office of the Chief Financial Officer (OCFO). Activities under this heading include the following (all activities in Washington, DC, unless otherwise noted):

- National Finance Center (New Orleans, LA), including the Foundation Financial Information System (FFIS) Project Management Office (project management headquartered in Washington, D.C.)

The National Finance Center (NFC) continues to play a central role in the reengineering and operation of financial management and administrative systems in USDA, consistent with the goals and objectives of both the USDA 5-Year Financial Management Plan and the Chief Financial Officer's Strategic Plan. NFC administers and operates over 20 financial and administrative service systems in support of all USDA agencies and over 30 non-USDA customers. These systems include such services as: payroll/personnel, central accounting, billing and collections, travel, and others. Systems development, implementation, and maintenance activities are performed in the context of ongoing customer requirements, while other developmental efforts are also underway at the NFC as important elements of the Department's broader efforts to modernize financial and administrative systems.

Developmental and implementation efforts for an integrated financial information system are performed under the administration of the FFIS Project Management Office, a project team established to manage the development and roll-out of this critical initiative. The objective of the FFIS project is development, implementation, and operation of an integrated financial information system in USDA that satisfies agency internal financial management needs, Departmental fiduciary responsibilities, and the reporting requirements of the Office of Management and Budget and the Department of the Treasury, as well as supports unqualified audit opinions on financial statements.

NFC also provides record keeping and loan operations support services on behalf of the Federal Employees Retirement System/Thrift Savings Plan. In FY 2001, NFC will provide services in support of almost 2.3 million accounts.

Selected Examples of Recent Progress:

1. National Finance Center (NFC):

- Payroll/Personnel System (PAYPERS) Implementations:

  - Peace Corps and the three pilot states of the Farm Service Agency County Office employees were implemented into PAYPERS in Pay Period 12. Peace Corps has approximately 890 employees. NFC paid the pilot FSA state employees as follows: 338 in Alabama, 524 in Georgia, and 307 in Tennessee.

  - Farm Service Agency (FSA). 16,333 FSA county employees were paid successfully through PAYPERS in Pay Period 21, ending October 23, 1999. In addition, 112,679 documents were entered. The implementation was successful with the help of a command center at the National Finance Center (NFC) staffed by three FSA headquarters personnel and NFC personnel responding to calls. More than 1,650 calls were answered during the 2-week period. Also assisting the implementation were employees at FSA headquarters, Kansas City, and FSA state and county offices.

  - Federal Election Commission (FEC). 346 FEC employees were paid successfully through PAYPERS in Pay Period 21. FEC is connected to NFC via the TimeStep Gateway. The FEC implementation went smoothly, with all employees being paid timely and accurately.

- NFC Employee Personal Page was among sixteen federal Web sites recognized in *Government Executive* magazine's annual "Best Feds on the Web" competition. NFC was selected from a pool of 120 nominees submitted by federal webmasters, site customers, and other interested parties. The judges' decisions were based on three criteria: customer service, business practices, and new technologies. *Government Executive* noted that the NFC site "provides employee personal Web pages for the more than 40 agencies that receive personnel services from the Agriculture Department's National Finance Center. The judges couldn't imagine a more useful tool. Employees can find out their earnings immediately after the payroll process is completed, figure out how much annual leave they have left, gather information about insurance and travel vouchers, and check the data on their W2 forms."

- Quality assurance testing for the Entry, Processing, Inquiry, and Correction (EPIC) and Personnel Office Desktop Solutions (PODS), version 1.5, was completed in FY 1999. The upgraded versions of EPIC and PODS will be automatically linked, streamlining the personnel request process and allowing the personnel office to: process a personnel action request (SF-52) in PODS, select the EPIC option from within PODS, and have the appropriate data fields populated in the EPIC System. This version also provides for the processing of data within the Position Management System (PMSO) via the linkage between PODS and PMSO, and automatically updates PMSO on a daily basis. The implementation of this version of PODS and EPIC will reduce processing cost for the agencies by eliminating the need for duplicate entry of data in the various systems.

- In celebration of National Payroll Week 1999, the NFC was recognized by the American Payroll Association

and the Department of the Treasury for its leadership in implementing the Series I Savings Bond into the payroll deduction process. In conjunction with the first anniversary of the inflation-indexed Series I Bond, NFC was acknowledged as having made a significant contribution to the success of this innovative savings opportunity.

- In FY 1999, NFC acquired and installed two IBM RS/6000 S70A computer systems. These systems were initially utilized to alleviate the system overload condition related to PCMS. The latest releases of IBM and Oracle software were installed on the S70A technology to provide the best possible service to the PCMS users. Following the completion of the PCMS migration, other applications running on the old technology will be migrated to the new S70A computer systems. PCMS began utilizing the new technology in early September 1999.

- NFC implemented changes and enhancements to the Vendor Express System in an effort to streamline processes and support requirements of the Debt Collection Improvement Act of 1996 (DCIA) process. System changes and processes included the following:

  - A web site to facilitate electronic funds transfer (EFT) enrollment for salary and vendor payments was established. The vendors module of the EFT enrollment web site enables vendors to download an enrollment package from the Internet and mail the package to NFC for processing.

  - Directives, bulletins, enrollment package, pre-notification letters, and follow-up letters were updated to incorporate information relative to DCIA processing procedures.

2. Foundation Financial Information System (FFIS, funding included under NFC). OCFO has made considerable progress towards implementing FFIS. The following summarizes recent actions taken by OCFO:

   - Agency Implementation:

     - FFIS was implemented in the Risk Management Agency on October 1, 1998.
     - Comprehensive FFIS implementation activities for the remainder of the Forest Service and the Food Safety and Inspection Service were resumed to support a successful October 1, 1999 implementation.
     - Implementation activities for the Agricultural Research Service and the Animal and Plant Health Inspection Service were initiated in January 1999.

   - Data Warehousing:

     - The FFIS Project Management Office (PMO) partnered with the Office of the Chief Information Officer (OCIO) to analyze, design, and develop the necessary secure telecommunications infrastructure for FFIS and the USDA Financial Data Warehouse at the National Finance Center (NFC) and the National Information Technology Center (NITC).
     - FFIS PMO collaborated with OCIO to address USDA Financial Data Warehouse technical issues by migrating to a new computer platform at NITC.
     - FFIS PMO examined and recommended a new USDA Financial Data Warehouse concept that will support the preparation of the USDA Consolidated Financial Statements and meet the requirements of the Office of Management Budget Circular A-127 (Financial Management Systems). The USDA Financial Data Warehouse concept will provide the capability to integrate budget, performance, financial, and program information in support of the USDA Consolidated Financial Statements.
     - FFIS PMO completed FFIS and FFIS Data Warehouse Year 2000 (Y2K) testing and certification on December 21, 1998.

- Other Initiatives:

  - Implemented FFIS external reports functionality, thus eliminating an interface to the Departmentwide Financial Information System (DFIS), which is not compliant with Joint Financial Management Improvement Program's requirements.
  - Identified and implemented improvements to internal controls and overall systems security through implementation of the FFIS application security, security risk assessments, security plans and disaster recovery and contingency plans. These actions will ensure FFIS and Financial Data Warehouse compliance with OMB Circular A-130 (Management of Federal Information Resources) requirements.

INFORMATION TECHNOLOGY

Current Activities: Activities under this heading are managed by the Office of the Chief Information Officer (OCIO), and include the following under the current OCIO organizational structure (all activities in Washington, DC, unless otherwise noted):

Activity Centers:

National Information Technology Center (NITC):
- Mainframe (Kansas City, MO)
- Applications Services (Fort Collins, CO)

Telecommunications Services and Operations:
- Business Services (Fort Collins, CO)
- Network Engineering (Fort Collins, CO)
- Computer Services Unit
- Telecommunications Customer Service Center (formerly known as Telephone Service Operations)
- Network Services (formerly known as Local Area Network)

Modernization Initiatives:

Telecommunications Online Billing and Inventory (TOBI)

The National Information Technology Center (NITC) continues to provide users with a comprehensive range of automated data processing operations, consultation, training, and applications design services. Mainframe computing operations services are minimizing unit costs of operation and are expected to continue to do so. Applications Services continues to be characterized by high demand for applications design support. Under the Telecommunications Services and Operations office in OCIO, Business Services (formerly included in Network Management Services) provides a wide variety of Department-wide telecommunications management support services, and provides an integrated information system for inventory management, FTS2000 and FTS2001 billing, reporting, and validation. Network Engineering (formerly included in Network Management Services) is responsible for engineering and streamlining the Department-wide telecommunications network environment and ensuring that agency telecommunications network solutions are compliant with Departmental program goals and objectives. The Computer Services Unit plans, acquires, implements, and manages information technology (IT) resources for the Office of Secretary and Office of Chief Information Officer. The Telecommunications Customer Services Center (formerly Telephone Services Operation) maintains and administers the USDA telecommunications equipment and services inventory in the D.C. Buildings Complex, provides USDA locator and automated telephone directory employee locator services, and administers the Departmental voice mail system service. Network Services (formerly Local Area Network) provides technical and operations assistance on data networking telecommunications systems; design, installation, operation, and management of shared services provided on Departmental Headquarters networks and platforms; participates in the design, engineering, provisioning, and operations management of the Enterprise Network, and is responsible for the USDA

Telecommunications Security program. Modernization initiatives in the information technology area are aimed at improving billing and inventory processes and data to satisfy program managers' needs for information. Modernization initiatives are managed as reimbursable agreements between the respective process owners of the initiatives and the WCF. OCIO anticipates no activity in the billing and inventory modernization effort FY 2001 at this time (the effort that has been financed by the WCF), pending an evaluation of work done to date and an assessment of strategies for further development.

Selected Examples of Recent Progress:

1. National Information Technology Center (NITC)

Mainframe:

- The Center's continued success in providing cost effective and reliable IT services, is evident in the achievement of an overall system availability record of 99.906 percent for FY1999, exceeding the 99.5 percent acceptable level goal.

- The Center welcomed more than a dozen new client server systems on the floor as well as new mainframe business. These include the Office of the Chief Financial Officer's Financial Foundation Information System data warehouse; Service Center Agencies' Combined Administration Management Systems; Farm Service Agency's Cotton Management System; and the National Wildfire Coordination Group's Dispatch Messaging System (DMS), a critical component of the National Interagency Resource Ordering and Status System (ROSS).

- Year 2000 compliance activities included:

  - Achievement of a Year 2000-compliant operating system as of March 1999
  - Continued customer testing of applications on "time machine"
  - Established Business Continuity Plan - identified as one of the best in USDA
  - Opportunities for interaction with customers on their Y2K needs

Applications Services:

- Support of customer applications included:

  - Improvement and expansion of the National Plants Web interface, providing the Forest Service with the functionality of being able to download data in a customized format for a single or multiple states.
  - Development, deployment, and continued maintenance of the Timber Information Manager (TIM) system for the Forest Service. This Oracle-based system will replace the existing Timber Management Information System in FY2000. TIM will provide functionality at all levels of forest management – district, forest, regional, and national.

2. Telecommunications Services and Operations

Network Engineering:

- Successfully implemented a "Best Practices" project management methodology for all services provided to customers. In FY1999 the following customer projects were planned and completed on schedule, based on this methodology:

Projects	Customer
Quarterly Router Inventory Report	OCIO

USDA Router Software Y2K Compliance IV&V	OCIO
Telecommunication Ordering, Billing & Inventory Application Network Analysis	OCIO
Combined Administrative Management Service Wide Area Network Analysis	NRCS
Asynchronous Access Analysis	NRCS
Performance & Results Measurement System Network Application Analysis	NRCS
Engineering Services Support for the Foundation Financial Information System	OCFO

Computer Services Unit (CSU):

- CSU implemented new technologies and management tools to increase the availability of the networks. These activities have stabilized the environment without impeding customers' ability to perform work during core business hours.

- Negotiated the award of a technical support services contract with OCIO, OSEC and the National Appeals Division (NAD) and provided technical support to NAD that resulted in the upgrade and purchase of new technology and management tools for the Memphis, Denver, Indianapolis and Park Center division offices.

- Completed verification, replacement, risk assessment, mitigation planning and independent testing for Y2K readiness.

Telephone Customer Service Center:

- Planned and coordinated the conversion of Forest Service and Rural Development from GSA Consolidated Centrex Service to the Washington Interagency Telecommunications Service (WITS) System to improve service and reduce cost ($168,000 in annual savings).

- Negotiated the award of a new contract for ongoing technical support, which will reduce costs by an estimated $90,000 for this item over the next two years.

- Developed and implemented a new Trouble Reporting System. Tracking and trouble handling is completed in quicker time frame. Trouble reports are now available for customer use and for performance tracking.

- Upgraded the Cable Management System to help provide George Washington Carver Center customers (Beltsville, Md.) with read only access to the cable database, resulting in better coordination of telephone moves/adds/changes and reducing technician costs.

Network Services:

- Improved the overall security posture of the USDA network by installing firewalls and intrusion detection systems.

- Redesigned the USDA Wide Area Network and HQNet to make them one network under the Network Services Division.

- Designed an effective Internet Access, E-mail switch, X.500 directory service and Web Server.

- Designed, implemented and installed an encrypted connection to the USDA National Finance Center for HQNet users.

- Completed verification, replacement, risk assessment, mitigation planning and independent testing for Y2K readiness.

EXECUTIVE SECRETARIAT

Current Activities. The Office of the Executive Secretariat (OES) continues to administer internal processes for the efficient management and tracking of correspondence on behalf of the Office of the Secretary and other Department-level offices.

Selected Examples of Recent Progress:

- Began development of a catalogue of generic language for agencies to use in responding to correspondence, allowing agencies to avoid having to compose new language with each response.

[The prepared statement and biography of Sedelta Verble, Director of Communications follow:]

OFFICE OF COMMUNICATIONS

Statement of Sedelta Verble
Director of Communications

Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Mr. Chairman and members of the Subcommittee, I am pleased to discuss the fiscal year-- FY-- 2001 budget request for the Department of Agriculture's Office of Communications.

When Congress wrote the law establishing the U.S. Department of Agriculture in 1862, it said the Department's "...general designs and duties shall be to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture in the most general and comprehensive sense of the word." The Office of Communications coordinates the implementation of that original mandate.

The Office of Communications coordinates communications with the public about USDA's programs, functions, and initiatives, providing information to the customers and constituency groups who depend on the Department's services for their well-being. It also coordinates the communications activities of USDA's seven major mission areas, and provides leadership for communications within the Department to USDA's employees.

The Office of Communications is adopting new technologies to meet the increased demands for information. Using the Internet's world wide web, radio, television and teleconference facilities, we are able to ensure that the millions of Americans whose lives are affected by USDA's programs receive the latest and most complete information.

The Office of Communications' 5-year strategic goal is:

- To support the Department in creating a full awareness among the American public about USDA's major initiatives and services. This is essential to providing effective customer services and efficient program delivery and should result in more citizens–especially those in underserved communities and geographic areas–availing themselves of helpful USDA services and information.

The Office of Communications will continue to take an active part in policy and program management discussions by coordinating the public communication of USDA initiatives. We will continue to provide centralized operations for the production, review, and distribution of USDA messages to its customers and the general public. We also will monitor and evaluate the results of these communications. Staff will be instructed in using the most effective and efficient communications technology, methods, and standards in carrying out communications plans.

We intend to improve communications with USDA employees, especially those away from headquarters. This will improve their understanding of USDA's general goals and policy priorities, programs and services, and cross-cutting intiatives.

Our office also will work hard to meet our performance goals and objectives. We will work to communicate updated USDA regulations and guidelines, conduct regular training sessions for USDA communications staffs about using communication technologies and processes to enhance public service, foster accountability for communications management performance throughout USDA, and continue to work to create a more efficient, effective and centralized Office of Communications. Increasing availability of USDA information and products to underserved communities and geographic areas through USDA's outreach efforts is

integral to our performance efforts. The Office of Communications will also provide equal opportunity for employment and promote an atmosphere that values individual differences.

Fiscal Year 2001 Budget Request

The Office of Communications is requesting a budget of $9,031,000. This is a net increase of $893,000 over our FY 2000 budget. The net increase would cover additional personnel costs of $235,000, $588,000 for Electronic Access to Information and $70,000 for an Outreach and Education Program for Underserved Groups. This effort is directly related to OC's accomplishment of its annual performance goal to improve communication efforts with the public and agricultural industry, through live satellite teleconferences, radio and television special programs.

Funding for the Electronic Access to Information initiative will allow the Office of Communications to provide information in the format and with the timeliness required by USDA clientele and the American public. The advancement of digital formats for radio, television and video production means a significant change in the tools we use to respond to our customer needs. Specialized computer and digital equipment are required to record, edit and prepare messages useful to the media and accessible to the public through the Internet. Up-to-date computers will help the streamlined Office of Communications to effectively perform its internal communications coordination function as well as to promptly and fully respond to needs of the public.

Additionally, we require $70,000 for an expanded outreach and education program to explore and develop the most effective and cost-efficient communications strategies for reaching

underserved groups. The $235,000 requests for pay costs is needed to maintain an already significantly downsized Office of Communications' staff.

Office of Communications' initiatives are modest, but crucial requests that will place us in the best and most responsive position for meeting communications needs of our customers and the American public.

This concludes my statement, Mr. Chairman. I will be pleased to respond to any questions.

Biographical Sketch

SEDELTA VERBLE
Director of the Office of Communications



Sedelta Verble was appointed director of the Office of Communications in October 1999. Prior to that appointment, Verble served as OC's deputy director since 1996. She was director of OC's Office of Public and Media Outreach from 1994-96. During that period she served as co-editor of "Recovery Times," a joint publication between USDA and the Federal Emergency Management Agency aimed at helping victims of the "Great Flood of '93" in the Midwest.

Verble has longtime communications and agricultural experience. She worked for Texas newspapers and was recognized for her reporting skills by Texas Press Women. Her career includes seven years with [then] Texas Agriculture Commissioner Jim Hightower. She also held leadership positions in a number of organizations supporting the interests of women and American Indians. She also worked in the Middle East.

A native of Burkburnett, Texas, Verble holds a bachelor of journalism degree from the University of Texas at Austin School of Communications.

[The justifications of the budget request follow:]

2001 Congressional Explanatory Notes

OFFICE OF COMMUNICATIONS

Purpose Statement

The Office of Communications (OC) traces its history back to June 7, 1913, when Agriculture Secretary David Houston established an Office of Information. The purpose of this Office was to act as a news service to secure the widest possible circulation to the public for recommendation of USDA scientists and specialists. The most recent reorganization of the Office was approved November 13, 1995, designating it as the Office of Communications. Section 7 CFR Subtitle A delegates authority for public affairs activities from the Secretary to the Director of the Office. The activities of the Office have expanded as new technology has become available and additional segments of the public have become constituents. The basic purpose remains constant to communicate to the public the programs and policies of the Department.

The mission of the Office of Communications is to provide leadership, expertise, counsel, and coordination for the development of communications strategies, which are vital to the overall formation, awareness and acceptance of U. S. Department of Agriculture programs and policies. OC serves as the principal USDA contact point for dissemination of consistent, timely information.

The Office of Communications is located in Washington, D. C. As of September 30, 1999, there were 117 employees, of which 101 were full-time employees and 16 other than full-time permanent.

OC did not have any Office of the Inspector General or General Accounting Office evaluation reports during the past year.

OFFICE OF COMMUNICATIONS

Available Funds and Staff Years
1999 Actual and Estimated 2000 and 2001

Item	1999 Actual Amount	1999 Actual Staff Years	2000 Estimated Amount	2000 Estimated Staff Years	2001 Estimated Amount	2001 Estimated Staff Years
Direct Appropriation:	$8,138,000	89	$8,138,000	95	$9,031,000	95
Obligations under other USDA appropriations:						
Agency Photography Services	505,771	–	625,000	–	669,000	–
Subtotal, Appropriated and Reimbursement	8,643,771	89	8,763,000	95	9,700,000	95
Working Capital Fund:						
Video, Teleconference, & Visual Design Service	4,470,000	27	4,649,000	28	4,809,000	28
Purchase of Equipment	407,000	–	255,000	–	255,000	–
Total, Working Capital Fund	4,877,000	27	4,904,000	28	5,064,000	28
Total, Agriculture Appropriations	13,520,771	116	13,667,000	123	14,764,000	123
Non-Federal Funds:						
Sale of Photos and Slides	9,707	–	10,000	–	10,000	–
Total, Office of Communications	13,530,478	116	13,677,000	123	14,774,000	123

OFFICE OF COMMUNICATIONS

Permanent Positions by Grade and Staff Year Summary
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Grade	Washington, DC	Washington, DC	Washington, DC
ES-6	1	0	0
ES-4	0	1	1
ES-3	1	1	0
ES-1	0	0	1
GS-15	21	21	21
GS-14	21	21	21
GS-13	14	14	14
GS-12	19	20	20
GS-11	9	9	8
GS-9	21	21	21
GS-7	8	8	8
GS-5	1	1	1
GS-4	2	2	3
GS-2	2	2	2
GS-1	1	0	0
Ungraded Positions...	2	2	2
Total, Permanent Positions.....	123	123	123
Unfilled Positions end-of-year.....	-22	--	--
Total, Permanent Full-Time Employment, end-of year.....	101	123	123
Staff Year Ceiling.....	116	123	123

OFFICE OF COMMUNICATIONS

Classification by Objects
1999 Actual and Estimated 2000 and 2001

	1999	2000	2001
Personnel Compensation:			
Washington, D.C.	$5,864,919	$6,143,000	$6,335,000
11 Total personnel compensation	$5,864,919	$6,143,000	$6,335,000
12 Personnel benefits	1,122,702	1,246,000	1,289,000
13 Benefits for former personnel	--	40,000	40,000
Total pers. comp. & benefits	6,987,621	7,429,000	7,664,000
Other Objects:			
21 Travel	96,220	50,000	81,000
22 Transportation of things	1,434	6,000	6,000
23.3 Communications, utilities, and misc. charges	341,380	311,000	451,000
24 Printing and reproduction	62,242	38,000	69,000
25.2 Other services	491,786	210,000	424,000
26 Supplies and materials	104,369	53,000	115,000
31 Equipment	26,704	41,000	221,000
Total other objects	1,124,135	709,000	1,367,000
Total direct obligations	8,111,756	8,138,000	9,031,000
Position Data:			
Average Salary, ES positions	$123,357	$126,825	$126,696
Average Salary, GS positions	$56,246	$59,724	$60,812
Average Grade, GS positions	11.61	11.68	11.69

OFFICE OF COMMUNICATIONS

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses to carry on services relating to the coordination of programs involving public affairs, for the dissemination of agricultural information, and the coordination of information, work, and programs authorized by Congress in the Department, [$8,138,000] $9,031,000, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed $10,000 shall be available for employment under 5 U.S.C. 3109, and not to exceed $2,000,000 may be used for farmers' bulletins.

OFFICE OF COMMUNICATIONS

Appropriations Act, 2000	$8,138,000
Budget Estimate, 2001	9,031,000
Increase in Appropriation	+893,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2000 Estimated	Program Changes	Pay Costs	2001 Estimated
Office of Communications	$8,138,000	+$658,000	+$235,000	$9,031,000

Project Statement

(On basis of appropriation)

	1999 Actual		2000 Estimated		Increase or Decrease	2001 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Office of Communications	$8,111,756	89	$8,138,000	95	+$893,000	$9,031,000	95
Unobligated Blance	26,244	--	--	--	--	--	--
Total, Appropriation	8,138,000	89	8,138,000	95	+ 893,000(1)	9,031,000	95

Justification of Increases and Decreases

(1) An increase of $893,000 for the Office of Communications, ($8,138,000 available in 2000) consisting of:

(a) An increase of $235,000 for pay costs which includes $80,000 for annualization of the fiscal year 2000 pay raise and $155,000 for the anticipated fiscal year 2001 pay raise.

Over 91 percent of the Office of Communications' obligations are for salaries and benefits. This leaves little flexibility for absorbing increased costs. Office of Communications cannot absorb these additional salary costs without placing severe constraints on its daily operations.

(b) An increase of $588,000 for Electronic Access to Information.

OC has a single strategic goal, which is to create greater awareness among the American public about USDA's major initiatives and services. This goal also supports USDA's overall mission as well as OC's goal. In addition, two management initiatives have been developed. One of these initiatives is to improve access to and dissemination of USDA information to news media, constituent groups, and individual customers through more effective and efficient communications technology, methods, and standards. In support of this initiative, the goal of the Electronic Access to Information is to update and upgrade communications technologies and communications delivery methods to meet the increasing information needs of constituent groups, the media, the American public--particularly citizens in under served groups and areas--and USDA agencies and internal audiences.

In order to meet the information needs of OC's targeted audiences, OC needs to upgrade its digital audio and video equipment to meet changing industry standards. Limited capability now exists for OC to provide access to audio and video information through the Internet. Also, the broadcasting industry is moving quickly to digital standards which existing equipment cannot meet.

Updating computers and broadcasting equipment will increase accessibility to existing information messages to schools, industry trade groups, and farmers, as well as the general public. Technology upgrades and replacement equipment will offer expanded use of broadcasting features that are now prepared primarily for radio and TV stations' use. For example, weekly consumer and agricultural radio features can be offered routinely on the Internet in addition to distribution to the broadcast industry. Present computer capability and broadcast equipment is insufficient to offer this enhanced public access to available government information. This upgrade offers all interested parties immediate access to a wide variety of information on USDA programs and will speed up USDA's delivery of information in response to public requests.

Radio messages include weekly features and daily news reports and actualities about all of USDA's key programs and missions. These messages are directly supportive of USDA's three goals: (1) To expand economic and trade opportunities for agricultural producers and other rural residents; (2) To ensure food for the hungry, and a safe, affordable, nutritious, and accessible food supply; and (3) To promote sensible management of our natural resources.

Often the radio messages supply information about farmer sign up programs, announce results of agricultural research, and report on economic news about crop prices and supplies, as well as crop weather conditions. Major policy announcements are made in these radio messages by the Secretary of Agriculture and key agricultural officials. Consumer news on food prices, nutrition, conservation and the environment are regularly featured.

This initiative would allow upgrading of aging, existing broadcasting systems used now to produce and distribute these radio messages. More than 700 radio stations are voluntary users of weekly feature services and an average of 65 calls per day are received for daily radio newsline stories. To enhance the quality and speed of delivery for radio messages while reducing the number of phone lines, the proposed improvements will provide radio stations increased flexibility in selecting USDA radio messages they wish to record and use. Upgrading to digital, state-of-the-art technology will save radio stations telephone time as they call to record these stories, generate a more specific tabulation of stories requested or accessed, and permit this radio function to continue with a streamlined staff. Critically, it will ensure that USDA meets current and future broadcast standards for digital audio quality.

The additional funding will allow USDA to strategically employ all available communications products, technologies, and techniques to facilitate the flow of information designed to allow more customers, constituency groups and all segments of the American public to take full advantage of USDA programs, initiatives, services, and data. Internally, the initiative will promote unity in communications and expand distribution of uniform, consistent messages to all USDA employees.

Specific needs will include new high-speed computers with expanded memory and appropriate software to handle the voluminous files required for electronic dissemination of digitized video, photographs, other visuals, publications, radio and television messages. Additional Integrated Services Digital Network phone lines and upgraded phone equipment, as well as training on technology upgrades will be required.

(c) An increase of $70,000 for an Outreach and Education Program for Underserved Groups.

This initiative supports OC's strategic goal and USDA's management initiative--to provide effective customer service and efficient program delivery. This request also will contribute to USDA's National Commission on Small Farms' recommendation that the Department design and implement education programs on sustainable agriculture and organic products.

USDA needs to improve and develop two activities that will enable the Department to reach the Nation's underserved customer population--African Americans, Asian Americans, Native Americans and Hispanics--and provide them with information on the USDA's programs and services. The first activity is a more coordinated outreach and education program and the second is the development of the most effective and cost-efficient communications strategies for reaching these targeted audiences.

To implement this initiative OC will need to first measure the Department's and OC's current performance in educating the target audience about major USDA programs and services. This will be accomplished by the use of surveys and other feedback to collect information about the target audiences' current knowledge of these programs and services.

Once these surveys are completed and analyzed, OC will use the information to develop a communications outreach that may include brochures, fact sheets, audio and video tapes, and Internet material; and provide needed information to agricultural commodity groups, associations, and the media, that serve USDA's target audiences.

OC will use the most cost effective methods in carrying out this initiative. Continued use of surveys and feedback will keep USDA and OC updated on the effectiveness and cost efficiencies of this initiative. The costs of the survey design, production, distribution and analysis will be kept down by using in-house resources, such as the National Agricultural Statistics Service, and through cooperative efforts with land grant universities and other organizations. OC also will work to develop partnerships with State departments of agriculture, constituency groups, agricultural producer organizations, and rural cooperatives.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1999 Actual and Estimated 2000 and 2001

	1999		2000		2001	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	$8,111,756	89	$8,138,000	95	$9,031,000	95
Unobligated balance.....	26,244	--	--	--	--	--
Total, Available or Estimate..	8,138,000	89	8,138,000	95	9,031,000	95

OFFICE OF COMMUNICATIONS

STATUS OF PROGRAM

The Office of Communications (OC) delivers information about U.S. Department of Agriculture (USDA) programs and policies to the American people. To achieve that objective, OC reports through various media and often directly to farmers, consumers, environmentalists, the business community, and other interest groups regarding the Department's programs, policies, and activities. The success of the Department's initiatives is aided by the effectiveness of communication and public education campaigns.

The following major program areas deliver the activities under this appropriation:

Public and Media Outreach Center; Video, Teleconference, and Radio Center; Photography Center; Design Center; Printing Management Center; Coordination and Review; and Administration.

Goal: To support the Department in creating a full awareness among the American public about USDA's major initiatives and services, because complete knowledge by the general public (and specific publics, including USDA employees) about USDA initiatives, policies, and programs is essential to effective customer services and efficient program delivery and should result in more citizens--especially those in underserved communities and geographic areas--availing themselves of USDA services and information that will help them in their everyday lives.

Current Activities:

PUBLIC AND MEDIA OUTREACH CENTER

The Office of Public and Media Outreach (OPMO) performs news planning, placement, and public liaison duties for OC. The primary OPMO goal is to provide information about USDA's seven mission areas--improving services to farmers and improving farm income; rural development; marketing and regulatory programs; food safety; food assistance and nutrition education; the environment and natural resources; and research, education and economics--to the public, media, constituent groups and USDA employees.

OC serves as the Department-level clearinghouse for current information about USDA's programs and policies in the form of news releases, video and photo features, background statements, speeches, report summaries, and similar materials.

Media Outreach -- OC plans and coordinates Departmentwide announcements as well as provides information to targeted markets. OPMO brings all production areas into the communications planning to design the best news and information products. The Press Secretary and staff are a key part of the media outreach team.

Examples of targeted media outreach include linkage with the National Association of Farm Broadcasters, arranging audio news conferences and satellite tours with media representatives and USDA officials, and including speciality media in all OPMO activities.

Constituent Outreach -- On the public liaison side, the OPMO staff develops interaction with farm, trade, consumer associations, natural resources and environmental groups and with professional associations. OPMO plans and coordinates hundreds of national policy and educational briefings in Washington, D.C. and across the country for varied constituencies.

In working with a diverse range of constituents, OPMO acts as a clearinghouse to keep USDA agencies apprised of issues and concerns voiced by stakeholders groups, many of which have never before

participated in USDA programs. To accomplish this, OPMO:

- maintains a comprehensive database of constituent groups.
- provides periodic feedback describing interest group opinion as articulated in their publications to give USDA officials a constituent perspective on USDA policies upon request.
- compiles and distributes a weekly electronic summary of USDA activities and policy announcements for constituents, "USDA THIS WEEK."

Other duties performed by Office of Public and Media Outreach include:

- managing and staffing the national USDA Visitor Center to inform the public about USDA's missions and services. The Visitor Center explains USDA's mission areas with information kiosks that integrate video, artifacts and photos of USDA's mission areas.

Speech writing – The Office of Communications' speech writing staff has primary responsibility for writing all speeches given by the Secretary and Deputy Secretary.

VIDEO, TELECONFERENCE, AND RADIO CENTER

The Video, Teleconference, and Radio (VTR) Center produces informational videos, TV public service announcements, national telecasts, satellite media interviews, video conferences and distance learning events. Topics covered include such as food safety meat and poultry processing training, agricultural pests, international trade, forestry and conservation programs, employee updates dates, administrative training and rural development issues.

VTR Center's radio service provides a daily news service and weekly feature service to stations throughout the country. Radio stations access these daily news stories via telephone calls to automatic playback machines. Stations record these stories for their broadcast use. An automatic counter tallies calls made to the playback machines. A weekly radio feature service including five consumer topics, five agricultural topics and a 5-minute documentary is sent to more than 700 radio stations requesting the service. A 15-minute weekly television news feature and actuality service is distributed via satellite to broadcast TV stations, and a TV tape service is provided to requesting stations.

PHOTOGRAPHY CENTER

The Center maintains an extensive centralized USDA Photo Library of captioned black/white prints and color transparencies. These images are the photo history of USDA's programs and activities. They cover all subjects relating to USDA programs. The Photography Center provides photographic research services and distributes photographs to the news media and to the public.

The Photography Center works with USDA agencies to develop and distribute to national, regional and local media, picture stories and photographic press releases. These releases inform the public of USDA programs, activities, and services.

The Photography Center has the latest technology for creation of photography materials and programs in a digital format. To support the increasing demand for digital images, the Center is converting the Central Photographic Library to Kodak Photo CD's. The new technology will be more efficient for both search and retrieval of images, as well as for electronic delivery to users of USDA photography. Digital images can be provided "on-line"over the Internet or via E-mail. The Photography Center has created, and maintains an

Internet website with a selection of images in a number of USDA and general agricultural categories. All images can be downloadable and are free to the public.

DESIGN CENTER

The Design Center provides centralized design management through the use of design standards and various creative services to the Department. It operates on the least cost principal and provides savings through economy of scale to the Department. Agencies only pay for services rendered at reduced and competitive rates. The Center provides a resource for agencies to lower or eliminate their overhead costs incurred from duplication expenses in maintaining a similar staff with equipment. This way, agencies are able to redirect their limited budgets directly into projects by placing their visual requests through the Center.

The Design Center maintains a creative electronic graphics studio for print media, nonprint electronic media and exhibit fabrication. It provides an electronic archive storage site for departmental print and exhibit material. The facility offers complete services in the planning of print, interactive media, marketing, consultation in communication planning, language translations for print material, audience evaluation, production art, specialized contracting and exhibit fabrication services. Creative design services include logo development, illustrations, ad development, specialize copy writing, posters, brochures, web-sites, banners, trade-show exhibits, visitor centers, special media events, and coordination of information print campaigns shared by departmental initiatives with various mission areas. Services are provided to international, national, regional, State and local USDA offices, and other Government agencies as requested.

PRINTING MANAGEMENT CENTER

The Printing Management Center provides centralized printing to the Department and policy guidance to the many field operations. The Printing Management Center is the central printing authority, and therefore, is the liaison with the Government Printing Office, and the Joint Committee on Printing.

COORDINATION AND REVIEW

OC's Communications Coordination and Review Center includes seven communications coordinators, who are supported by a news distribution staff, an agriculture news summary service staff, an editorial review staff, an information services staff, and a Freedom of Information Act (FOIA) Officer.

Each communication coordinator works directly with an Under or Assistant Secretary to coordinate public and internal communications through a "desk" system serving each USDA program mission area. These senior level public affairs officers coordinate communications planning and implementation for each mission area with other mission area communications coordinators in an effective manner. This "desk" system provides leadership in the development of communications strategies which are vital to the formulation, awareness and acceptance of U.S. Department of Agriculture programs and policies. One additional public affairs specialist coordinates employee communications and edits the Department's monthly employee news periodical, distributed in both printed and electronic versions.

The news distribution staff works closely with the communications coordinators and Press Secretary's office to ensure quick dissemination of news releases, public statements, and other current information through electronic and other means. The news summary staff provides daily agriculture news summaries and clips to top USDA executives in electronic and hard copy formats. Another staff member serves as the Department's Worldwide Web home page "Webmaster," who works closely with communication coordinators and agencies in developing and promoting access to USDA information via the Internet.

The editorial review staff reviews and oversees the Department's information products, both printed and electronic, for editorial content, design, and quality. This staff works closely with the communications

coordinators to ensure that the Department disseminates consistent and timely information to the public. Three public affairs specialists serve as project managers for Departmental communications in comprehensive areas such as civil rights and general public liaison products, again working closely with communications coordinators.

The information services staff assists members of the general public as well as other Federal agency officials and Members of Congress who request, via the telephone or by mail, publications and information about USDA programs. They provide online responses to questions about USDA programs and in-person assistance via Internet and the Secretary's hotline. OC's Communications Coordination and Review Center also provides Departmental coordination of responses under the Freedom of Information Act.

ADMINISTRATION

The OC administrative area provides administrative services to the agency. Included in these services are: Budget planning, preparation, justification and execution, the processing of all training, travel, and procurement requests.

Selected Examples of Recent Progress:

Public and Media Outreach Center. In FY 1999, OC disseminated 514 news releases and related items for national distribution, primarily through electronic dissemination and by facsimile to reach a broader audience with greater speed and accuracy. OC offered a fax-on-demand system, AgNewsFax, to facilitate easy public access to USDA program information and news releases. OC also offered the Agriculture Fact Book which provided information about agriculture and the Department to its wide variety of audiences and stakeholders. The book provided facts and figures describing American agriculture, trade, and rural America. The book also highlighted USDA programs in all seven mission areas. To meet the needs of diverse users, the book is released in paperback and Internet versions. In addition, the USDA Visitor Center assisted 22,329 visitors during FY 1999.

Video, Teleconference, and Radio Center. The VTR Center worked on a total of 410 video productions for USDA and other Federal agencies. Major productions included TV public service campaigns on the Asian Longhorned Beetle, conservation for homeowners' backyards, living with wildlife, and the Dairy Option Pilot Program.

Informational and training videos were produced on Hazard Analysis and Critical Control Point (HACCP) implementation, Asian Longhorned Beetle, APHIS warehouse training, Harvest for the Hungry, conservation training, Pyramid of Excellence recognition for successful nutrition assistance programs, food distribution to the hungry, healthy eating behaviors in schools, farm loan regulations, loan deficiency payment program, Agricultural Outlook Forum, prescribed fire for forestry management, Woodsy Owl educational program, and biotechnology in agriculture. Also, a video news magazine program was produced periodically for communicating with Land Grant universities, and a safety, health and environmental management video series was produced.

VTR Center's satellite telecasting capability permitted a live broadcast from the Washington mall on Earth Day, a nationwide distance learning session on food safety issues, Governmentwide broadcast for Office of Personnel Management on dependent elder care, and a national ceremony honoring George Washington Carver.

Through compressed video connections by international phones lines, VTR Center linked sites in Pertoria, Johannesburg and Cape Town with officials in Washington, D.C. to conduct U.S. trade talks and negotiations with South Africa.

Videos produced by VTR Center have won two Golden Awards from the Council on International Non-theatrical Events (CINE), and four Telly Awards in a competition with 11,000 entries. The Telly Awards showcase and recognize outstanding TV commercials, public service announcements as well as non-network TV programming. Of the 11,000 entries, only 100 awards were given. The VTR Center earned a Telly for each of its four entries. Award winning productions were done for the Natural Resources Conservation Service, Risk Management Agency, Animal and Plant Health Inspection Service and for the Cooperative State Research, Education and Extension Service.

The VTR Center handled 5,943 audio conferences on a variety of agricultural, nutritional and rural development related topics. This is an increase of 2,697 over the previous year. This service helps USDA agencies communicate with their field staffs on ongoing and emerging issues.

During FY 1999, the radio center staff produced 2,000 news stories and actualities, and 14,560 calls were tallied by counters on the daily radio newsline machines. Major stories featured on the radio newsline in FY 1999 were low farm prices, a series of natural disasters, the upcoming round of the World Trade Talks, and the Agricultural Appropriations Bill and Emergency Disaster Assistance Package. In addition, coverage was provided for Secretary Glickman's roundtable talks on "Concentration in the Agricultural Industry," and extensive coverage was given of continuing farm trade problems with the European Union.

The weekly radio feature service on cassette is mailed to 786 radio stations nationwide. Stations must subscribe to the service. The service includes 520 short features of 2½ to 3 minutes duration that comprise the daily Consumer Time and Agritape series and 52 weekly 5-minute documentaries marketed as the Agriculture USA program.

"Consumer Time" featured potential Y2K problems and steps consumers should take to be Y2K ready, what to do during various weather disasters to assure personal and food safety issues, nutrition research, food gleaning, implementation of the HACCP science-based food inspection system and research on disease prevention and your diet. Agritape topics included the farm financial crisis and the disaster aid package, impact of trade issues such as export subsidies, farm support prices, and non-tariff trade barriers. Also, extensive coverage was given upcoming world trade talks.

In addition, Agriculture Secretary Dan Glickman and members of USDA's subcabinet conducted telephone news conferences with farm broadcasters from VTR Center's studios on a number of topics. Major topics included the farm financial crisis, farm program or trade issues and upcoming world trade talks. Actualities and stories from these news conferences were used on the daily radio news service.

The VTR Center also produced a weekly 15-minute satellite TV newsfeed and distributed tape copies to 21 TV stations who could not access the satellite feed. These TV features or news actualities are designed to keep consumers, food program participants and agricultural producers up-to-date on major announcements or opportunities for participation or support. Also, features on results of agricultural research are included.

Photography Center. In FY 1998 the Center established a site on the Internet. The site, which has grown to more than 1,000 photographs, is searchable by topic, and provides thumbnail photos on dozens of topics. The photos are clickable to provide a 640 pixel wide image that may be downloaded. This site is designed to assist photo users in their research, and to answer the increasing demand for digital photography with a decreasing staff.

Design Center. In FY 1999, the Center recovered costs with more than 2,000 requests for visual services. The graphic standards guides developed for USDA stationery and News Releases incorporating the new USDA symbol were incorporated into the new Design Center Website created in 1999. The site is in continuing development with the expectation that it becomes a resource for media and agencies needing standard supplied

graphics at no direct costs to them. The Site's address is www.usda.gov/agency/oc/design/. Additionally, the Design Center has entered into a term contract available for all agencies with exhibit design needs. The contract is expected to reduce procurement administrative costs by 25 percent.

These included outreach campaigns, agency identification systems for the National Agricultural Statistics Service, posters, publications, presentations materials, magazines, fact sheets, interactive graphic computer programs, books, trade show exhibits, visitor centers and various specialty items.

Highlighted design for print projects included the 1998 Secretary's Annual Report, DA's Work Place Violence Program Campaign, USDA Recruitment Campaign, Natural Resources Conservation Service (NRCS) Backyard Conservation Campaign with special Mall Earth Day event materials, USDA Civil Rights Outreach Campaign, Revisions of the USDA Strategic Plan 2001-2002, collateral material for the Food Stamp Recipient Information Program of the Food and Nutrition Services (FNS), USDA's Y2K Readiness Campaign, and Millennium Celebration Event Material including FNS' WIC 25-Year Celebration, Millennium Green, and the George Washington Carver's Building Dedication.

Highlighted exhibit design and exhibit fabrication projects included the ongoing Nebraska National Forest Visitor Center and the completion of the exhibit fabrication of the Williams Arizona Forest Service Center. Other Visitor Center projects are still in development. Completed projects include more than 193 tradeshow exhibits, of which more than 30 were for Farm Service Agency. Other projects include banners and back stage drops for media events including the Forest Service Wildfire and Discovery Premiere, the Secretary's 1999 Drought Outreach, the Secretary's Pyramid of Excellence Award through the Food and Nutrition Service, the Yates Building Dedication Ceremony, the Espy Portrait Unveiling, the Secretary's Bio-Based Products Event with the President, the USDA and the NAACP Atlanta Exhibition, and Tapestry of Minority Farmers Exhibit Event.

Printing Management Center. During FY 1999, the Printing Management Center managed 25 printing contracts written by the Government Printing Office (GPO). The contracts allowed the center to deal directly with the contractor, meet critical deadlines and regular schedules, print in various sizes, multiple colors, on several paper stocks. These contracts utilize camera copy, tapes, and/or disk, for state-of-the-art output to pre-press and/or press operations.

Publications and Forms Printed:	FY 1998	FY 1999
Printing through main GPO or on contract.	3,603	3,460
Miscellaneous orders through GPO's Rapid Response Center, GPO's Regional Printing Procurement Offices.	1,039	1,025
Printing through USDA Duplicating Facility (OO): Miscellaneous orders reviewed, cleared and processed for printing in USDA facility.	85	80
Waivers for jobs not presented to OC for clearance.	2,618	3,507
Total Printing Orders	7,345	8,072

Coordination and Review. In FY 1999, the staff reviewed more than 279 manuscripts for publications and reports to ensure that they met editorial and content standards. Also, the staff reviewed more than 308 camera ready information products to ensure that they met design and printing quality standards. The staff

handled an average of more than 500 telephone calls a week. An average of more than 180 letter requests were received, which were either fulfilled by sending publications or by forwarding to the proper source in the Department for a response. The staff also disseminated more than 515 national news releases, official remarks, and background papers in FY 1999.

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GENERAL PROVISIONS

The estimates include General Provisions language as follows (new language underscored; deleted matter enclosed in brackets):

SECTION 701: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 2001:

Sec. 701. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department of Agriculture for the fiscal year [2000] 2001 under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed [365] 389 passenger motor vehicles, of which [361] 385 shall be for replacement only, and for the hire of such vehicles.

The first change adds language making this section of the General Provisions applicable to fiscal year 2001.

The second and third changes revise the total number of passenger motor vehicles to be acquired in fiscal year 2001. The estimates propose the acquisition of 389 passenger motor vehicles. Of this amount, 385 would be acquired to replace existing vehicles and there would be 4 vehicles added to the fleet. The Agricultural Marketing Service proposes to purchase 1 additional vehicle to be used for the expected workload increase in cotton futures grading. The National Agricultural Statistics Service proposes to acquire 2 additional vehicles for use by NASS field offices because the closure of many GSA motor pools makes it increasingly difficult to obtain GSA-leased cars. The Rural Housing Service proposes to acquire 1 additional vehicle to replace an all-terrain vehicle. Since the reorganization, the majority of travel performed by Rural Development employees has been to areas with improved road conditions.

SECTION 702: Provides that funds available to the Department of Agriculture shall be available for uniforms or uniform allowances.

Sec. 702. Funds in this Act available to the Department of Agriculture shall be available for uniforms or allowances therefor as authorized by law (5 U.S.C. 5901-5902).

SECTION 703: Provides that not less than $1,500,000 of the appropriations of the Department for research and service work authorized by the Acts of August 14, 1946 and July 28, 1954, and (7 U.S.C. 1621-1629), and by chapter 63 of title 31, United States Code, shall be available for contracting in accordance with these Acts.

Sec. 703. Not less than $1,500,000 of the appropriations of the Department of Agriculture in this Act for research and service work authorized by the Acts of August 14, 1946, and July 28, 1954 (7 U.S.C. 427, 1621-1629), and by chapter 63 of title 31, United States Code, shall be available for contracting in accordance with said Acts and chapter.

SECTION 704: Provides authority for the Secretary of Agriculture to transfer available funds and/or other unobligated balances to the Working Capital fund for the purpose of acquiring plant and capital equipment necessary for the delivery of financial, administrative, and information technology services.

Sec. 704. The [cumulative total of transfers] Secretary may transfer funds provided under this Act and other available unobligated balances of the Department of Agriculture to the Working Capital Fund for the [purpose of accumulating growth capital for data services and National Finance Center

operations shall not exceed $2,000,000: Provided, That no funds in this Act appropriated to an agency of the Department shall be transferred to the Working Capital Fund without the approval of the agency administrator] acquisition of plant and capital equipment necessary for the delivery of financial, administrative, and information technology services.

This change grants authority to the Secretary to transfer funds from this Act or other available unobligated balances to the Working Capital Fund for the improvement and implementation of financial and data systems. USDA faces an urgent need to modernize administrative, information technology, and financial systems. As the Department continues on the effort to establish corporate systems, such as the Foundation Financial Information System (FFIS) and a Departmentwide telecommunications system, adequate investment resources must be available to bring these processes and systems into service.

The existing language is inadequate both in the dollar limitations set on accumulation of growth capital and in its limitation on use of these funds to "data services and National Finance Center operations." The new language provides a more flexible mechanism to increase the capital base of the WCF, which has not increased significantly since the recapitalization program was completed in FY 1991. It is becoming increasingly difficult to fund necessary upfront investments and provide for other capital needs. Increasing agency contributions to finance these investments would direct significant funds from program delivery.

When determined appropriate by the Secretary such transfer would be made from funds from which no new obligations would be made and preferably are about to expire. These funds, once transferred, would remain available to the WCF for expenditure until expended for plant and capital equipment investments.

SECTION 705: Provides that certain funds are to remain available until expended:

Sec. 705. New obligational authority provided for the following appropriation items in this Act shall remain available until expended (7 U.S.C. 2209b): Animal and Plant Health Inspection Service, the contingency fund to meet emergency conditions, fruit fly program, integrated systems acquisition project, boll weevil program, up to 10 percent of the screwworm program, and up to $2,000,000 for costs associated with collocating regional offices; Food Safety and Inspection Service, field automation and information management project; funds appropriated for rental payments; Cooperative State Research, Education, and Extension Service, funds for the competitive research grants (7 U.S.C. 450i(b)) and funds for the Native American Institutions Endowment Fund; Farm Service Agency, salaries and expenses funds made available to county committees; Foreign Agricultural Service, middle-income country training program and up to $2,000,000 of the Foreign Agricultural Service appropriation solely for the purpose of offsetting fluctuations in international currency exchange rates, subject to documentation by the Foreign Agricultural Service.

This change will allow the establishment of an overseas buying power maintenance account to assist FAS to manage unanticipated changes in the costs of overseas operations associated with exchange rate losses or gains. Up to $2 million in gains from favorable exchange rate movement may be transferred to the account to be used solely to offset future exchange rate losses. This proposal is budget neutral and responds to FY 2000 conference report language which directs the Department to develop a plan for establishing an account to manage overseas currency fluctuations.

SECTION 706: Provides that no part of any appropriation in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

Sec. 706. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SECTION 707: Provides a limitation on the amount of funds available to provide orientation and language training for families of officers and employees of the Department in anticipation of an assignment abroad of such officers and employees or while abroad, pursuant to Public Law 94-449.

Sec. 707. Not to exceed $50,000 of the appropriations available to the Department of Agriculture in this Act shall be available to provide appropriate orientation and language training pursuant to Public Law 94-449.

SECTION 708: Limits the negotiated indirect cost rates on cooperative agreements between the Department and nonprofit institutions to 10 percent of the value of the agreement.

Sec. 708. No funds appropriated by this Act may be used to pay negotiated indirect cost rates on cooperative agreements or similar arrangements between the United States Department of Agriculture and nonprofit institutions in excess of 10 percent of the total direct cost of the agreement when the purpose of such cooperative arrangements is to carry out programs of mutual interest between the two parties. This does not preclude appropriate payment of indirect costs on grants and contracts with such institutions when such indirect costs are computed on a similar basis for all agencies for which appropriations are provided in this Act.

SECTION 709: Enables the Secretary of Agriculture to provide commodities to individuals in certain hardship situations.

Sec. 709. Notwithstanding any other provision of this Act, commodities acquired by the Department in connection with Commodity Credit Corporation and section 32 price support operations may be used, as authorized by law (15 U.S.C. 714c and 7 U.S.C. 612c), to provide commodities to individuals in cases of hardship as determined by the Secretary of Agriculture.

SECTION 710: No funds are to be available to restrict the Commodity Credit Corporation from leasing space for its own use or to lease space for others when the space will be jointly occupied.

Sec. 710. None of the funds in this Act shall be available to restrict the authority of the Commodity Credit Corporation to lease space for its own use or to lease space on behalf of other agencies of the Department of Agriculture when such space will be jointly occupied.

SECTION 711: Places a prohibition on the use of funds to pay indirect costs on research grants awarded competitively by the Cooperative State Research, Education and Extension Service that exceed a specified level of direct costs.

Sec 711. None of the funds in this Act shall be available to pay indirect costs charged against agricultural research, education, or extension grant awards issued by the Cooperative State Research, Education, and Extension Service that exceed 19 percent of total Federal funds provided under each award: Provided, That notwithstanding section 1462 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3310), funds provided by this Act for grants awarded competitively by the Cooperative State Research, Education, and Extension Service shall be available to pay full allowable indirect costs for each grant awarded under the Small Business Innovation Development Act of 1982, Public Law 97-219 (15 U.S.C. 638).

SECTION 712: Provides all loan levels shall be considered estimates, not limitations.

Sec. 712. Notwithstanding any other provisions of this Act, all loan levels provided in this Act shall be considered estimates, not limitations.

SECTION 713: Provides that funding for the Rural Housing Insurance Fund Program Account for cost of direct and guaranteed loans and for the Rural Housing Assistance Grants Account for fiscal years 1994-1999 remain available until expended.

[Sec. 713. Notwithstanding any other provision of law, effective on September 29, 1999, appropriations made available to the Rural Housing Insurance Fund Program Account for the costs of direct and guaranteed loans and to the Rural Housing Assistance Grants Account in fiscal years 1994, 1995, 1996, 1997, 1998, and 1999 shall remain available until expended to cover obligations made in each of those fiscal years respectively with regard to each account.]

This change deletes the entire section 713. This change is requested since this authority covered fiscal years 1994 through 1999.

SECTION 714: Provides that subsidy authority for certain loan programs remain available until expended to cover obligations.

Sec. [714] 713. Appropriations to the Department of Agriculture for the cost of direct and guaranteed loans made available in fiscal year [2000] 2001 shall remain available until expended to cover obligations made in fiscal year [2000] 2001 for the following accounts: the rural development loan fund program account; the Rural Telephone Bank program account; the rural electrification and telecommunications loans program account; the Rural Housing Insurance Fund Program Account; and the rural economic development loans program account.

This change makes this section of the General Provisions applicable to fiscal year 2001.

SECTION 715: Absorption of fiscal year 2001 pay raises.

Sec. [715] 714. Such sums as may be necessary for fiscal year [2000] 2001 pay raises for programs funded by this Act shall be absorbed within the levels appropriated in this Act.

This change makes this section of the General Provisions applicable to fiscal year 2001.

SECTION 716: Authorizes the use of cooperative agreements to reflect a relationship between the Agricultural Marketing Service, the Grain Inspection, Packers and Stockyards Administration; the Animal and Plant Health Inspection Service, and the Food Safety and Inspection Service and a State or Cooperator to carry out the agricultural marketing programs, to carry out programs to protect the Nation's animal and plant resources, or to carry educational programs or special studies to improve the safety of the Nation's food supply.

Sec. [716] 715. Notwithstanding the Federal Grant and Cooperative Agreement Act, marketing services of the Agricultural Marketing Service; Grain Inspection, Packers and Stockyards Administration; the Animal and Plant Health Inspection Service, and the food safety activities of the Food Safety and Inspection Service may use cooperative agreements to reflect a relationship between Agricultural Marketing Service; the Grain Inspection, Packers and Stockyards Administration; the Animal and Plant Health Inspection Service; or the Food Safety and Inspection Service and a State or

Cooperator to carry out agricultural marketing programs, to carry out programs to protect the Nation's animal and plant resources, or to carry out educational programs or special studies to improve the safety of the Nation's food supply.

SECTION 717: Authorizes the Secretary to enter into contracts, grants, or cooperative agreements for the acquisition of goods or services to carry out natural resources conservation activities.

Sec. [717] 716. Notwithstanding any other provision of law (including provisions of law requiring competition), the Secretary may enter into cooperative agreements (which may provide for the acquisition of goods or services, including personal services) with a State, political subdivision, or agency thereof, a public or private agency, organization, or any other person, if the Secretary determines that the objectives of the agreement will: (1) serve a mutual interest of the parties to the agreement in carrying out the Wetlands Reserve Program; and (2) all parties will contribute resources to the accomplishment of these objectives: Provided, That Commodity Credit Corporation funds obligated for such purposes shall not exceed the level obligated by the Commodity Credit Corporation for such purposes in fiscal year 1998.

SECTION 718: Provides that funds cannot be used to retire more than 5% of the Class A stock of the Rural Telephone Bank.

[Sec. 718. None of the funds in this Act may be used to retire more than 5% of the Class A stock of the Rural Telephone Bank or to maintain any account or subaccount within the accounting records of the Rural Telephone Bank the creation of which has not specifically been authorized by statute: Provided, That notwithstanding any other provision of law, none of the funds appropriated or otherwise made available in this Act may be used to transfer to the Treasury or to the Federal Financing Bank any unobligated balance of the Rural Telephone Bank telephone liquidating account which is in excess of current requirements and such balance shall receive interest as set forth for financial accounts in section 505(c) of the Federal Credit Reform Act of 1990.]

This change deletes the entire section 718. This change is requested to provide the Secretary and the RTB Board flexibility in the timing of the privatization of the RTB.

SECTION 719: Provides a $1,800,000 limitation on the amount of funds that the Department is allowed to spend on advisory committees, panels, commissions, and task forces.

[Sec. 719. Of the funds made available by this Act, not more than $1,800,000 shall be used to cover necessary expenses of activities related to all advisory committees, panels, commissions, and task forces of the Department of Agriculture, except for panels used to comply with negotiated rule makings and panels used to evaluate competitively awarded grants: Provided, That interagency funding is authorized to carry out the purposes of the National Drought Policy Commission.]

This change deletes the entire section 719. This change is requested in order to permit the Secretary the flexibility needed to carry out the efficient operation of USDA programs.

SECTION 720: Prohibits the use of funds to carry out section 918 of Public Law 104-127, (Establishment of a Safe Meat and Poultry Inspection Panel), of the Federal Agriculture Improvement and Reform Act.

Sec. [720] 717. None of the funds appropriated by this Act may be used to carry out the provisions of section 918 of Public Law 104-127, the Federal Agriculture Improvement and Reform Act.

This section should be retained. The new HACCP inspection system is being successfully implemented. There is not a need for a new advisory panel to oversee inspection programs.

SECTION 721: Provides that USDA employees cannot be detailed for more than 30 days unless the individual's employing agency or office is reimbursed for the period of assignment.

[Sec. 721. No employee of the Department of Agriculture may be detailed or assigned from an agency or office funded by this Act to any other agency or office of the Department for more than 30 days unless the individual's employing agency or office is fully reimbursed by the receiving agency or office for the salary and expenses of the employee for the period of assignment.]

This change deletes the entire section 721. This change is requested in order to permit the Secretary the flexibility needed to carry out the programs of the Department in the most efficient and effective manner.

SECTION 722: Prohibits the use of USDA funds to transmit or otherwise make available to any non-USDA employee questions or responses to questions requested for the appropriations hearing process.

[Sec. 722. None of the funds appropriated or otherwise made available to the Department of Agriculture shall be used to transmit or otherwise make available to any non-Department of Agriculture employee questions or responses to questions that are a result of information requested for the appropriations hearing process.]

This change deletes the entire section 722. This change is requested in order to permit the Executive Branch the flexibility needed in order to carry out the programs in the most efficient manner.

SECTION 723: Prohibits the use of funds to acquire new information technology systems or significant upgrades, as determined by the Office of the Chief Information Officer (OCIO), without approval of the Chief Information Officer and the concurrence of the Executive Technology Investment Review Board.

Sec. [723] 718. None of the funds made available to the Department of Agriculture by this Act may be used to acquire new information technology systems or significant upgrades, as determined by the Office of the Chief Information Officer, without the approval of the Chief Information Officer and the concurrence of the Executive Information Technology Investment Review Board[: Provided, That notwithstanding any other provision of law, none of the funds appropriated or otherwise made available by this Act may be transferred to the Office of the Chief Information Officer without the prior approval of the Committee on Appropriations of both Houses of Congress].

This change deletes the language prohibiting the transfer of appropriated or available funds to the OCIO without prior approval of the Committee on Appropriations of both Houses of Congress; however, no transfers are anticipated.

SECTION 724: Prohibits the use of funds through a reprogramming of funds which would create new programs; eliminates a program, project, or activity; increase funds or personnel for which funds have been denied or restricted; relocates an office or employee; reorganizes offices; or contract out or privatize any

function presently performed by Federal Employees unless both Houses of Congress are notified 15 days in advance of such reprogramming.

[Sec. 724. (a) None of the funds provided by this Act, or provided by previous Appropriations Acts to the agencies funded by this Act that remain available for obligation or expenditure in fiscal year 1999, or provided from any accounts in the Treasury of the United States derived by the collection of fees available to the agencies funded by this Act, shall be available for obligation or expenditure through a reprogramming of funds which: (1) creates new programs; (2) eliminates a program, project, or activity; (3) increases funds or personnel by any means for any project or activity for which funds have been denied or restricted; (4) relocates an office or employees; (5) reorganizes offices, programs, or activities; or (6) contracts out or privatizes any functions or activities presently performed by Federal employees; unless the Committee on Appropriations of both Houses of Congress are notified fifteen days in advance of such reprogramming of funds.

(b) None of the funds provided by this Act, or provided by previous Appropriations Acts to the agencies funded by this Act that remain available for obligation or expenditure in fiscal year 1999, or provided from any accounts in the Treasury of the United States derived by the collection of fees available to the agencies funded by this Act, shall be available for obligation or expenditure for activities, programs, or projects through a reprogramming of funds in excess of $500,000 or 10 percent, whichever is less, that: (1) augments existing programs, projects or activities; (2) reduces by 10 percent funding for any existing program, project, or activity, or numbers of personnel by 10 percent as approved by Congress; or (3) results from any general savings from a reduction in personnel which would result in a change in existing programs, activities, or projects as approved by Congress; unless the Committee on Appropriations of both Houses of Congress are notified fifteen days in advance of such reprogramming of funds.]

This change deletes the entire section 724. The Department will continue its policy of informing the Congress in sufficient time of any reprogramming plans.

SECTION 725: Prohibits the use of funds to carry out the transfer or obligation of FY 2000 funds under Section 793 of Public Law 104-127, (Fund for Rural America).

Sec. [725] 719. None of the funds appropriated or otherwise made available by this Act or any other Act may be used to pay the salaries and expenses of personnel to carry out the transfer or obligation of fiscal year [2000] 2001 funds under the provisions of section 793 of Public Law 104-127, the Fund for Rural America.

This change makes this section applicable to fiscal year 2001 for the Fund for Rural America.

SECTION 726: Prohibits the use of funds to pay the salaries and expenses of personnel who carry out an environmental quality incentives program in excess of $174,000,000.

[Sec. 726. None of the funds appropriated or otherwise made available by this Act shall be used to pay the salaries and expenses of personnel who carry out an environmental quality incentives program authorized by sections 334-341 of Public Law 104-127 in excess of $174,000,000].

This change deletes the entire section 726. The budget proposes $325 million of which $125 million is proposed legislation.

27-8

SECTION 727: Prohibits the use of funds to administer the provision of contract payments to a producer for contract acreage on which wild rice is planted.

[Sec. 727. None of the funds appropriated or otherwise available to the Department of Agriculture may be used to administer the provision of contract payments to a producer under the Agricultural Market Transition Act (7 U.S.C. 7201 et seq.) for contract acreage on which wild rice is planted unless the contract payment is reduced by an acre for each contract acre planted to wild rice.]

This change deletes the entire section 727. This change is requested in order to permit the Secretary the flexibility needed to carry out the programs of the Department in the most efficient and effective manner.

SECTION 728: Prohibits the use of funds to pay salaries and expenses of personnel to enroll in excess of 150,000 acres in the fiscal year 2000 wetlands reserve program.

[Sec. 728. None of the funds appropriated or otherwise made available by this Act shall be used to pay the salaries and expenses of personnel to enroll in excess of 150,000 acres in the fiscal year 2000 wetlands reserve program as authorized by 16 U.S.C. 3837.]

This change deletes the entire section 728. This change is requested in order to permit the Secretary the flexibility needed to carry out programs of the Department in the most efficient and effective manner. For 2001, the budget proposes to legislatively remove the acreage cap and enroll 250,000 annually. This includes 40,000 acres remaining under existing authorities and 210,000 acres under the new legislative proposal.

SECTION 729: Prohibits the use of funds to pay the salaries and expenses of personnel to carry out the provisions of section 401 of Public Law 105-185, (Initiative for Future Agriculture and Food Systems).

Sec. [729] 720. None of the funds appropriated or otherwise made available by this or any other Act shall be used to pay the salaries and expenses of personnel to carry out the transfer or obligation of fiscal year [2000] 2001 funds under the provisions of section 401 of Public Law 105-185, the Initiative for Future Agriculture and Food Systems.

This change amends section 729. The FY 2000 appropriations language blocked the use of the FY 2000 funds in FY 2000. The FY 2001 budget allows the use of the second year's availability of the 2000 funds, but disallows the expenditure, during FY 2001, of the authorized $120 million for 2001.

SECTION 730: Provides that certain definitions of rural areas for certain business programs administered by the Rural Business-Cooperative Service and Rural Housing Service shall be those provided in statute before enactment of P.L. 104-127.

[Sec. 730. Notwithstanding section 381A of the Consolidated Farm and Rural Development Act (7 U.S.C. 2009), in fiscal year 2000 and thereafter, the definitions of rural areas for certain business programs administered by the Rural Business-Cooperative Service and the community facilities programs administered by the Rural Housing Service shall be those provided for in statute and regulations prior to the enactment of Public Law 104-127].

This change deletes the entire section 730. This section has been made permanent law.

27-9

SECTION 731: Prohibits use of funds to carry out any commodity purchase program that would prohibit eligibility or participation by farmer-owned cooperatives.

> [Sec. 731. None of the funds appropriated or otherwise made available by this Act shall be used to carry out any commodity purchase program that would prohibit eligibility or participation by farmer-owned cooperatives.]

This change deletes the entire section 731. This change is requested in order to permit the Secretary the flexibility needed to carry out the efficient operation of USDA programs.

SECTION 732: Prohibits the use of funds to pay the salaries and expenses of personnel to carry out a conservation farm option program.

> Sec. [732] 721. None of the funds appropriated or otherwise made available by this Act shall be used to pay the salaries and expenses of personnel to carry out a conservation farm option program, as authorized by section 335 of Public Law 104-127.

SECTION 733: Prohibits the use of funds available to the Food and Drug Administration to close or relocate or plan to close or relocate the Food and Drug Administration Division of Drug Analysis in St. Louis, Missouri or the FDA Detroit, Michigan, District Office Lab; or to reduce staffing below the July 31, 1999 level or to modify the Detroit, MI District Office.

> [Sec. 733. None of the funds made available to the Food and Drug Administration by this Act shall be used to close or relocate, or to plan to close or relocate, the Food and Drug Administration Division of Drug Analysis in St. Louis, Missouri, or the Food and Drug Administration Detroit, Michigan, District Office Laboratory; or to reduce the Detroit, Michigan, Food and Drug Administration District Office below the operating and full-time equivalent staffing level of July 31, 1999; or to change the Detroit District Office to a station, residence post or similarly modified office; or to reassign residence posts assigned to the Detroit District Office.]

This change deletes the entire section 733. This change is requested in order to permit the Secretary of Health and Human Services the flexibility needed to carry out programs in the most efficient manner.

SECTION 734: Prohibits the use of funds to carry out section 302(h) of the Agricultural Marketing Act of 1946, unless the Secretary inspects and certifies agricultural processing equipment and imposes a fee for the inspection and certification.

> [Sec. 734. None of the funds made available by this Act or any other Act for any fiscal year may be used to carry out section 302(h) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1622(h)), unless the Secretary of Agriculture inspects and certifies agricultural processing equipment, and imposes a fee for the inspection and certification, in a manner that is similar to the inspection and certification of agricultural products under that section, as determined by the Secretary: Provided, That this provision shall not affect the authority of the Secretary to carry out the Federal Meat Inspection Act (21 U.S.C. 601 et seq.), the Poultry Products Inspection Act (21 U.S.C. 451 et seq.), or the Egg Products Inspection Act (21 U.S.C. 1031 et seq.).]

This change deletes the entire section 734. This change is requested in order to permit the Secretary the flexibility to carry out the USDA programs.

27-10

SECTION 735: Prohibits the use of funds to pay the salaries and expenses of personnel who prepare or submit appropriations language to Congress that assumes revenues or reflects a reduction from the previous year due to user fees proposals that have not been enacted into law prior to budget submission.

[Sec. 735. None of the funds appropriated by this Act or any other Act shall be used to pay the salaries and expenses of personnel who prepare or submit appropriations language as part of the President's Budget submission to the Congress of the United States for programs under the jurisdiction of the Appropriations Subcommittees on Agriculture, Rural Development, and Related Agencies that assumes revenues or reflects a reduction from the previous year due to user fees proposals that have not been enacted into law prior to the submission of the Budget unless such Budget submission identifies which additional spending reductions should occur in the event the user fees proposals are not enacted prior to the date of the convening of a committee of conference for the fiscal year 2001 appropriations Act.]

This change deletes the entire section 735. The 2001 budget includes requests for funds under current law that will be sent to the Appropriations Committees.

SECTION 736: Prohibits the use of funds to establish an Office of Community Food Security or any similar office without prior approval of the Committees on Appropriations.

[Sec. 736. None of the funds appropriated or otherwise made available by this Act shall be used to establish an Office of Community Food Security or any similar office within the United States Department of Agriculture without the prior approval of the Committee on Appropriations of both Houses of Congress.]

This change deletes the entire section 736. This change is requested in order to permit the Secretary the flexibility needed to carry out the programs of USDA.

SECTION 737: Prohibits the use of funds to carry out section 612 of P.L. 105-185, the National Swine Research Center.

[Sec. 737. None of the funds appropriated or otherwise made available by this or any other Act may be used to carry out provision of section 612 of Public Law 105-185.]

This change deletes the entire section 737. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

SECTION 738: Limits funding to carry out the emergency food assistance program authorized in section 27(a) of the Food Stamp Act to $98 million.

[Sec. 738. None of the funds appropriated or otherwise made available by this Act shall be used to pay the salaries and expenses of personnel to carry out the emergency food assistance program authorize by section 27(a) of the Food Stamp Act (7 U.S.C. 2036(a)) if such program exceeds $98,000,000.]

This change deletes the entire section 738. The 2001 budget proposes to carry out this program at the authorized level of $100 million.

27-11

SECTION 739: Prohibits the use of funds to implement or propose to implement the Kyoto Protocol adopted in December 1997.

> [Sec. 739. None of the funds appropriated by this Act shall be used to propose or issue rules, regulations, decrees, or orders for the purpose of implementation, or in preparation for implementation of the Kyoto Protocol which was adopted on December 11, 1997, in Kyoto, Japan.]

This change deletes the entire section 739. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

SECTION 740: Provides that as of fiscal year 2000 and thereafter, permanent employees of county committees employed after October 1, 1998, under the Soil Conservation and Domestic Allotment Act, shall be considered having Federal Civil Service status only for applying for USDA civil service vacancies.

> [Sec. 740. Notwithstanding any other provision of law, in fiscal year 2000 and thereafter, permanent employees of county committees employed on or after October 1, 1998, pursuant to 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) shall be considered as having Federal Civil Service status only for the purpose of applying for the United States Department of Agriculture Civil Service vacancies.]

This change deletes the entire section 740. This section has been made permanent law.

SECTION 741: Prohibits the Secretary of Agriculture from declaring all or any part of the Fort Reno, OK lands or facilities as surplus or excess, or from transferring or conveying all or any part of the lands or facilities without authorization from Congress.

> [Sec. 741. None of the funds appropriated or otherwise made available by this Act, may be used to declare excess or surplus all or part of the lands and facilities owned by the Federal Government and administered by the Secretary of Agriculture at Fort Reno, Oklahoma, or to transfer or convey such lands or facilities, without the specific authorization of Congress.]

This change deletes the entire section 741. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

SECTION 742: Allows the Chief of the Natural Resources Conservation Service to redistribute funds within discretionary amounts available, for the settlement of claims associated with the Chuquatonchee Watershed Project in Mississippi to close out this project.

> [Sec. 742. Notwithstanding any other provision of law, the Chief of the Natural Resources Conservation Service shall provide funds, within discretionary amounts available, for the settlement of claims associated with the Chuquatonchee Watershed Project in Mississippi to close out this project.]

This change deletes the entire section 742. This change would delete this provision. NRCS plans to complete the claim settlements during FY 2000.

SECTION 743: Gives the Secretary of Agriculture the authority to establish a pilot mail inspection program with the State of Hawaii for items subject to Federal quarantine laws.

27-12

[Sec. 743. (a) Not later than 180 days after the date of enactment of this Act, the Secretary of Agriculture shall offer to enter into an agreement with the Governor of the State of Hawaii to conduct a pilot program to inspect mail entering the State of Hawaii for any plant, plant product, plant pest, or other organism that is subject to Federal quarantine laws.

(b) The agreement described in subsection (a) shall contain the same terms and conditions as are contained in the memorandum of understanding entered into between the Secretary and the State of California, dated February 1, 1999, unless the Secretary and the Governor agree to different terms or conditions.

(c) Unless the Secretary and the Governor agree otherwise, the agreement described in subsection (b) shall terminate on the later of--

(1) the date that is 1 year after the date the agreement becomes effective; or

(2) the date that the February 1, 1999 memorandum of understanding terminates.]

This change deletes the entire section 743. This section is no longer needed.

SECTION 744: Authorizes the Secretary to provide guaranteed lines of credit, including working capital loans, for health care facilities to address Y2K computer conversion issues under section 306 of the Consolidated Farm and Rural Development Act, as amended.

[Sec. 744. Notwithstanding any other provision of law, the Secretary is authorized under section 306 of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), to provide guaranteed lines of credit, including working capital loans, for health care facilities, to address Year 2000 computer conversion issues.]

This change deletes the entire section 743. This section is no longer needed.

SECTION 745: Provides for timely compensation to producers whose wheat crops were contaminated by karnal bunt once all of the appropriate paperwork has been received by USDA Farm Service Agency (FSA).

[Sec. 745. After taking any action involving the seizure, quarantine, treatment, destruction, or disposal of wheat infested with karnal bunt, the Secretary of Agriculture shall compensate the producers and handlers for economic losses incurred as the result of the action not later than 45 days after receipt of a claim that includes all appropriate paperwork.]

This change deletes the entire section 745. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

SECTION 746: Provides $2 million for the Bill Emerson and Mickey Leland Hunger Fellowships through the Congressional Hunger Center.

[Sec. 746. In addition to amounts otherwise appropriated or made available by this Act, $2,000,000 is appropriated for the purpose of providing Bill Emerson and Mickey Leland Hunger Fellowships through the Congressional Hunger Center, which is an organization described in subsection (c)(3) of section 501 of the Internal Revenue Code of 1986 and is exempt from taxation under subsection (a) of such section.]

27-13

This change deletes the entire section 746. No funding is requested for the Fellowships in the 2001 budget.

SECTION 747: Provides funding for a farmland protection program in the State of New Hampshire.

[Sec.747. Notwithstanding any other provision of law, there are hereby appropriated $250,000 for the program authorized under section 388 of the Federal Agriculture Improvement and Reform Act of 1996, solely for use in the State of New Hampshire.]

This change deletes the entire section 747. The President's Budget proposes mandatory funding of $65 million per year for the Farmland Protection Program.

SECTION 748: Amends Sections 218(c)(1) and 218(c)(3)(A) of the Immigration and Nationality Act regarding filing deadlines and consideration of applications for labor certifications.

[Sec. 748. The Immigration and Nationality Act (8 U.S.C. 1188 et seq.) is amended: (a) in section 218(c)(1) by striking "60 days" and inserting "45 days", and (b) in section 218(c)(3)(A) by striking "20 days" and inserting "30 days".]

This change deletes the entire section 748. This section amended existing law.

SECTION 749: Allows parties affected by changes to an existing bargaining unit to negotiate and reach a voluntary agreement on a new bargaining unit.

[Sec. 749. SUCCESSORSHIP PROVISIONS RELATING TO BARGAINING UNITS AND EXCLUSIVE REPRESENTATIVES. (a) VOLUNTARY AGREEMENTS.--

(1) IN GENERAL.--If the exercise of the Secretary of Agriculture's authority under this section results in changes to an existing bargaining unit that has been certified under chapter 71 of Title 5, United States Code, the affected parties shall attempt to reach a voluntary agreement on a new bargaining unit and an exclusive representative for such unit.

(2) CRITERIA.--In carrying out the requirements of this subsection, the affected parties shall use criteria set forth in--

(A) sections 7103(a)(4), 7111(e), 7111(f)(1), and 7120 of Title 5, United States Code, relating to determining an exclusive representative; and

(B) section 7112 of Title 5, United States Code (disregarding subsections (b)(5) and (d) thereof), relating to determining appropriate units.

(b) EFFECT OF AN AGREEMENT.--

(1) IN GENERAL.--If the affected parties reach agreement on the appropriate unit and the exclusive representative for such unit under subsection (a), the Federal Labor Relations Authority shall certify the terms of such agreement, subject to paragraph (2)(A). Nothing in this subsection shall be considered to require the holding of any hearing or election as a condition for certification.

(2) RESTRICTIONS.--

(A) CONDITIONS REQUIRING NONCERTIFICATION.--The Federal Labor Relations Authority may not certify the terms of an agreement under paragraph (1) if--

(i) it determines that any of the criteria refereed to in subsection (a)(2) (disregarding section 7112(a) of Title 5, United States Code) have not been met; or

(ii) after the Secretary's exercise of authority and before certification under this section, a valid election under section 7111(b) of Title 5, United States Code, is held covering any employees who would be included in the unit proposed for certification.

(B) TEMPORARY WAIVER OF PROVISION THAT WOULD BAR AN ELECTION AFTER A COLLECTIVE BARGAINING AGREEMENT IS REACHED.--Nothing in section 7111(f)(3) of Title 5, United States Code, shall prevent the holding of an election under section 7111(b) of such title that covers employees within a unit certified under paragraph (1), or giving effect to the results of such an election (including a decision not to be represented by any labor organization), if the election is held before the end of the 12-month period beginning on the date such unit is so certified.

(C) CLARIFICATION.--The certification of a unit under paragraph (1) shall not, for purposes of the last sentence of section 7111(b) of Title 5, United States Code, or section 7111(f)(4) of such title, be treated as if it has occurred pursuant to an election.

(3) DELEGATIONS.--

(A) IN GENERAL.--The Federal Labor Relations Authority may delegate to any regional director (as referred to in section 7105(e) of Title 5, United Sates Code) its authority under the preceding provisions of this subsection.

(B) REVIEW.--Any action taken by a regional director under subparagraph (A) shall be subject to review under the provisions of section 7105(f) of Title 5, United States Code, in the same manner as if such action had been taken under section 7105(e) of such title, except that in the case of a decision not to certify, such review shall be required if application therefore is filed by an affected party within the time specified in such provisions.

(c) DEFINITION.--For purposes of this section, the term "affected party" means--

(1) with respect to an exercise of authority by the Secretary of Agriculture under this section, any labor organization affected thereby; and

(2) the Department of Agriculture.]

This change deletes the entire section 749. This section permanently amended existing law and is no longer needed.

SECTION 750: Prohibits the use of funds for implementation of a Support Services Bureau or similar organization.

27-15

[Sec. 750. None of the funds appropriated or otherwise made available by this Act or any other Act shall be used for the implementation of a Support Services Bureau or similar organization.

This change deletes the entire section 750. This change is requested to remove this preemption of the Secretary's authority to organize the administrative functions of the Department as he determines most effective. It removes the prohibition against using funds made available through the Appropriations Act to set up an administrative organization for the county-based field agencies that will provide for efficiencies in administrative staff and operational costs and result in better support for the program, activities, and customers. The consolidation of administrative services for field office agencies is consistent with the direction given in the Department of Agriculture Reorganization Act of 1994.

SECTION 751: Provides limitations on contracts for procurement or processing of certain commodities.

[Sec. 751. CONTRACTS FOR PROCUREMENT OR PROCESSING OF CERTAIN COMMODITIES. (a) DEFINITIONS.--In this section:

(1) HUBZONE SOLE SOURCE CONTRACT.--The term "HUBZone sole source contract" mens a sole source contract authorized by section 31 of the Small Business Act (15 U.S.C. 657a).

(2) HUBZONE PRICE EVALUATION PREFERENCE.--The term "HUBZone price evaluation preference" means a price evaluation preference authorized by section 31 of the Small Business Act (15 U.S.C. 657a).

(3) QUALIFIED HUBZONE SMALL BUSINESS CONCERN.--The term "qualified HUBZone small business concern" has the meaning given the term in section 3(p) of the Small Business Act (15 U.S.C. 632(p)).

(4) COVERED PROCUREMENT.--The term "covered procurement" means a contract for the procurement or processing of a commodity furnished under Title II or III of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.), section 416(b) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)), the Food for Progress Act of 1985 (7 U.S.C. 1736o), or any other commodity procurement or acquisition by the Commodity Credit Corporation under any other law.

(B) PROHIBITION OF USE OF FUNDS.-None of the funds made available by this Act may be used:

(1) to award a HUBZone sole source contract or a contract awarded through full and open competition in combination with a HUBZone price evaluation preference to any qualified HUBZone small business concern in any covered procurement if performance of the contract by the business concern would exceed the production capacity of the business concern or would require the business concern to subcontract to any other company or enterprise for the purchase of the commodity being procured through the covered procurement.

(2) in any contract awarded through full and open competition in any covered procurement,

(A) to fund a price evaluation preference greater than 5 percent if the dollar value of the contract awarded is not greater than 50 percent of the total dollar value being procured in a single tender for a commodity, or

(B) to fund any price evaluation preference at all if the dollar value of the contract awarded is greater than 50 percent of the total dollar value being procured in a single tender for a commodity.]

This change deletes the entire section 751. This section amended existing law.

SECTION 752: This section redesignates the National School Lunch Act as Richard B. Russell National School Lunch Act.

[Sec. 752. REDESIGNATION OF NATIONAL SCHOOL LUNCH ACT AS RICHARD B. RUSSELL NATIONAL SCHOOL LUNCH ACT. (a) IN GENERAL.–The first section of the National School Lunch Act (42 U.S.C. 1751 note) is amended by striking "National School Lunch Act" and inserting "Richard B. Russell National School Lunch Act".

(b) CONFORMING AMENDMENTS.–The following provisions of law are amended by striking "National School Lunch Act" each place it appears and inserting "Richard B. Russell National School Lunch Act":

(1) Sections 3 and 13(3)(A) of the Commodity Distribution Reform Act and WIC Amendments of 1987 (7 U.S.C. 612c note; Public Law 100-237).

(2) Section 404 of the Agricultural Act of 1949 (7 U.S.C. 1424).

(3) Section 201(a) of the Act entitled "An Act to extend the Agricultural Trade Development and Assistance Act of 1954, and for other purposes", approved September 21, 1959 (7 U.S.C. 1431c(a); 73 Stat. 610).

(4) Section 211(a) of the Agricultural Trade Suspension Adjustment Act of 1980 (7 U.S.C. 4004(a)).

(5) Section 245A(h)(4)(A) of the Immigration and Nationality Act (8 U.S.C. 1255a(h)(4)(A)).

(6) Sections 403(c)(2)(C), 422(b)(3), 423(d)(3), 741(a)(1), and 742 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613(c)(2)(C), 1632(b)(3), 1183a note, 42 U.S.C. 1751 note, 8 U.S.C. 1615; Public Law 104-193).

(7) Section 2243(b) of Title 10, United States Code.

(8) Sections 404B(g)(1)(A), 404D(c)(2) and 404F(A)(2) of the Higher Education Act of 1965 (20 U.S.C. 1070a-22(g)(1)(A), 1070a-24(c)(2), 1070a-26(a)(2); Public Law 105-244).

(9) Section 231(d)(3)(A)(i) of the Carl D. Perkins Vocational Education Act (20 U.S.C. 2341(d)(3)(A)(i)).

(10) Section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(5)).

(11) Section 1397E(d)(4)(A)(iv)(II) of the Internal Revenue Code of 1986.

(12) Sections 254(b)(2)(B) and 263(a)(2)(C) of the Job Training Partnership Act (29 U.S.C. 1633(b)(2)(B), 1643(a)(2)(C)).

(13) Section 3803(c)(2)(C)(xiii) of Title 31, United States Code.

(14) Section 602(d)(9)(A) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 474(d)(9)(A)).

(15) Sections 2(4), 3(1), and 301 of the Healthy Meals for Healthy Americans Act of 1994 (42 U.S.C. 1751 note; Public Law 103-448).

(16) Sections 3, 4, 7, 10, 13, 16(b), 17, and 19(d) of the Child Nutrition Act of 1966 (42 U.S.C. 1772, 1773, 1776, 1779, 1782, 1785(b), 1786, 1788(d)).

(17) Section 6580(b)(3) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858m(b)(3)).

(18) Subsection (b) of the first section of Public Law 87-688 (48 U.S.C. 1666(b)).

(19) Section 10405(a)(2)(H) of the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239; 103 Stat. 2489).]

This change deletes the entire section 752. This section amended existing law.

SECTION 753: This provision amends section 3(b)(1)(G) of P.L. 105-199 regarding the membership composition for the National Drought Policy Commission.

[Sec. 753. Public Law 105-199 (112 Stat 641) is amended in section 3(b)(1)(G) by striking "persons", and inserting in lieu thereof "governors, who may be represented on the Commission by their respective designees,".]

This change deletes the entire section 753. This section amended existing law.

SECTION 754: This provision amends the name of the National Aquaculture Research Center cited in section 889 of the Federal Agriculture Improvement and Reform Act of 1996.

[Sec. 754. Section 889 of the Federal Agriculture Improvement and Reform Act of 1996 is amended–

(1) in the heading, by inserting "HARRY K. DUPREE" before "STUGGART";

(2) in subsection (b)(1)--

(A) in the heading, by inserting "HARRY K. DUPREE" before "STUGGART"; and

(B) in subparagraphs (A) and (B), by inserting "Harry K. Dupree" before "Stuggart National Aquaculture Research Center" each place it appears.]

This change deletes the entire section 754. This section amended existing law.

SECTION 755: Amends section 319(l) of the Agricultural Adjustment Act of 1938 by extending authority for the lease and transfer of burley tobacco quotas from one farm to another to Ohio, Indiana, and Kentucy and also authorizes the Secretary to release tobacco marketing information to tobacco producers and others.

[Sec. 755. TOBACCO LEASING AND INFORMATION. (A) CROSS-COUNTY LEASING.–Section 319(l) of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1314e(l)) is amended in the second sentence by inserting ", Ohio, Indiana, Kentucky," after "Tennessee".

(b) TOBACCO PRODUCTION AND MARKETING INFORMATION.–Part I of subtitle B of title III of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1311 et. seq.) Is amended by adding at the end the following:

SEC. 320D. TOBACCO PRODUCTION AND MARKETING INFORMATION.

"(a) IN GENERAL.–Notwithstanding any other provision of law, the Secretary may, subject to subsection (b), release marketing information submitted by persons relating to the production and marketing of tobacco to State trusts or similar organizations engaged in the distribution of national trust funds to tobacco producers and other persons with interests associated with the production of tobacco, as determined by the Secretary.

"(b) LIMITATIONS.--

"(1) IN GENERAL.–Information may be released under subsection (a) only to the extent that–

"(A) the release is in the interest of tobacco producers, as determined by the Secretary; and

"(B) the information is released to a State trust or other organization that is created to, or charged with, distributing funds to tobacco producers or other parties with an interest in tobacco production or tobacco farms under a national or State trust or settlement.

"(2) EXEMPTION FROM RELEASE.–The Secretary shall, to the maximum extent practicable, in advance of making a release of information under subsection (a), allow, by announcement, a period of at least 15 days for persons whose consent would otherwise be required by law to effectuate the release, to elect to be exempt from the release.

"(c) ASSISTANCE.--

"(1) IN GENERAL.–In making a release under subsection (a), the Secretary may provide such other assistance with respect to information released under subsection (a) as will facilitate the interest of producers in receiving the funds that are the subject of a trust described in subsection (a).

"(2) FUNDS.–The Secretary shall use amounts made available for salaries and expenses of the Department to carry out paragraph (1).

"(d) RECORDS.--

"(1) IN GENERAL.–A person who obtains information described in subsection (a) shall maintain records that are consistent with the purposes of the release and shall not use the records for any purpose not authorized under this section.

"(2) PENALTY.–A person who knowingly violates this subsection shall be fined not more than $10,000, imprisoned not more than 1 year, or both.

"(e) APPLICATION.–This section shall not apply to–

"(1) records submitted by cigarette manufacturers with respect to the production of cigarettes;

"(2) records that were submitted as expected purchase intentions in connection with the establishment of national tobacco quotas; or

"(3) records that aggregate the purchases of particular buyers.".]

This change deletes the entire section 755. This section amended existing law.

SECTION 756: Provides eligibility to Berlin, New Hampshire for a rural utilities grant or loan under the Rural Community Advancement Program.

[Sec. 756. Notwithstanding section 306(a)(7) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(7)), the city of Berlin New Hampshire, shall be eligible during fiscal year 2000 for a rural utilities grant or loan under the Rural Community Advancement Program.]

This change deletes the entire section 756. This section is no longer needed.

SECTION 757: Authorizes the Cranberry Marketing Committee to conduct paid advertising for cranberries and cranberry products and to authorize the Secretary of Agriculture and the Committee to collect cranberry inventory data.

[Sec. 757. CRANBERRY MARKETING ORDERS. (a) PAID ADVERTISING FOR CRANBERRIES AND CRANBERRY PRODUCTS.–Section 8(c)(6)(I) of the Agricultural Adjustment Act (7 U.S.C. 608(c)(6)(I)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended in the first proviso--

(1) by striking "or Florida grown strawberries" and inserting ", Florida grown strawberries, or cranberries", and

(2) by striking "and Florida Indian River grapefruit" and inserting "Florida Indian River grapefruit, and cranberries".

(b) COLLECTION OF CRANBERRY INVENTORY DATA.–Section 8d of the Agricultural Adjustment Act (7 U.S.C. 608d), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following:

(3) COLLECTION OF CRANBERRY INVENTORY DATA.--

"(A) IN GENERAL.–If an order is in effect with respect to cranberries, the Secretary of Agriculture may require persons engaged in the handling or importation of cranberries or cranberry products (including producer-handlers, second handlers, processors, brokers, and importers) to provide such information as the Secretary considers necessary to effectuate the declared policy of this title, including information on acquisitions, inventories, and dispositions of cranberries and cranberry products.

"(B) DELEGATION TO COMMITTEE.–The Secretary may delegate the authority to carry out subparagraph (A) to any committee that is responsible for administering an order covering cranberries.

"(C) CONFIDENTIALITY.–Paragraph (2) shall apply to information provided under this paragraph.

"(D) VIOLATIONS.–Any person who violates this paragraph shall be subject to the penalties provided under section 8c(14).".]

This change deletes the entire section 757. This section amended existing law.

SECTION 758: Authorizes Alaska Native tribes for payment of certain administrative costs for the Food Stamp Program.

[Sec. 758. Beginning in fiscal year 2001 and thereafter, the Food Stamp Act (Public Law 95-113, section 16(a)) is amended by inserting after the phrase "Indian reservation under section 11(d) of this Act" the following new phrase: "or in a Native village within the State of Alaska identified in section 11(b) of Public Law 92-203, as amended.".]

This change deletes the entire section 758. This section amended existing law.

SECTION 759: Provides authorization for education grants to Alaska Native serving institutions and Native Hawaiian servicing institutions.

[Sec. 759. EDUCATION GRANTS TO ALASKA NATIVE SERVING INSTITUTIONS AND NATIVE HAWAIIAN SERVING INSTITUTIONS. (a) EDUCATION GRANTS PROGRAM FOR ALASKA NATIVE SERVING INSTITUTIONS.--

(1) GRANT AUTHORITY.--The Secretary of Agriculture may make competitive grants (or grants without regard to any requirement for competition) to Alaska Native serving institutions for the purpose of promoting and strengthening the ability of Alaska Native serving institutions to carry out education, applied research, and related community development programs.

(2) USE OF GRANT FUNDS--Grants made under this section shall be used–

(A) to support the activities of consortia of Alaska Native serving institutions to enhance educational equity for under represented students;

(B) to strengthen institutional educational capacities, including libraries, curriculum, faculty, scientific instrumentation, instruction delivery systems, and student recruitment and retention, in order to respond to identified State, regional, national, or international educational needs in the food and agriculture sciences;

(C) to attract and support undergraduate and graduate students from under represented groups in order to prepare them for careers related to the food, agricultural, and natural resource systems of the United States, beginning with the mentoring of students at the high school level including by village elders and continuing with the provision of financial support for students through their attainment of a doctoral degree; and

(D) to facilitate cooperative initiatives between two or more Alaska Native serving institutions, or between Alaska Native serving institutions and units of State government or the private sector, to maximize the development and use of resources, such as faculty, facilities, and equipment, to improve food and agricultural sciences teaching programs.

(3) AUTHORIZATION OF APPROPRIATIONS--There are authorized to be appropriated to make grants under this subsection $10,000,000 in fiscal year 2001 through 2006.

(b) EDUCATION GRANTS PROGRAM FOR NATIVE HAWAIIAN SERVING INSTITUTIONS.--

(1) GRANT AUTHORITY.–The Secretary of Agriculture may make competitive grants (or grants without regard to any requirement for competition) to Native Hawaiian serving institutions for the purpose of promoting and strengthening the ability of Native Hawaiian serving institutions to carry out education, applied research, and related community development programs.

(2) USE OF GRANT FUNDS.–Grants made under this section shall be used–

(A) to support the activities of consortia of Native Hawaiian serving institutions to enhance educational equity for under represented students;

(B) to strengthen institutional educational capacities, including libraries, curriculum, faculty, scientific instrumentation, instruction delivery systems, and student recruitment and retention, in order to respond to identified State, regional, national, or international educational needs in the food and agriculture sciences;

(C) to attract and support undergraduate and graduate students from under represented groups in order to prepare them for careers related to the food, agricultural, and natural resource systems of the United States, beginning with the mentoring of students at the high school level and continuing with the provision of financial support for students through their attainment of a doctoral degree; and

(D) to facilitate cooperative initiatives between two or more Native Hawaiian serving institutions, or between Native Hawaiian serving institutions and units of State government or the private sector, to maximize the development and use of resources, such as faculty, facilities, and equipment, to improve food and agricultural sciences teaching programs.

(3) AUTHORIZATION OF APPROPRIATIONS.–There are authorized to be appropriated to make grants under this subsection $10,000,000 for each of fiscal years 2001 through 2006.]

This change deletes the entire section 759. This section has been made permanent law.

SECTION 760: Provides that the price of milk received by producers in Clark County, Nevada shall not be subject to any Federal milk marketing order or any other regulation by the Secretary of Agriculture and shall be solely regulated by the State of Nevada and the Nevada Dairy Commission.

[Sec. 760. Effective October 1, 1999, section 8c(11) of the Agricultural Adjustment Act (7 U.S.C. 608c(11)), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937, is amended by adding at the end the following: "The price of milk paid by a handler at a plant operating in Clark County, Nevada shall not be subject to any order issued under this section.".]

This change deletes the entire section 760. This section has been made permanent law.

SECTION 761: Makes the City of Olean, NY eligible for grants and loans administered by the Rural Utilities Service.

> [Sec. 761. Notwithstanding any other provision of law, the City of Olean, New York, shall be eligible for grants and loans administered by the Rural Utilities Service.]

This change deletes the entire section 761. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

SECTION 762: Makes the Municipality of Carolina, Puerto Rico eligible for grants and loans administered by the Rural Utilities Service.

> [Sec. 762. Notwithstanding any other provision of law, the Municipality of Carolina, Puerto Rico shall be eligible for grants and loans administered by the Rural Utilities Service.]

This change deletes the entire section 762. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

SECTION 763: Amends section 1232(a) of the Food Security Act of 1985 regarding contract terms for owners and operators of cropland subject to expiring conservation reserve contracts.

> [Sec. 763. Section 1232(a) of the Food Security Act of 1985 (16 U.S.C. 3832(a)) is amended--
>
> (1) in paragraph (9), by adding "and" after the semicolon at the end;
>
> (2) in paragraph (10), by striking "; and" and inserting a period; and
>
> (3) by striking paragraph (11).]

This change deletes the entire section 763. This section amended existing law.

SECTION 764: Prohibits the use of funds to implement Notice CRP-338, issued by the FSA on March 10, 1999 regarding continuous sign-up and other procedures for CRP.

> [Sec. 764. None of the funds made available by this or any other Act shall be used to implement Notice CRP-338, issued by the Farm Service Agency on March 10, 1999, nor shall funds be used to implement any related administrative action including implementation of such procedures published in Farm Service Agency program manuals: Provided, That rental payments for any lands enrolled in the Conservation Reserve Program under this section shall be reduced by an amount equal to the federal cost of any remaining value of a federally cost-shared conservation practice as determined by the Secretary.]

This change deletes the entire section 764. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

SECTION 765: Prohibits the use of funds to implement Notice CRP-327, issued by the FSA on October 26, 1998 regarding prohibited activities on CRP acreage.

> [Sec. 765. None of the funds made available by this or any other Act shall be used to implement Notice CRP-327, issued by the Farm Service Agency on October 26, 1998, nor shall funds be used to implement any related administrative action including implementation of such procedures published in Farm Service Agency program manuals: Provided, That this section shall not apply to any lands for which there is not full compliance with the conservation practices required under terms of the CRP contract.]

This change deletes the entire section 765. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

SECTION 766: Redesignates the U.S. Salinity Laboratory in Riverside, CA as the George E. Brown, Jr., Salinity Laboratory.

> [Sec. 766. The Federal facility located in Riverside, California, and known as the "U.S. Salinity Laboratory", shall be known and designated at the "George E. Brown, Jr., Salinity Laboratory": Provided, That any reference in law, map, regulation, document, paper or other record of the United States to such federal facility shall be deemed to be a reference to the "George E. Brown, Jr., Salinity Laboratory".]

This change deletes the entire section 766. This provision has been implemented and the laboratory was renamed on January 21, 2000. This section is no longer needed.

SECTION 767: Amends sections 657, 658, 1006, 1014 of Title 18, U.S.C. regarding the defrauding of lending, credit, and insurance institutions; property mortgaged or pledged to farm credit agencies; Federal credit institution entries, reports and transactions; and loan and credit applications, renewals and discounts, and crop insurance.

> [Sec. 767. Sections 657, 658, 1006, 1014 of Title 18, United States Code, are amended by--
>
> (1) inserting "or successor agency" after "Farmers Home Administration" each place it appears; and
>
> (2) inserting "or successor agency" after "Rural Development Administration" each place it appears.

This change deletes the entire section 767. This section amended existing law.

SECTION 768: Establishes the maximum income limits established for single family housing for families and individuals in the high cost areas of Alaska as 150% of the state metropolitan income level for Alaska.

> [Sec. 768. Notwithstanding any other provision of law, the maximum income limits established for single family housing for families and individuals in the high cost areas of Alaska shall be 150 percent of the state metropolitan income level for Alaska.]

This change deletes the entire section 768. This change is requested in order to permit the Secretary the flexibility needed to carry out programs in the most efficient and effective manner.

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SECTION 769: Amends section 1232(a)(7) of the Food Security Act of 1985 and allows land to be harvested for recovery of biomass used in energy production.

[Sec. 769. Section 1232(a)(7) of the Food Security Act of 1985 is amended--

(1) by striking "except that the Secretary may permit harvesting" and inserting "except that the Secretary--

"(A) may permit--

"(i) harvesting";

(2) by striking "emergency, and the Secretary may permit limited" and inserting "emergency; and

"(ii) limited";

(3) by inserting "and" after the semicolon at the end; and

(4) by adding at the end the following:

"(B) shall approve not more than 6 projects, no more than 1 of which may be in any state, under which land subject to the contract may be harvested for recovery of biomass used in energy production if--

"(i) no acreage subject to the contract is harvested more than once every other year;

"(ii) not more than 25 percent of the total acreage enrolled in the program under this subchapter in any crop reporting district (as designated by the Secretary), is harvested in any 1 year;

"(iii) no portion of the crop is used for any commercial purpose other than energy production from biomass;

"(iv) no wetland, or acreage of any type enrolled in a partial field conservation practice (including riparian forest buffers, filter strips, and buffer strips), is harvested;

"(iv) the owner or operator agrees to a payment reduction under this section in an amount determined by the Secretary.

"(C) the total acres for all of the projects shall not exceed 250,000 acres".]

This change deletes the entire section 769. This section amended existing law.

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