AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2013

THURSDAY, MARCH 29, 2012

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:03 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Herb Kohl (chairman) presiding.

Present: Senators Kohl, Pryor, Brown, Blunt, Cochran, Moran, and Hoeven.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

STATEMENT OF HON. THOMAS VILSACK, SECRETARY

ACCOMPANIED BY:

KATHLEEN MERRIGAN, DEPUTY SECRETARY
JOSEPH GLAUBER, CHIEF ECONOMIST
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OPENING STATEMENT OF SENATOR HERB KOHL

Senator KOHL. The subcommittee will come to order. Today, we begin our first hearing on the fiscal year 2013 budget request for the U.S. Department of Agriculture (USDA). Secretary Vilsack, we thank you for being here. We also want to welcome Deputy Secretary Kathleen Merrigan, USDA Chief Economist, Joseph Glauber, and Budget Officer, Michael Young. We look forward to hearing from you today.

The fiscal year 2013 budget request for the USDA is $18.3 billion. This represents a 7-percent increase over last year. Some programs are cut, while some programs are eliminated entirely. Several new initiatives are proposed and substantial increases are requested in some areas.

The Women, Infants, and Children (WIC) program provides healthy food for women, infants, and children, and is increased by $422 million. This is mainly due to higher food prices.

Public Law 480 program is reduced by $66 million. This is somewhat of a concern, as the humanitarian and food needs around the world, as we all know, have increased.

Our job is to review all the priorities in the budget ensure that programs vital to people's health, safety, and livelihoods are adequately funded. We also need to make sure that tax dollars are spent wisely, as we all know we need to do more with less.

The USDA is broad in scope and affects the lives of every American. Now, more than ever, it's essential that we set the priorities correctly to ensure the Department is both effective, efficient, and also serves the American people in the proper way.

We face many challenges this year, as we move through the appropriations process. I hope to work closely with the Department, so we can produce a responsible bill.

We also very much look forward to working with Senator Blunt and all members of the subcommittee. I'd like to thank Senator Blunt for the helpful and the bipartisan manner in which we have worked together. This subcommittee has a tradition of working in a bipartisan manner, and I assure all members that we will continue that practice as we move forward.

Secretary Vilsack, we thank you again for being here, and we look forward to your statement. Before that, I would like ask Senator Blunt for any comments that he may have.

STATEMENT OF SENATOR ROY BLUNT

Senator BLUNT. Thank you, Mr. Chairman, and thank you for holding this hearing. I hope that with your leadership we can produce a bill again this year, and I'm going to do everything I can to be helpful in your efforts to get that done, as I believe others on the subcommittee will. It was good that the agriculture appropriations bill was the bill that became the host for the first appropriations bills that passed last year, and I hope we can do our work in the same manner this year.

The President's budget proposes a net increase in spending in the USDA. Of course, as our Nation's debt increases, we have to look carefully at every part of the budget, including this one. But over the past year, the Agriculture subcommittee has made difficult and necessary decisions, as the Department has, including cutting discretionary spending by 15 percent.

This year represents a significant anniversary for the USDA. It was 150 years ago, in 1862, that President Lincoln signed into law the bill that created the USDA. And today, the Department touches the lives of every American, every day. Activities undertaken by USDA include agriculture research, conservation, housing and business loan programs for rural communities, domestic and international nutrition programs, food safety, and trade promotion.

The same year that President Lincoln signed the bill that created the USDA, he also signed a bill that was the Morrill Land Grant College Act. And over the course now of a century-and-a-half research and extension conducted at those land grant universities, and now others, has transformed American agriculture into the most innovative and productive in the world. As a result, agriculture remains the brightest spot in our country's economy today.

Last year, American farmers supported record agricultural exports and earned their highest income since the 1970s. U.S. farm exports alone helped support more than 1 million U.S. jobs in 2011. At the same time, however, USDA predicts farm income will decline by 6.5 percent this year, and recent studies show that farmers are less optimistic as surging fuel prices and increases in other inputs increase their costs.

As we look ahead to fiscal year 2013, we have to be mindful of the important role that agriculture plays in our economic recovery. We have to make wise investments in those programs that will increase our agricultural community's competitiveness here and abroad, and sound agricultural research is the cornerstone to success in all aspects of the agriculture industry, whether it's developing more efficient production methods, eradicating pest and disease, developing biofuels, maintaining a safe food supply, or enhancing the nutritional quality of our diets, USDA is and will be involved.

Agriculture research today makes it possible for one American farmer to feed 155 people. Continued investment in research will make it possible for us to meet the global food demand, which is expected to double, a number that always surprises me, but the global food demand expected to double by 2050.

I'm pleased to see the Department has increases in its plans for research. These programs and others are critical to our farmers' ability to increase production, and every $1 spent on research results in a $20 return to the U.S. economy.

I'm glad the Secretary and his team are here today, and really believe that they are managing the Department in a really challenging time in a way that's transparent, and effective, and forward looking. And Mr. Secretary, glad you could join us today.

Senator KOHL. Thank you very much.

Secretary Vilsack.

SUMMARY STATEMENT OF HON. THOMAS VILSACK

Secretary VILSACK. Mr. Chairman, and Senator Blunt, and Senator Moran, thank you very much for the opportunity to appear today. You have my statement, and I would just simply ask for an opportunity to amplify on it just a bit.

We want to thank the subcommittee for this opportunity, and we would like to start with a plea, and the plea is for an understanding that we need time and flexibility during these difficult times.

While the budget that we propose does increase over last year, I would like to point out that it is several billion dollars less than it was in 2010. And that has resulted in us at USDA taking a look very carefully at the ways in which we expend taxpayer resources and are in the process of a variety of steps to try to make this a more efficient and more effective USDA.

We need time to absorb the reductions that have taken place. We need time to fully implement our plans for additional savings, which includes a very top to bottom review of our administrative functions. And we need to have the opportunity and the flexibility to build on the success that we've experienced at USDA in the recent past.

Senator Blunt mentioned the fact that we had record income last year. And while it is true that income is expected to be down just a bit, it will still be one of the best years in farm income in our history. It is a result of record exports, a record number of acres enrolled in conservation, a record number of crop insurance programs, a record amount of credit extended to producers, homeowners, and businesses, a record amount of investment in bio-based products, and a bio-based economy, as well as the expansion of local and regional food systems, a record investment in business growth in rural areas and community development, record lows in fraud and in error rates in many of our nutrition programs, including the Supplemental Nutrition Assistance Program (SNAP), expanded food safety efforts, and expanded effort to improve the nutrition of American families, with a particular emphasis on our school children. And as Senator Blunt indicated, an expanded effort at agriculture research, which is extraordinarily important for us to be able to meet the growing demands, not here just in the United States, but also globally.

This has required us to make some tradeoffs, and you'll find that we actually had to make some difficult decisions concerning programs that were either duplicative, ineffective, inefficient, unnecessary, or in some cases, just inadequately funded to make a difference. We also had to take into consideration the impact of the farm bill discussions, which have just begun in the Senate and the House.

We have very specific goals, and I'll conclude with that. We want a Farm Service Agency (FSA) that provides appropriate credit and maintains a safety net for our producers. We want to continue to expand trade and to establish food security globally through our Foreign Agricultural Service. We want to promote job growth and improve quality of life and energy security through rural development.

Through our food safety efforts, we want better food safety more focused on prevention, surveillance, and detection, and more rapid recovery and response.

Through the natural resources portion of our budget, we want to expand technical assistance to landowners so that we can get conservation on the ground sooner, and we want to focus on some high-priority landscaped areas, so we can improve soil and water quality, increase wildlife diversity, work with our friends and neighbors in the sportsmen field to expand outdoor recreational opportunities.

In the Marketing and Regulatory Programs (MRP) area, we'd like to continue our efforts at expanding local and regional food systems, as well as prioritizing animal and plant health. The research area, we want to continue to focus on our ability to maintain competitive targeted research towards priorities, and within the administration of our food programs, we want to continue to provide access while improving the integrity of each and every one of the programs.

Finally, in the administration of the Department, we want to continue the cultural transformation efforts to improve employee moral, expand on our process improvement efforts, which is provided for a more efficient use of our time, realign our workforce through early retirement incentives, and consider taking a look at our footprint, which has involved some very difficult and tough decisions concerning office consolidations, and at the same time, continue, as I indicated earlier, a fairly extensive process that's looking at our administrative services.

PREPARED STATEMENT

It has been a busy time at USDA, and we appreciate the subcommittee's opportunity to appear today, and look forward to your questions.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF HON. THOMAS VILSACK

Mr. Chairman and distinguished members of this subcommittee, I appreciate the opportunity to appear before you to discuss the administration's priorities for the Department of Agriculture (USDA) and provide you an overview of the President's 2013 budget. I am joined today by Deputy Secretary Kathleen Merrigan, Joseph Glauber, USDA's Chief Economist, and Michael Young, USDA's Budget Officer.

When I made my first appearance before this subcommittee, our country and the Department of Agriculture faced historic challenges. The economy had deteriorated significantly. It was a crisis that cost the United States more than 8 million jobs and plunged the economy and the world into a crisis from which we are still fighting to recover. Three years later, thanks to the President's bold actions, the economy is growing again and creating millions of jobs in the private sector. Over the past 22 months, the Nation's businesses have created 3.2 million jobs. Last year, we added the most private sector jobs since 2005.

I am proud to say that America's farmers, ranchers, and producers have helped fuel the beginnings of the recovery. The establishment of the Department 150 years ago underscored the importance of agriculture and rural America to the country. What was true then remains true today—agriculture and rural America matter. Agriculture plays a fundamental role in our economy—responsible for 1 in 12 jobs. That's not surprising, because at the time the Department was created, the Morrill Act established the partnership between USDA and the land grant universities. Because of this partnership, these institutions have graduated 20 million people, people who went on to jobs that built our economy. So, when American producers earn record income, as they did last year, everyone benefits through the creation of more jobs and higher wages, whether in food processing, packaging, or farm equipment manufacturing, the reduction of our dependence on foreign oil supplies, or the increased availability of more nutritious food.

On February 10, 2012, I announced another record-breaking calendar year for farm exports. Total agricultural exports for calendar year 2011 were a robust $136.3 billion. We saw a rise in both the value and volume of U.S. agricultural exports worldwide in 2011, as international sales rose $20.5 billion over the previous record set in calendar year 2010. Agricultural exports have supported the creation of over a million jobs. USDA has expanded markets for American goods abroad by working aggressively to break down barriers to trade and provide U.S. businesses with the resources needed to reach consumers around the world. Last year, we exported an all-time high of $5.4 billion worth of beef and beef products, surpassing the previous record by more than $1.6 billion. The volume of shipments also surpassed the 2003 levels, the last year before a detection of bovine spongiform encephalopathy (BSE) disrupted U.S. trade. The return to pre-2003 levels marks an important milestone in USDA's steadfast efforts to open and expand international markets. The ratification of the trade agreements with South Korea, Colombia, and Panama will increase U.S. farm exports by an additional $2.3 billion—supporting nearly 20,000 American jobs—by eliminating tariffs, removing barriers to trade and leveling the playing field for U.S. producers.

Agriculture has also led the development of our bio-based economy, where what we grow and raise is used to make fuel, chemicals, and polymers to complement our traditional production of food, feed, and fiber. Resilient, hard-working rural residents provide a model for creating economically thriving communities, which underscores why the unemployment rate is dropping more quickly in rural America than anywhere else in the country.

At USDA we have been working to fulfill President Obama's vision for a Nation where everyone gets a fair shot and an economy that makes, creates and innovates. We have been working to implement the President's vision by laying a foundation for sustainable economic growth and job creation. USDA is at the forefront of developing the technology and tools necessary to transform rural America so that it can create and take advantage of new economic opportunities.

We have generated rural wealth with our conservation and rural development programs. These programs help create green jobs, improve recreation and tourism, and facilitate the production of renewable energy. We have maintained a strong agriculture safety net through a system of income support, disaster mitigation, and a record number of farm loans.

The Department has programs to help people in need by ensuring that they have access to a plentiful supply of safe and nutritious food. This is fundamental to the healthy development of every child in America and to the well-being and productivity of every family. In recent years, the Supplemental Nutrition Assistance Program (SNAP) has helped millions of families meet basic nutritional needs. The program currently serves as a bridge to recovery for over 46 million Americans who are at risk of being hungry when they face challenging economic times. More than half of those who rely on the program are children, elderly, or the disabled, and many participants are newly unemployed who may have never thought they would need this assistance.

While SNAP has increased steadily since its last low point in 2000, and sharply during the recent economic downturn, the rate of increase has been declining since January 2010. And now, we estimate that rising employment and household income will reduce participation in SNAP in 2013, even as the program serves a larger share of those eligible. This is how the program is designed to work; participation rises during difficult economic times and falls in better times. Even under this period of rapid growth in participation, this administration has achieved historically high accuracy rates in SNAP, saving the taxpayer billions of dollars. We will continue to make improvements that protect program integrity, even as Federal and State budgets for oversight of the program are declining.

We have accomplished a critical step on the road to deliver healthier, more nutritious food to our Nation's schoolchildren and to help them develop healthy eating habits for life. On January 26, 2012, we published the final rule that refines and improves the standards for meals available to over 51 million school children across the country every day. The new rule implements provisions of the Healthy, Hunger-Free Kids Act of 2010 that are simpler and less burdensome than the ones they replace. The rule substantially increase offerings of fruits, vegetables, and whole grains; reduce saturated fat, trans fats and sodium; and set sensible calorie limits based on the age of children being served. Our understanding of the nutritional quality of food is built upon USDA science. We have seen the connection between what our kids eat and how well they perform in school. And we know that America's success in the 21st century is dependent on having the best-prepared and best-educated workforce in the world. So it is critical that that all children have the basic nutrition they need to learn, to grow, and to pursue their dreams.

These are just a few of the ways that USDA is helping to create jobs and work towards an economy built to last. But it's going to take more to keep moving forward, and that's the goal of President Obama.

I share the President's vision for investing in activities that promote economic growth, while reducing our deficits over the long-term. We need to cut what we can't afford in order to pay for what really matters, but in a way that does not hamper growth or prevent us from helping businesses and American families that need assistance. At USDA we recognized, like families and businesses across the country, that we could not continue to operate as we did in the past and that we must innovate, modernize, and be better stewards of the taxpayers' dollars.

Over the past decade, USDA has seen an increase in program complexity and demand for services while staffing has decreased. Therefore, for fiscal year 2012, I led a Department-wide review of operations to make USDA work better and more efficiently for the American people. Agency leaders took a hard look at all their operations, both in headquarters and field offices. The result was our Blueprint for Stronger Service. The plan identifies administrative efficiencies, office closures, and targeted staffing reductions, to help us deal with reductions in funding. This plan will create optimal use of USDA's employees, better results for USDA customers, and greater efficiencies for American taxpayers.

Under the Blueprint for Stronger Service, USDA is reducing expenditures for certain IT products, supplies, travel, printing, and other services. The Blueprint also calls upon USDA to strengthen its administrative services. Under this initiative, the Department identified 379 recommendations for improving USDA's office support and operations, which includes ways to streamline the provision of administrative services, such as civil rights, information technology, finance, human resources, homeland security, procurement, and property management. Twenty-seven initial improvements have been identified for first-phase implementation of this project that will realize efficiencies through improved administrative services, such as leveraging USDA's size through strategic and volume purchases as is demonstrated by the consolidation of over 700 cell phone plans down to approximately 10.

To realize further efficiencies, USDA has proposed closure of 259 domestic offices, facilities, and labs across the country, as well as seven foreign offices while ensuring that the vital services they provide are not diminished. In some cases, the offices being closed are no longer staffed or are staffed by one or two people; many are within 20 miles of other USDA offices. In other cases, technology improvements, advanced service centers, and broadband service have reduced the need for brick and mortar facilities.

Last year, many agencies put hiring controls in place, followed by voluntary early retirement programs and targeted separation incentive programs. We have offered these programs on a broader basis in fiscal year 2012. Over the last 15 months, nearly 7,800 people have elected to take advantage of regular and early retirement opportunities. These departures have provided agencies the flexibility to eliminate or restructure positions to be more relevant to customer needs. Many of the vacated positions will not be refilled, and many of those refilled will be at lower grades than before. We opted to manage change rather than implement reductions-in-force or furloughs, which would have disrupted services that matter to the public.

When fully implemented, these immediate actions along with other recommended changes will generate efficiencies valued at about $150 million annually. Further improvements are expected based on the realignment of the workforce. Most important, these actions will ensure that USDA continues to provide an optimal level of service to the American people within available funding levels. Ultimately, the Blueprint for Stronger Service will allow us to manage change in a way that allows us to provide a high level of services despite reduced operating budgets.

I have made it a priority to transform USDA into a high-performing and diverse organization. Under our Cultural Transformation initiative, we are focusing on improving several aspects of employee culture, including leadership accountability, employee development, talent management, labor relations, customer focus, and diversity of the workforce. By strengthening management operations and engaging employees, USDA will also improve customer service; increase employment satisfaction; and implement strategies to enhance leadership, performance, diversity, and inclusion.

This in-depth evaluation and improvement of our operations provided a firm foundation for us to develop the fiscal year 2013 budget. For 2013, the budget we are proposing reflects the difficult choices we are making to control spending, while maintaining investments that are critical to long-term economic growth and job creation.

In total, the 2013 budget we are proposing before this subcommittee is $141 billion, an increase of $6.9 billion above the 2012 estimate. Of the increase, $6.4 billion is for mandatory programs, due primarily to a one-time shift in the timing of certain crop insurance costs mandated by the 2008 farm bill. The budget also increases funding for the nutrition assistance programs to fully fund estimated participation levels. As we continue to create jobs and grow the economy, fewer families will need nutrition assistance.

For discretionary programs, our budget proposes $19.3 billion, approximately $478 million above the 2012 level. The majority of the increase is for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and agricultural research. The discretionary funding request reflects the Department's continued efforts to innovate, modernize, and be better stewards of the taxpayers' dollars. Discretionary spending is partially offset through about $1 billion of proposed limits on selected mandatory programs and other adjustments. For 2013, further administrative efficiencies, realignment of staff, and other actions are proposed to reduce costs. In addition, the budget proposes to reduce or terminate selected programs and reallocate resources to fund targeted investments in priority programs and infrastructure to provide a foundation for sustainable economic growth.

This budget provides the resources we need to effectively deliver the level of service our customers and your constituents expect from USDA—whether it is applying for a farm operating loan, enrolling more acres into conservation programs, supporting business creation, seeking nutrition assistance, or any of the multitude of services provided by our dedicated workforce. Any further reduction in funding for our back office operations would significantly impair our ability to deliver critical services and would imperil our efforts to manage an increasingly complex workload with less money and fewer workers.

Reducing the deficit is a critical part of the President's economic plan. The long-term stability of the economy depends on whether we have the will to act now. Farmers and ranchers know the importance of a healthy economy, which raises incomes and increases demand for their products. Therefore, the 2013 budget reflects the President's Plan for Economic Growth and Deficit Reduction. The President's plan reduces the deficit by $32 billion over 10 years by eliminating direct farm payments, decreasing crop insurance subsidies, and better targeting conservation funding to high-priority areas.

As Congress initiates its deliberations on the reauthorization of the farm bill, we must remember that American agriculture has achieved its success today because of the policies and the investments that have been made over many decades. We are here because we've maintained a strong safety net so there is adequate financial help when times are tough and disaster strikes. We have supported research that has led to a significant increase in agricultural productivity and promoted vibrant markets. We are also here because policies in the farm bill for research, renewable energy, and broadband are providing rural America the tools to take advantage of new economic opportunities. Statutory authority for all disaster programs expired on September 30, 2011; accordingly, USDA cannot provide assistance through these programs to producers for losses due to natural disasters occurring after that date. As the farm bill is drafted, I encourage Congress to provide USDA the tools and the flexibility needed to address the challenges faced by American producers.

Our 2013 budget protects the farm safety net, while achieving the President's goal for deficit reduction. Income support programs, including 2012 direct payments, 2013 counter-cyclical payments, and Average Crop Revenue Election (ACRE) payments, are expected to total about $4.9 billion and outlays under the Federal crop insurance program are projected to reach $9.3 billion. Despite a strong farm economy, demand for USDA farm loans remains strong due, in part, to tighter private credit standards including higher down-payment requirements. The 2013 budget provides nearly $4.8 billion for loans to meet the expected demand for financing. The requested loan levels will serve nearly 30,000 farmers.

In order to better serve producers with faster and simpler service, the budget continues to fund IT modernization activities of our Farm Service Agency (FSA). This investment will improve the Agency's ability to deliver increasingly complex farm program benefits, securely, reliably, and rapidly. Since 2003, staffing levels at FSA have declined over 30 percent, making investments in IT infrastructure even more important.

One of USDA's most important objectives is to protect our abundant natural resources. Over the last 3 years, we enrolled a record number of acres of private working lands in conservation programs. These programs help to preserve the soil, improve water quality, and promote wildlife diversity and add hundreds of millions of dollars to local economies in rural areas. For 2013, the budget provides approximately $6.2 billion to support approximately 358 million acres in farm bill conservation programs.

For the Natural Resources Conservation Service (NRCS), the 2013 budget proposes $828 million for conservation operations. NRCS will continue efforts to leverage technical assistance funds through agreements with its traditional partners, such as conservation districts, as well as with nonprofit organizations and State and local agencies. This approach of voluntary conservation works. That is why we are embracing locally driven conservation programs and entering partnerships that focus on large landscape-scale conservation programs, such as the Chesapeake Bay, the Bay-Delta region in California, the Mississippi River Basin, Gulf Coast, and the Great Lakes.

Our budget for 2013 contributes significantly to the economic growth goals of the White House Rural Council by continuing to fund programs that promote renewable energy, job training, infrastructure investment, access to capital, and green jobs throughout rural America. Approximately $6.1 billion in direct loans will be made available to support the transformation from fossil fuels to cleaner technologies. Allowing financing for environmental upgrades will support the continued development of a national clean energy strategy. Almost $1 billion in loans will be used to support rural business and entrepreneurs, which will put more people back to work. USDA's efforts, including a regional approach to wealth and job creation, is one reason why the unemployment rate is dropping more quickly in rural America than anywhere else in the country. We are giving renewed opportunity to the nearly 50 million people who live in those areas who don't necessarily farm.

Cutting edge research remains key to the United States retaining its competitive edge and global leadership in agricultural productivity—estimated to need to increase 70 to 100 percent by 2050 to meet growing global demands for food. The correlation between research and improved productivity could not be clearer. As a result of research at USDA, our land grant universities, and the private sector, American agriculture ranks second in productivity gains of all segments of the U.S. economy since 1980. Over the past 60 years, yields per acre of major crops—corn, soy, wheat, and cotton—have doubled, tripled, and in some cases even quadrupled. At the same time, livestock production and specialty crop production have become far more efficient. These incredible productivity gains were achieved through a sustained investment in research. We will continue to support a robust research program that will ensure sustainable agricultural production, economic growth for growers and greater choice for consumers. The 2013 budget proposes funding of $325 million for the Agriculture and Food Research Initiative (AFRI), an increase of $60.5 million, and $1.1 billion for our Agricultural Research Service (ARS). We will continue to focus additional research dollars in key areas, such as biofuel feedstocks, livestock and crop production and protection, and enhancing American agriculture's ability to meet growing global demand sustainably.

Because we are still in a recovering economy, USDA recognizes the need to support those in need by ensuring access to safe and nutritious food, which is essential to the healthy development of every American child and to the well-being and productivity of every American family. The budget fully funds the expected requirements for the Department's three major nutrition assistance programs—WIC, the National School Lunch Program, and SNAP.

The Department has had great success in promoting healthy eating habits and active lifestyles. Too many adults and children have poor diets and gain excessive weight contributing to poor health and increased medical costs. The Centers for Disease Control and Prevention data show that the prevalence of obesity among children tripled from 1970 to 2008 and it doubled among adults. However, data for 2009–2010 show the obesity rate for both children and adults has stopped increasing. Policies aimed at increasing access to more nutritious diets, promoting eating habits consistent with the Dietary Guidelines and encouraging healthy lifestyles are partly responsible for this change.

One of the key challenges for providing healthier school meals is to modernize cafeteria equipment appropriately so schools can prepare attractive, wholesome meals with more whole grain, fruit and vegetables, and less fat and saturated fat. Helping schools to upgrade the nutritional quality of meals served is essential. So an important part of the budget request is $35 million to continue competitive grants to help schools purchase equipment to serve healthier meals as well as to expand the breakfast program. These grants will help about 10,000 schools across America.

The budget not only supports domestic food assistance, but also provides $1.4 billion to support programs that further the administration's global food security objectives, including those supporting preschool and school feeding programs carried out under the McGovern-Dole International Food for Education and Child Nutrition Program. In fiscal year 2013, the McGovern-Dole program is expected to benefit more than 4 million women and children. Through the U.S. Government's leadership in global food security, we advance global stability and prosperity by improving the most basic of human conditions—the need that families and individuals have for a reliable source of quality food and sufficient resources to purchase it.

The Obama administration and USDA are committed to partnering with rural communities to increase their economic competitive by helping them provide residents access to quality healthcare services, modern library facilities and school buildings, and reliable emergency equipment and services. Financing totaling $2 billion, an increase of approximately $700 million, will provide assistance to over 1,700 rural communities. Investing in rural communities is essential for growth and job creation.

Helping rural residents obtain safe and affordable housing is also a key to maintaining stable communities and creating jobs. The 2013 President's budget requests a significant level of funding for housing programs. USDA continues to request that single family housing assistance be provided primarily through loan guarantees. The 2013 budget includes funding to support $24 billion for guaranteed loans. USDA's single family housing direct loan program is funded at $653 million, and will be targeted to teachers in rural areas, and very-low-income recipients of mutual and self help grants. These funds will create job opportunities and make the dream of home ownership a reality for over 184,000 families in rural America.

Since the founding of President's Obama's Food Safety Working Group in 2009, USDA has collaborated extensively with other Federal partners to safeguard the food supply, prevent foodborne illnesses and improve consumers' knowledge about the food they eat. USDA is working to strengthen Federal efforts and develop strategies that emphasize a three dimensional approach to prevent foodborne illness: Prioritizing prevention; strengthening surveillance and enforcement; and improving response and recovery. Between 2000 and 2010, USDA reached a national goal of reducing E. coli rates by 50 percent, largely because of strengthened beef safety policy and enforcement. In 2011, stricter Salmonella and Campylobacter performance standards were implemented to reduce these pathogens in turkeys and young chickens, which are expected to prevent as many as 25,000 foodborne illnesses annually.

Despite this success, we can and must do a better job of ensuring the safety of meat and poultry products regulated by USDA, but we need to do it more efficiently and effectively. The Food Safety and Inspection Service (FSIS) recently published a proposed regulation that will prevent thousands of food-borne illnesses, streamline poultry inspections, and reduce spending by approximately $90 million over the first 3 years of implementation. We will revise current procedures and remove outdated regulatory requirements that do not help combat foodborne illness. The new procedures will use taxpayer dollars more effectively and efficiently; even with these program efficiencies, the budget includes approximately $1 billion for FSIS.

The economic vitality and quality of life in rural America and the U.S. economy at large depends on a competitive, efficient, and productive agricultural system. In an era of market consolidation and intense competition, producers rely on fair and open access to markets and control over their decisions to thrive. Producers also rely on animal and plant resources being protected against the introduction of foreign agricultural pests and diseases. For 2013, the budget includes over $880 million in discretionary funding to improve agricultural market competitiveness and production for the overall benefit of consumers and producers.

We have taken a close look at the budget for the Animal and Plant Health Inspection Service and have proposed a number of program reductions and implemented identified program efficiencies to ensure that scarce resources are being used efficiently. The budget achieves savings through a variety of means. It includes decreases for activities where eradication campaigns have been successful, such as boll weevil, and for pests and diseases where management is currently more prudent than eradication, such as emerald ash borer. Savings are also possible in animal disease testing while still meeting international standards. Further, the budget achieves other savings by acknowledging the role of the producer and other cooperators to directly reduce certain pests and diseases, such as Johne's disease. The budget also proposes modest increases to improve overall animal disease traceability and to provide protections against animal diseases that could impact human health. At the requested budget level, we estimate we will prevent and mitigate about $1.18 billion in damages as a result of selected plant and animal health monitoring and surveillance efforts.

USDA's central Departmental Management provides human resource, procurement, information technology, and financial management oversight and services to agencies. Departmental staff offices provide legal and economic support, communications coordination, and program appeal hearings for the Department's program activities. These activities are vital to USDA's success in creating opportunities for America's farmers, ranchers, and rural communities. The 2012 appropriations act made deep cuts in funding for these offices. Under these reduced funding levels, we took prudent actions to maintain critical functions needed to support the agencies' effective delivery of program operations. But further reductions in these areas cannot be sustained without deterioration in service. For 2013, the budget proposes funding to ensure that these offices maintain the staffing levels needed to provide leadership, oversight, and coordination. These efforts are critical to making the Department an efficient and effective organization.

Since coming to USDA, I have made it a priority to resolve all of the civil rights cases facing the Department which the administration inherited. During this time, we have resolved large-scale class action lawsuits involving allegations of past discrimination by Black and Native American farmers and ranchers and provided an additional path to justice for women and Hispanic farmers and ranchers who allege discrimination. We have corrected past errors, learned from mistakes, and charted a stronger path for the future where all USDA employees treat all Americans with dignity and respect. The 2013 budget builds upon our progress by increasing funding for selected key priorities that will improve USDA's handling of civil rights matters and will address claims of potential discrimination in the delivery of programs.

In conclusion, the President is deeply committed to reducing the deficit so that the economy can continue to grow over the longer term. This is a responsible, balanced budget that continues to meet key priorities and is consistent with the President's commitment. We will continue to achieve significant progress in administering more complex programs with fewer staff and resources by adopting reforms that will improve our programs and service to our customers.

At this time, I will be glad to answer questions you may have on our budget proposals.

Senator KOHL. Thank you very much, Secretary Vilsack.

WIC PROGRAM FUNDING

Mr. Secretary, the fiscal year 2013 budget includes $422 million increase for WIC. Do you believe this budget is sufficient to cover the demand for the WIC program? How will the Department adjust should cost food costs and participation increase in 2013?

Secretary VILSACK. Mr. Chairman, we do believe it is adequate. We do believe it's based on accurate estimates. We're a bit off this year, and so we wanted to be doubly sure that we focused on maintaining the WIC program so that there weren't waiting lines. We know that's something the Congress does not want us to have. But, also point out that we are expecting and anticipating that the food inflation will be moderate in comparison to last year. We saw fairly significant spikes at various points in time. We don't expect to see quite the high level of food price increases that we experienced last year. So, we do believe that that estimate is accurate.

SNAP CONTINGENCY FUND

Senator KOHL. Mr. Secretary, the food stamp program, which is now called SNAP, saw a $2 billion increase to its contingency fund. This is not a small amount of money. Why is this additional amount of money needed, given the current state of the economy? Do you envision using any of the contingency?

Secretary VILSACK. Mr. Chairman, what we have seen with reference to SNAP is a plateauing of our SNAP numbers, which is obviously a good sign, may very well be reflective of the fact that we're beginning to see an improved economy.

Having said that, as noted earlier, high energy costs could potentially derail that recovery, and so we want to be in a position that if things don't continue to proceed in a positive way that we can respond to the nutritional needs of families, and also continue to focus on the fact that their nutrition assistance programs are not just for the struggling families, but it is, in a sense, part of the overall program to ensure the safety net for our producers. Sixteen cents of every food dollar goes into a farmer's pocket. So, as we look at the totality of our support, and help, and assistance for our farmers and producers, you have to look at all of the programs, including SNAP.

SNAP PROGRAM INTEGRITY

Senator KOHL. Mr. Secretary, over the past few months we've heard a lot about the integrity of the SNAP program. This program provides a crucial safety net for millions of people. We certainly need to ensure that this program is managed in the most effective and efficient manner possible. What is your Department doing to address waste, fraud, and abuse in this program?

Secretary VILSACK. Mr. Chairman, let me start off by pointing out that the fraud rates and the error rates are at historic lows. We've taken a number of steps.

First, as it relates to individuals, we have in place a program that will allow us to check against death records, Social Security records, et cetera, to make sure that people are not inappropriately using other's identity. We also have a program for those individuals who live near border States to ensure that they don't try to collect in a number of States.

I will tell you that in 2010, our latest numbers, nearly 800,000 investigations were conducted by States, in terms of individuals, and more than 44,000 individuals were disqualified from the program as a result of being disqualified in those inspections.

We have looked at approximately 15,000 businesses, stores, and we have an alert program, which allows us to begin looking at 18 different demographic factors and demographic pieces of information and data about how SNAP proceeds are being processed.

For example, if we see a continuation of even no-cent purchases, $35, $50 even, that is a tip-off for us to really do a more thorough investigation of how the program is being utilized.

We are also making sure that if a location is disqualified from the program, that there's not a transfer of ownership that is basically hiding the previous owner, so we're going into greater detail in terms of looking at the paperwork of these transfers.

So, we take all of this very, very seriously. We understand it's important and necessary to maintain the integrity of these programs. While we are pleased that we are at record lows, we're not satisfied. We want to continue to work to ensure the integrity of these programs.

FOOD SAFETY AND INSPECTION SERVICE POULTRY INSPECTION

Senator KOHL. Thank you. The Food Safety and Inspection Service (FSIS) program, is responsible for ensuring that the Nation's commercial supply of meat, poultry, and processed egg products is safe and wholesome. This is done to a large degree by Federal inspectors and meat processing plants.

However, FSIS's budget includes a $13 million cut in funding associated with implementing new methods of poultry inspection and reducing staff by 500 employees. Certain inspection responsibilities would shift from Federal inspectors to company employees.

In light of continuing outbreaks of food-borne illness, we're concerned that this decision may put consumers at risk solely for budget savings. Do you believe this new inspection method will keep our food safe? What training will be required of company employees prior to assuming these new tasks?

Currently, FSIS inspectors can evaluate up to 35 birds per minute. The new process is supposed to be five times faster, and is this safe for workers?

Secretary VILSACK. Mr. Chairman, thank you for asking that question. First of all, let me suggest to you that we believe that this process will actually make the food safer, not as safe, but safer. And the reason for this is, based on the fact that we have had a number of pilot facilities around the country for a number of years use this new system that we're proposing, and from that, the data suggests that we can save 5,200 food-borne illness incidences as a result of this new system.

Second, it's important to know that essentially what we're doing in terms of company inspection is not so much in terms of food inspection and in terms of food safety, it has more to do with the cosmetic appearance of the poultry. At the beginning of the process, we are currently using individuals to look for defects in the cosmetic nature of poultry, which we think is really more about the marketing of the product, not the safety of it.

What we'd like to be able to do is to have the company assume that responsibility for cosmetic review, and then shift the responsibility of the people that we currently have on that line to taking a look at the locations along the line where the hazards are greatest, and beef up that effort.

It is true that this will result ultimately over time in roughly 500 to 800 fewer positions, but it will also result in more than 1,000 people actually receiving a higher paying job and a more sophisticated job, for which there will be additional training. We expect and anticipate that this will be factored in or phased in over a couple-of-years period in order to ensure the training is accurate.

As it relates to the worker safety question, we are going to institute a study at the beginning of this process. We have a study, but we want to make sure that the results of that study are verified. And we are going to essentially look at a very complicated review of the safety of workers. If we see a problem with the safety, we will obviously adjust accordingly.

The last thing I would say is that this whole process, this review process, this inspection process has been peer reviewed. And I think that the review suggests very strongly that this will actually result in a safer system, a safer food supply. It just happens to also save money for the Government and for the companies, but it is primarily for food safety that we're looking at this.

Senator KOHL. Thank you, Mr. Secretary.

Secretary VILSACK. Thank you.

Senator KOHL. Senator Blunt.

Senator BLUNT. Thank you, Chairman.

WIC PROGRAM INCREASES IN CALIFORNIA

Mr. Secretary, in the WIC program, I think there's been, particularly in California, an increase in costs. It's the largest program, of course, but it's increased a whole lot faster than in other States. And I wonder if you could tell us a little bit about what you're doing to look at that, and what might be the cause for that.

Secretary VILSACK. Senator, there may be a number of reasons, but the one that concerns us the most is that there are very, very small stores that have dramatically overpriced products in the WIC package. And we have advised the State of California that this has taken place. We have asked the State of California to first and foremost stop any further approvals or permission for those sized stores to continue to participate in the WIC program. We've asked them to review their protocols for the analysis of those smaller stores, and we have been advised by the State of California that they will be coming up with a new regime this spring that will address in a very serious way, in a very concrete way, and a very quick way, the fact that there have been stores that have taken advantage of folks, and taken advantage of this program.

So, that's one of the concerns that we've had, and we've notified the State, the State has responded, and they are in the process of fixing the problem.

Senator BLUNT. Just a curiosity here. I'm glad you're looking at this carefully, and it sounds like you're working with them to solve it. Do these stores have a different section for WIC customers, or do they just assume that most people won't buy the more expensive gallon of milk, the more expensive loaf of bread, or whatever they're pricing at this higher rate?

Secretary VILSACK. Senator, I'm not sure if they have a different section. My understanding was, and I could be wrong about this, that this was sort of mixed in with their overall operation, and basically taking a fairly significant advantage of folks. When we're seeing the price of various items being two, three, four, maybe even higher at times what you would normally see in a regular grocery store. And I think one of the keys for us, as this is——

Senator BLUNT. Did you say two, three, or four times as high?

Secretary VILSACK. Or higher.

Senator BLUNT. To understand this, if you're a WIC recipient, you have a coupon that allows you to get this product that has nothing to do really with the price of the product where you buy it.

Secretary VILSACK. That's correct. And then the grocery store or the convenience store puts in a bill, if you will, for reimbursement for that, and were charging a substantial amount for that product far, far in excess of what the market was currently charging for that product, whether it be cereal, or whatever it might be.

We noticed this in our review of the data, and we contacted the State and said this is a serious problem. First and foremost, what we are going to tell you is we don't want any further businesses of this size, if you will, in these high-risk areas to basically be permitted, and then second, we want you to take this very seriously and rethink the way in which you are providing oversight. As you know, these programs, the administrative oversight is initially at the State level to provide oversight so that this doesn't happen.

And, again, I think California did respond. Governor Brown and his team have looked at this, and they said, yes, you're right. This is not right. We're going to fix it, and we're going to fix it quickly.

Senator BLUNT. Do you feel like this might be happening on maybe even a lesser level, but in other places?

NUTRITION PROGRAMS FRAUD DETECTION

Secretary VILSACK. I'm not aware of it happening in other States, Senator. I know that we're looking at this, and being careful about it. And the point I would make, with reference to nutrition programs, generally, is—as we look at the farm bill, and as we talk about this issue—I think we need to take a look at the definition of stores that qualify for these various programs, because right now we see a lot of issues with relatively small facilities. That's where many of our concerns are relative to error rates or fraud in many of these nutrition programs. So, I think we really need to be careful about the permission we grant. There are more than a quarter-of-a-million stores, for example, that provide SNAP, and a relatively small percentage of those stores sell a disproportionate amount of SNAP food. It's maybe less than 20 percent sells 80 percent of the food. That type of ratio. So, I think we need to really take a look at that.

Senator BLUNT. I'm going to ask a technology question next, so it may be the answer.

Is there any way your system can monitor whether some area is way out of bounds on pricing of specific products?

Secretary VILSACK. I think there is. Certainly, in a couple of programs we do have that review, and we're continuing to look at ways in which we can mine data that we collect to be able to identify problems, as I said earlier.

For example, if we see a store where there are a lot of even purchases. I mean no one goes into a grocery store and gets $35 worth of groceries. They get $35.18 or $35.16. We see a pattern of that. That gives us a tip that there's a problem there, and that triggers a review and investigation.

Senator BLUNT. And you say for both WIC and SNAP this is something that you're watching carefully.

Secretary VILSACK. Yes. And that's why we had 15,000 store reviews. That's why we had nearly 800,000 individual investigations and reviews, in terms of the program. And that's why several hundred stores were disqualified, and 44,000 individuals were taken off the program. And that's why our fraud rate and our error rate are at historic lows.

Senator BLUNT. On technology, I thought about that. I thought well, I probably ought to go to this technology question, too.

FARM SERVICE AGENCY INFORMATION TECHNOLOGY

With the FSA offices, I understand the technology there has been about as old as any technology anybody's still using, and to some extent, individual farm records were essentially captive to whatever machine they were in 1984, or whatever. You could tell me more about this. The Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) program is the program that would upgrade that?

Secretary VILSACK. That's correct. And we spent the last several years, with the resources provided by this subcommittee, building the design for the new system. And the good news, this year we'll begin to see actual on-the-ground construction or building of the system, starting with acreage reports, and starting with some of the farm record development as a strong foundation. And then the following year, we will build on top of that foundation, and hopefully, within the next year or 2, our farmers will begin to see a much more convenient approach from the FSA offices. And hopefully, we will get to a point in those places where there's sufficient broadband Internet access that folks can work literally from their homes.

Senator BLUNT. From their home. Now, my belief is that the equipment that the FSA office has been using is like mid-1980s.

Secretary VILSACK. It's not so much the equipment. It's the software.

Senator BLUNT. It's the software system.

Secretary VILSACK. Yes. And so when you have a farm bill every 5 years, what happens is oftentimes those systems, many of them have to be manually coded, if you can imagine that. And that's why it takes a long time to implement things. But, MIDAS is designed to address that. And it's taken a number of years to do it right, a lot of feedback from those who work on the ground, in the field, to make sure that we design it properly, and to test it properly.

Senator BLUNT. And this has almost $12 million in it. Would that complete MIDAS?

Secretary VILSACK. Oh, no. No. No. It's far more than that, Senator. This is a very, very significantly expensive operation.

Senator BLUNT. There's a $12 million increase, though. $11.78 million, I guess.

Secretary VILSACK. We are asking for a substantial increase this year. Just to give you a sense of this, the implementation, in fiscal year 2011, we asked for $45 million. In fiscal year 2012, it's $112 million. And the reason it goes from $45 million to $112 million is because we're not actually building the infrastructure to do this. And we're going to build the foundation this year, and a lesser amount next year should complete the process.

Overall, we had anticipated and estimated years ago that this would cost several hundred million dollars, and that estimate is going to be correct.

Senator BLUNT. So, in fiscal year 2012, the budget year we're in right now, this is the big year for MIDAS.

Secretary VILSACK. This is the big year. And fiscal year 2013, we're reducing it, but it's still a substantial amount of money. It's nearly $100 million. So, it's less than this year, but it's still substantially more than the previous years, because we're now building it, as opposed to designing it and testing it.

Senator BLUNT. And this is more of a software problem than a hardware problem?

Secretary VILSACK. That's my understanding. I'm not a technical expert, and maybe someone here on the panel can amplify on this. But it's primarily——

Senator BLUNT. No one's raising their hand on the panel.

Secretary VILSACK. It's primarily.

Secretary BLUNT. You're on your own.

Secretary VILSACK. It's, as I understand it, primarily a software issue. If I'm wrong about that, we will let you know. But the reality is, it is an expensive proposition, but eventually, it should get to the point where if you have Internet access, you will be able to be at your kitchen table, call up your files, and basically be able to work with FSA offices online. That's the goal.

[The information follows:]

MIDAS focuses on software, specifically adapting commercial-off-the-shelf software (COTS) to run Farm Program applications in a Web-accessible environment. The Department's Common Computing Environment (CCE) focuses on refreshing the system hardware and upgrading the network used by the USDA Service Centers.

Regarding MIDAS, the Farm Service Agency (FSA) has completed the initial design for MIDAS, which includes business requirements documentation, design of reengineered processes, improved access to data, and creation of a network comprised of Service Center employees to ensure the new software meets the needs of the business. The MIDAS Program is now in the build phase, during which the system software is configured to meet the requirements, and all technical components are set up and tested.

In fiscal year 2012 the emphasis of CCE is network optimization which is the effort to replace the aging infrastructure—desktop computers, servers, data storage capacity, bandwidth to support applications—to ensure that the core network infrastructure meets the demands of many of USDA's and FSA's IT modernization efforts including MIDAS. At completion, it will be possible for farmers and ranchers to access MIDAS online, via Internet access, e.g., "from your kitchen table."

FARM SERVICE AGENCY OFFICE CONSOLIDATION

Senator BLUNT. Now, if you go to a new FSA office, based on consolidation, will your records be there? Do you know that they're there?

Secretary VILSACK. Not only will the records be there, but most likely, the person who dealt with you at the previous office will also be there. There are about 170 people that are impacted specifically by what we're proposing, and all 170 of those folks will still be able to work at FSA, if they choose to do so.

Senator BLUNT. Mr. Chairman, do you think we'll have time for a second round?

Senator KOHL. Yes.

Senator BLUNT. If so, I'll go ahead and wait for that second round for other questions.

Senator KOHL. Thank you very much.

Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman. I thought Senator Moran was here before me.

Senator KOHL. I thought I'd rotate.

Senator PRYOR. Okay. Thank you, Mr. Chairman.

FARM SERVICE AGENCY OFFICE CONSOLIDATION CRITERIA

Mr. Secretary, I think a bad way to start a hearing is when one of us writes you a letter on February 21, and we don't get the response until March 28, at 4 p.m., hand-delivered the day before a hearing. I'd like to follow-up on some of the questions I asked in that letter, one, in particular, that you did not answer. And that would be my question No. 2 in the letter, where I ask you "to provide all relevant criteria relating to the closure of offices within specific distances, along with the formula used to determine mileage between county offices. I'd appreciate if this included copies of mapping data, provided by any internal or external source, used to determine the mileage between all proposed office closures in Arkansas."

And the reason I ask that is because you have chosen to use Euclidean miles, which is defined "as the crow flies," as compared to road miles. Had you used road miles, 7 of the 10 offices in Arkansas would not be closing now, but you chose to use Euclidean miles. So, could you tell us why you decided to use "as the crow flies," instead of the mileage that people actually have to drive to get to the office?

Secretary VILSACK. Senator, we had a process that involved not just the offices in DC, but also the State offices that assisted us in making the calculations. And candidly, we're confronted and faced with two realities in the farm service world. One is that over a period of time, we have seen operating budgets reduced by the Congress. And second, 10 years ago, there were 18,000 people working for FSA. Today, there are around 12,000 people. So, we have seen one-third fewer workers. We've seen an increase in workload. We were faced with a very difficult decision, whether we would take a look at roughly 130 offices that were within 20 miles "as the crow flies," as you have indicated, for closure, or whether we would institute furloughs or layoffs. And I will tell you, sir, from my perspective, as long as I'm Secretary, the last thing I want to do is furlough a worker or lay one off. And if I can prevent it, that's what I'm going to do.

Senator PRYOR. Why did you choose to use "as the crow flies," as opposed to road miles? Was it to close more offices?

Secretary VILSACK. Not necessarily. It was what the staff recommended. It was not necessarily to close more offices. It was basically to make sure that we were operating within the directive of the Congress. The Congress was not clear, and was not definitive and specific. It just said 20 miles. So, we felt that that was the simplest way to do it.

And it's true that there may be situations and circumstances in your State and other States where it may take longer, or it may require more of a distance, but again, the reality is the choices. You either do that, or you basically create potential chaos in 2,000 offices with furloughs or potentially chaos in a number of offices with layoffs. We felt focusing on offices that had no employees, we found that 35 of the 131 offices had no full-time employees. Offices that had one employee, where if you were sick or if there was a ballgame you needed to see, there was no one there to service the needs. It was a better idea to basically provide for larger staffed offices, and perhaps within 20 miles or so of where the previous office was.

BLUEPRINT FOR STRONGER SERVICE

Senator PRYOR. Now, I've heard that your proposed savings on this are going to be $150 million. Is that per year?

Secretary VILSACK. No, sir. That's not accurate.

Senator PRYOR. How much do you save on this?

Secretary VILSACK. The office closings themselves are about $6.5 million. The $150 million figure comes from a combination of a number of things that we've done. A reduction in travel, a reduction in supply purchases, a reduction in conferences, and the administrative services process, in which we've identified 379 recommendations for changes internally within USDA, 27 of which we're in the process of implementing. An example is taking over 700 cell phone contracts that we had at USDA and consolidating them into 10 to 15 contracts, so we get quantity discounts, things of that nature. When you combine all of those steps, that's where you get the $150 million number.

Senator PRYOR. Yes. That's a helpful clarification. All right.

FARM SERVICE AGENCY OFFICE CONSOLIDATION

I want to ask you about three offices in Arkansas. I'll probably have to come back on the second two. But, we have one in Izard County, in Melbourne, Arkansas, that is 18.5 miles "as the crow flies," but it's 21.8 miles to the nearest FSA office if you drive it. The problem is, to drive it on those highways and those roads it's 44 minutes each way. So, it's 1.5 hours roundtrip, if you want to go over to that next county's office and pick up a form, or whatever it may be.

Now, in the farm bill in 2008, in the closure criteria, we use the phrase, "To the maximum extent possible," which, to me, sounds like we gave you discretion on hardship cases like this, where it may be technically 20 miles away, even though this is longer than 20 road miles away. It seems like you would have some discretion to make exceptions or to understand the hardship that you'd be causing on people to close the office. Did you make any exceptions for anyone in the country?

Secretary VILSACK. We've not made exceptions as of today, Senator. And the reality is that I think probably every single member of Congress and every Senator could probably make a good persuasive local case for why a particular office should stay open and not be closed. This is a very difficult set of circumstances that we're confronted with. We have less money and we have substantially fewer people.

We've had a substantial increase in the number of retirements. In order to avoid substantial layoffs and furloughs, we had to have an early retirement, an early separation package, which in the last 15 months we've seen 7,000 of our most experienced people leave.

This is not an easy process. We have tried desperately to avoid furloughs and layoffs. That's basically where I'm coming from. And I'm not hiding anything here. We're doing everything we possibly can to try to squeeze out every buck that we can in a way that allows us to continue a record amount of activity.

Senator PRYOR. Thank you, Mr. Chairman.

Senator KOHL. Thank you.

Senator Moran.

Senator MORAN. Chairman Kohl, thank you. Mr. Secretary, thank you for being here.

Mr. Secretary, you're going to be in Kansas in a few days, a couple of weeks, and I wanted to welcome you to our State. Very much appreciate you accepting the opportunity to speak at a Landon lecture in Manhattan, Kansas. Also want to thank you for your ongoing and continued support for the National Bio and Agri-Science Research facility and your efforts to see that it gets built.

I want to ask a couple of questions, and I'm going to try to ask them so I can get them both in in the 5 minutes that I'm allowed.

UNIVERSAL SERVICE FUND

Two different topics. First of all, Rural Utilities Service (RUS), it's a lending agency that you have a jurisdiction over. It provides loans for electric, water, sewer, and telecommunications. The telecommunications loan portfolio is more than $4 billion. In October, the Federal Communications Commission (FCC) adopted an order that significantly modifies the Universal Service Fund and inter-carrier compensation formulas. On February 15, I wrote you a letter. I'm not yet complaining that it hasn't been responded to, but I've raised this topic with USDA, with you, in particular, trying to discover what your analysis is about the impact of the FCC's Universal Service Fund and inter-carrier compensation order, what the consequences are to the RUS loan portfolio, as it relates to telecommunications.

Are you concerned with that order? If so, what's RUS USDA doing to explain to the FCC and within the administration? I'm worried that the potential now exists for significant loan defaults of RUS, because one of the main features by which a rural telephone company has to repay their loan to RUS is Universal Service

Fund dollars that no longer will be flowing to those telephone companies.

Secretary VILSACK. Senator, I'm not sure if that's one question or two.

Senator MORAN. That was one question.

Secretary VILSACK. Okay. Do you want to ask the second one?

Senator MORAN. Thank you very much for that opportunity, if the chairman will let me get by with that.

LEAN FINELY TEXTURED BEEF

The second one is certainly a different topic, but Kansas is certainly a beef State. And lean finely textured beef has been front and center in the last few weeks. If lean finely textured beef is no longer used, it will take 1.5 million more head of cattle to make up for the lost beef, and the cost to producers is estimated to be about $15 a head.

You said yesterday, and this is your quote, "Let me reiterate, without any equivocation, something that we have said hundreds of times, this product is safe, and there's no question about it." I would like to make certain that that's a statement that you believe to be true. And isn't it true that finely textured beef is just beef?

I notice that one of the newspapers today called it filler. There's nothing to this product except beef. And I would like to give you the opportunity to have you explain to us, but to the consumer the safety of this product.

UNIVERSAL SERVICE FUND

Secretary VILSACK. Okay. Senator, let's talk about the Rural Utilities Service first. That was your first question. When the FCC proposed its initial order, we did, in fact, communicate with the FCC about the fact that rural utility providers count on the Universal Service Fund. They count on inter-carrier rates. They also count on the infrastructure assistance that we can provide at USDA. Those three are three sort of pillars upon which the whole system operates.

And we expressed to them the need for them to consider, as they put together this proposal, enough flexibility to be able to address the need for expanded broadband, which we support. At the same time, recognize that there may be circumstances and situations where that order may have an impact on a particular carrier, that we would have to work with those carriers, and they need to give us the flexibility to do so.

We have asked the folks that we are currently doing business with to basically give us more information on the specifics as it relates to their individual operation, so that we have a better understanding on an individual basis how they see the potential impact.

We have asked the FCC, as they are flushing out this process, and it still has not been completed. We've asked them to take a look at the waiver system that's in place, to give us that flexibility that we've asked for, and if we have it, then I think we can make adjustments. We're also aware of the fact that the regression factor that they're using to calculate various fees and so forth is also being looked at.

So, this process is not complete. We have weighed in and asked for an understanding of its impact on individual operations. We've asked those individual operations to provide us with information so we could do an appropriate analysis, and we've also begun our process of figuring out precisely how we will approach things differently if this ultimately comes to fruition.

So, we are aware of it. We've engaged in it. We continue to engage in it. We are sensitive to the concerns that you've expressed. And we are hopeful that the FCC, with the waiver process, will give us enough flexibility to be able to address any anomalies or any concerns that might arise.

LEAN FINELY TEXTURED BEEF

We appreciate the fact that folks are now joining us in a discussion of lean finely textured beef. We have been talking about this issue, Senator, for a number of weeks. Sometimes we have been the only ones talking about it. So, we appreciate your question.

It is beef. And it is safe. And it's got less fat. It's something we've been saying for literally almost a month now.

I can't tell you how many times USDA, myself, Dr. Hagen, and other members of the FSIS family have been quoted or alluded to in reports, and articles, and broadcasts, and in news radio interviews about the safety of this product.

We have two issues, two responsibilities to USDA. One is to attest to the safety of a product. The other is as a purchaser of items for school lunch and school breakfast programs. In that context, we have to be responsive to our customers. We're not in the position to mandate that people do a certain thing or buy a certain thing, or have a certain thing.

Several hundred school districts have contacted us asking for choice. We have to be responsive to our customers. We've provided that choice. But we want to make sure that if they make that choice, they're making it based on the facts, and that they're not making it on the assumption or belief that this product is unsafe, because it is not.

Senator MORAN. Mr. Secretary, thank you very much. And if you'd ask somebody in your office to take a look at my February 15 letter to you in regard to RUS, I'd appreciate it.

Thank you.

Senator KOHL. Thank you very much.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. Mr. Secretary, thank you. Again, thank you for your trip to Ohio recently, and the contribution you made there.

AGRICULTURAL RESEARCH FACILITIES

We've talked a lot about agriculture research, and I appreciate the work you've done in Wooster to help us after the tornado there. Agriculture is my State's—as the case in just about everybody here, I think—number one industry. Both the Center for Innovative Food Technologies—near Toledo, and you met some people from there—and Ohio State University's Agricultural Research Service (ARS) research station in Wooster have conducted groundbreaking research in many ways.

Last year, several of the ARS stations, including the North Appalachian Experimental Watershed Research Station in Coshocton, Ohio, eastern Ohio, were slated for closure. The facility provides valuable information on how farming practices affect water quality, data that is important, particularly important, given the algal blooms in the Western Lake Erie basin, which we discussed, and you learned even more about than you already knew the other day.

This subcommittee provided USDA with the option of transferring the land and the facility slated for closure at certain other institutions. Could you just give me sort of an update? To what extent is USDA open to partnering with eligible institutions to develop and implement a use for these facilities? How do you plan to move forward on that, inform us, and let us know sort of every step of the way, as you go forward?

Secretary VILSACK. ARS basically has got to follow a certain set procedure, which we are in the process of doing. We are certainly amenable to working with partnerships, land grant universities, and others. In fact, in some of the facilities that are slated for closure, those discussions, negotiations have already taken place, and are taking place.

BEGINNING FARMERS

I will say that, if I can take your question to a slightly different place, not only should we think about the partnerships with universities, but we have a real problem in terms of beginning farmers in this country, in terms of how young people, who might be interested in farming, could get into farming and be able to afford to get into farming.

To the extent that the Federal Government is the owner of land, or finds itself with land that it needs to dispose of, we might want to give consideration to expanding the opportunities available to ARS to basically lease or sell to beginning farmers, at a reasonable price that land, to make it a little bit easier to get young people engaged in farming. The average age of the farmer today, I'm guessing, is close to 60 years of age now. And I think it's something that we really need to be sensitive to.

So, Senator, we are following the rules as the statutes and regulations require. We are making efforts to reach out and find out if there is interest. And if there is interest, under what circumstances the arrangements could be made for the transfer.

We understand that there are restrictions on what that land can be used for, and we will follow those prescriptions and those restrictions.

Senator BROWN. Thank you. And I think that your point about beginning farmers will pique a lot of interest in a lot of places in Ohio, and we've discussed that. I think your idea is a good one there, and we will pursue that.

BROADBAND ACCESS

Let me follow-up with a slightly different twist on what Senator Moran said about broadband. Yesterday, I did my fifth annual, since 2008, my second year in the Senate, I bring college presidents from around Ohio to the Capitol for a day, and we had about 50, 55 of them yesterday. At the dinner the night before, a number of them were talking about broadband access or the lack of broadband access. One college president said he believes about 29 out of Ohio's 88 counties don't have full broadband access. Only one county has none, until a local community action agency applied for one of the first ever USDA rural development broadband grant. What you-all did, and what we did together in the Recovery Act for the $7 billion, and a good amount of that went to USDA, and that helped a lot in my State, but it's still not enough.

We must ensure the funding through the rural broadband loan program; the community connect programs ensure that funding provides it direct to the most underserved areas in the most rural communities.

Tell me what you're doing to ensure that the program integrity there in bringing services, especially to those underserved low-income and small communities that all of us represent.

Secretary VILSACK. With reference to the Recovery Act proceeds, that was the principal effort on the part of USDA, was to make sure that we had a focus on areas that were remote and rural. In some cases, those remote rural areas probably would not be in a position to support full-blown broadband. We looked at additional ways in which we could enhance technology and make it fiscally responsible and accountable. Part of the Recovery Act money was used to create satellite opportunities and an upgrade of technology. So, whether it's full-blown broadband or whether it was an upgrade, we did focus on remote and rural areas.

As it relates to our regular program, which we're now in the process of instituting, there's a very small part of what we get from the Congress that is in the form of grants, and it is specifically directed, and it is roughly $13 million. It's not a great deal of money. It's specifically directed to trying to expand opportunities in remote and rural areas.

In addition to that, there's roughly $25 million that's available for distance learning and telemedicine grant opportunities. Then, of the $822 million that is in this pot of money for telecommunications, about $94 million of it will be made available for loan guarantees for expansion in rural areas. So, there is a significant effort here, either through grants, loans, or the Recovery Act.

We have, in the last 3 years, funded roughly 600 projects. If you take the Recovery Act, the distance learning, the telemedicine, and the Connect program, we basically have funded roughly 600 projects. Now, it doesn't anywhere near address this from a national perspective, which is why the Commerce Department has a map that shows where the areas are that still need attention, and that should drive additional decisions and future decisions.

Senator KOHL. Thank you very much.

Senator Cochran.

Senator COCHRAN. Mr. Chairman, thank you for convening this hearing.

WATERSHED REHABILITATION PROGRAM

Mr. Secretary, I notice in the Department's budget request that we see described a budget summary of the Watershed Rehabilitation Program. We've had a good many problems in the lower Mississippi River Valley with flooding and challenges that have resulted from erosion, and it has been clear that there's a lot of money that's going to be needed to repair and refurbish existing watershed programs, dams, and other impoundments that have reached the end of their design lives.

The budget request doesn't have a specific request for funding of any activity in this area, and I wonder what your suggestion is. Is there going to be a supplemental budget request submitted, or what is the intention of the administration in providing assistance to local and district-wide governments and associations to rehabilitate these structures that are in need of attention?

Secretary VILSACK. Senator, one of the reasons why there is not an appropriation amount is that at the time these facilities were constructed, I think there was a basic understanding that they became a local and State responsibility. Second, the amount of money that has been appropriated in that program is relatively small, given what could very well be a very significant national need.

So, if we're going to do this, I would say two things. One, it needs to be done on a much larger scale than this budget conversation we're having today. And two, if we're going to do it, it needs to be in conjunction with and in partnership with States and local governments, because they have at least an equal responsibility, if not a greater responsibility, given the fact that these structures are theirs.

CONSERVATION PROGRAMS

Having said that, we are investing a substantial amount of money in conservation and in landscape-scale efforts to try to avoid and to try to do a better job of controlling water. We still have a long way to go, but we're working on it. We have a record number of acres now enrolled in conservation, and the budget before you would allow us to add another 29–30 million acres to the 330 million acres that are currently enrolled of the 1.4 billion acres that could potentially be subject to conservation programs of the amount of farmland in this country.

So, I would say we'd be happy to work with you on a much larger, much, much larger infrastructure discussion. I mean, I think this is part of why there has been a suggestion for an infrastructure bank, why there's been a suggestion for a large-scale infrastructure appropriations, because when you talk about $20 or $30 or $40 million, it really has very little impact on the overall problem that you're alluding to.

Senator COCHRAN. I appreciate your personal attention to the situation and your willingness to explore possibilities for providing some Federal assistance in this area.

CATFISH INSPECTION PROGRAM

One area of interest, too, that I wanted to mention at today's hearing involved our domestic fish program and the development of what has become a very substantial financial investment throughout the southern part of the country. Catfish inspection and expansion of markets, dealing with competition from overseas in the United States are all parts of this area of concern and interest.

I know that as we are preparing for this new farm bill that's being considered, there's an opportunity for defining some statutory responsibilities for inspection and standards.

Do you have any information that you can provide the subcommittee giving us a status report of where we are on developing an inspection program for domestically produced catfish?

Secretary VILSACK. Senator, can I offer some advice before I answer your question?

Senator COCHRAN. Sure.

Secretary VILSACK. If you work on this in the farm bill, to the extent that you can define what a catfish is, it would be helpful.

Senator COCHRAN. You can tell by looking.

Secretary VILSACK. That's what I thought, too, coming from Iowa, but I found out in this process that there are at least 39 different varieties, and depending upon where you are domestically, or where you are internationally, catfish is not necessarily a catfish, which is why we received a substantial number of comments to the proposal.

As you know, we asked for input from folks to give us a better understanding of precisely how the world defines catfish, and we're in the process of evaluating those responses. And literally, it is a very difficult circumstance and situation, because depending upon how narrow or how broadly you define that term, it impacts and affects quite a bit. So, we're in the process of trying to figure out precisely what was meant, and there's some conflict in terms of the congressional history of this. And so, it would be helpful if there was clarity from the Congress in terms of precisely what variety or type of catfish you were referring to, or maybe you're referring to all types of catfish.

Senator COCHRAN. We look forward to working with you on this issue. It is very important, and I think it needs our best efforts.

Secretary VILSACK. I understand, sir.

Senator KOHL. Senator Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman. Mr. Secretary, good to see you again.

WATER BANK PROGRAM

I want to thank you for your help on the Water Bank Program, and your folks are working to implement it. We think that would be very helpful on Devils Lake. So I just want to thank you for that.

WIC PROGRAM

Also, I want to bring up the WIC program, specifically regarding potatoes. I and others feel potatoes need to be included with fruits and vegetables. Your thoughts?

Secretary VILSACK. Senator, the WIC program is basically a supplemental program. It's designed to supplement and to encourage nutritious eating. What we do in developing the package is we take a look at what people are already consuming, in terms of fruits and vegetables, and then what we try to do is to amplify or add to that. What we found from the review is that people are already consuming quite a bit of—the potatoes are not something that they don't consume. They consume quite a bit of that. What they don't consume as much of are dark green, orange vegetables, things of that nature. So, the WIC program is designed to essentially complement what people are already deciding to do or already eating.

Senator HOEVEN. Are you willing to encourage that potatoes be included with the WIC supplemental nutrition program? I think there's a lot of people who feel that it should not have been left out, and we'd like to see it included. Are you willing to work towards that objective?

Secretary VILSACK. Senator, again, the purpose of this is to complement what people are already doing. If they're already consuming enough of one item, it would basically mean that we would have to reduce our commitment to some other item that they're not consuming a great deal of, and probably ought to, if they want to have a balanced and nutritious opportunity for their young children. So, this is a complementary. This is not a situation where people aren't eating any potatoes. These are situations in which people are eating quite a lot of potatoes, but they aren't eating a lot of the other types of vegetables and fruits. So what we want to do is make sure that they have access to those other options.

Senator HOEVEN. All right. I understand your point and would encourage its inclusion.

BLENDER PUMPS

But, I want to move to blender pumps. I believe that you've looked at funding blender pumps out of the Rural Energy for America Program (REAP). Is that correct?

Secretary VILSACK. That's right.

Senator HOEVEN. And in the President's budget, there's $4.6 million in REAP funding. Give me your thoughts on what portion of that can and should go to blender pumps. I know you and I share a common belief that blender pumps are a good thing, can help give consumers more choice, better pricing, help stimulate renewable fuel, production, and distribution. What are your thoughts in terms of what you can put towards blender pump, promoting blender pumps and helping gas station owners get blender pumps on their premises?

Secretary VILSACK. I agree, Senator. And I may be misstating this, and if I have, I'll correct it. I believe we received instructions from the House that they were not particularly interested in us using monies for blender pumps. I'm not sure if there's a prohibition. I think there was at one point.

I don't know that I'd necessarily want to commit to a certain percentage, because there are an awful lot of good ideas that come out of the REAP program. We were a little concerned about the fact that it was substantially reduced in this current budget, which made it more difficult for us to do everything we'd like to do.

We've had 13,000 different projects, energy efficiency, anaerobic digesters, energy audits, windmill solar systems, as well as blender pumps. We've funded, I think, a couple hundred, maybe 250 blender pumps. We obviously want to do more than that. And depending upon the amount of resources that the Congress allocates to this program, we're going to continue to fund blender pumps, if there's not a prohibition restriction.

Senator HOEVEN. I know there's been some legislation offered that would restrict it. I don't know of any restriction in place. I mean last year, I think the funding was about $3.4——

Secretary VILSACK. You mean in terms of what went to blender bumps, or the overall REAP money, because it was more than that.

Senator HOEVEN. Oh. Blender pumps. I think it was around $3.4. Does that sound right?

Secretary VILSACK. You're probably right.

Senator HOEVEN. In any event, I'd like to work with you to see what we can do. I know there is some pushback on it, but look, I think in terms of renewable fuels, we're trying to find more market-based approaches to continue to develop renewables from the standpoint of giving customers choice and helping with pricing. I think blender pumps is the way to do it. So, I'm interested in working with you in the context of your budget as to how we can do more of it.

I thought REAP might be the best program. You may have other ideas. If so, I'd love to hear what they are.

Secretary VILSACK. To me, when you deal with the farm bill, you deal with rural development programs, and you deal with the energy title within the farm bill, to the extent that we can have flexibility, that's the key. We may have to have fewer programs, but if we have flexibility, we can use maybe the business and industry loan program to work with a consortium, for example, of convenience store owners to assist them in putting blender pumps in, as opposed to an individual grant to an individual business. Maybe that's a possibility. That's currently not necessarily a possibility under the business and industry loan program.

Senator HOEVEN. Who would we work with on your staff to really figure out what makes most sense, in terms of trying to develop this?

Secretary VILSACK. Sarah Bittleman. We'll get you her contact information, Senator.

Senator HOEVEN. Thanks, Secretary.

Secretary VILSACK. Thank you.

Senator KOHL. Thank you very much.

FOOD FOR PEACE TITLE II GRANTS

Mr. Secretary, we all know that many, many millions of people around the world suffer from chronic and acute hunger. We've seen how rising food prices have caused instability to some of the most vulnerable populations, and yet, the budget includes a decrease of $66 million in the Public Law 480 program.

What is the rationale for cutting this program when the need for food assistance around the world is increasing? And if less funding is provided for this program, is this administration prepared to respond to an emergency, as we saw last year in the Horn of Africa?

INTERNATIONAL FOOD ASSISTANCE

Secretary VILSACK. Senator, we work with our sister agency, the U.S. Agency for International Development (USAID), to make sure that we're providing the assistance and help that's necessary. We have the Bill Emerson Humanitarian Trust, as you well know, that provides some degree of assistance and help, an entity that may, for example, be utilized when North Korea is requesting food assistance. There's a possibility of that.

These are difficult times. If you say to add the money back that you reduced from that, then the question is, where does it come from? Does it come from the WIC program? Does it come from rural development programs? Does it come from the food safety program? Where does it come from? I mean the reality is we're dealing with constrained budgets. So, tough choices have to be made.

We think that there's a substantial amount of money that's committed to these programs. It's $1.4 billion, plus the McGovern-Dole program, which we did maintain at a status quo funding. We think we're still in a position to help millions of people with this. And we also believe it's not just the United States' responsibility, which is why we've been working with General Assembly countries and the Group of Twenty (G–20) Agricultural Ministers to discuss a more coordinated and global response to these concerns. A discussion, for example, of developing virtual reserves, grain reserves, so that we're in a position to be able to respond internationally and in partnership in a collaborative effort. That's the reason why we have the Feed the Future initiative, which is not just designed to provide food assistance, but also to take a look at how we might make producers in other countries more productive, so that they can do a better job of meeting their own needs. So, we reduce the need for this kind of assistance.

So, I think you have to look at the totality of what we're proposing, and look at what we're doing internationally to try to stretch and leverage these resources.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE FUNDING AND STAFFING

Senator KOHL. Mr. Secretary, the Animal and Plant Health Inspection Service (APHIS) promotes the health of animals and plants and guards against invasive species. The budget proposes 7-percent funding reduction as well as elimination of 151 employees. How do you plan to meet the responsibilities of APHIS with such severe cuts in funding and staff? Can you provide assurances that existing safeguards against intrusion of new invasive pests will not, in fact, be weakened?

Secretary VILSACK. Senator, what we have done is we've, first of all, engaged in a fairly significant process improvement initiative within APHIS, so that we can do our job in a quality way, in a better way, and spending less time. There are a number of permitting regulatory and licensing responsibilities that APHIS has, where we have substantially reduced the amount of time. We can provide you and the subcommittee with a copy of our process improvement manual that shows the number of days that we've saved from biotechnology reviews, et cetera. That's one strategy.

[The information follows:]

STREAMLINE DECISIONS FOR GENETICALLY ENGINEERED PLANTS

While maintaining strong oversight to ensure the safety of genetically engineered (GE) products, APHIS is reforming its processes so that the time it takes to consider petitions for deregulating the use of GE crops will be cut in half, reducing to 13–

16 months the potential adoption of new seeds with traits that can deliver a variety of improvements such as improved yields or reduced inputs. APHIS announced the start of this process in November 2011 as part of other streamlining improvements. APHIS reviewed its approval process using Lean Six Sigma's business process improvement strategy and identified a number of areas that could be improved, leading to a more timely, predictable and higher quality process. APHIS has improved the overall timeline significantly by standardizing and streamlining process steps. APHIS will also be soliciting public input on pending petitions earlier in the review process, enabling the agency to improve the quality of its environmental analyses. By taking these steps, APHIS believes it can deliver to its customers and the public a more predictable process for considering and acting on product deregulations. Once the agency implements all of these business process improvements, a more predictable timeframe will enable developers to bring products granted nonregulated status to market more quickly and provide growers with more choices and access to new technologies sooner, while enabling APHIS to maintain its mission to protect U.S. agriculture and the environment from plant pests. In calendar year 2011, USDA made 10 determinations on petitions for nonregulated status for genetically engineered crops. That is the most determinations in a single year in more than a decade.

STREAMLINE VETERINARY BIOLOGICS LICENSING PROCESS

To ensure the best use of resources and work toward meeting the demand of the biologics industry, APHIS is conducting a business process improvement review of work flow at the agency's Center for Veterinary Biologics with the objective of decreasing turnaround times for veterinary biologics license submissions, reducing the overall time it takes to process a complete license application by about 100 days, a savings of 20 percent. Making certain we meet our responsibility of ensuring that veterinary biologics are pure, safe and effective has always been the strongest consideration during this process. APHIS broke the larger licensing process up into smaller, multiple projects creating a group of projects that will ultimately speed up overall licensing times. Some of the process improvements include the electronic workflow of documents and moving from a four-tier labeling system to a single-tier labeling system. The four-tier labeling system required a significant amount of information to be printed on product packages. Rather than have more information on the label, the proposal is to require a label statement referring the user to a Web site where basic information regarding efficacy and safety for the product may be viewed. From this information, the end-user can use personal judgment in determining which product to use to meet his/her particular circumstances/needs. The user may also compare efficacy results from several firms with like products. APHIS projects additional savings from reductions in reagent/reference production, laboratory testing, and animal use.

Additional examples of process improvements can be found at USDA's Web site on the Blueprint for Stronger Service (www.usda.gov/strongerservice). A summary of some other APHIS actions is included in the fact sheet for Marketing and Regulatory Programs and a blog on February 24, 2012, by Administrator Parham.

Secretary VILSACK. The second strategy is that we have taken a look at the pest and diseases that we are currently managing and asking the question, Is the strategy that we are using with reference to specific diseases and pests the appropriate strategy? Do we have an eradication strategy when, in fact, a maintenance strategy might be more appropriate and probably more feasible? Are there circumstances where good practices by producers will be sufficient to protect against a reemergence of a particular disease or pest?

As a result of all of those steps, we feel that we can still do the job that we are required to do and should do in order to increase and maintain agricultural productivity, even though we're faced with, again, some difficult budget discussions and decisions.

The 151 employees, this is basically, we worked our way through an attrition program. We have a workforce where 50 percent is probably within 5 to 10 years of retirement, and in many cases, well over the normal retirement age. We're seeing a lot of folks beginning to retire. So, we're trying to manage this in a way that allows us to do our job, do it well, but perhaps do it quicker, more efficiently, and more effectively.

Senator KOHL. All right. Senator Blunt.

BROADBAND PROGRAM RULE

Senator BLUNT. Thank you, Chairman. Mr. Secretary, both Senator Moran and Senator Brown talked about broadband. My biggest question on broadband continues to be the balance between the underserved and the unserved. In fact, Senator Brown used the phrase, "The most underserved," which I assume the unserved, would be the most underserved.

Talk to me a little about the new rule, and concerns I would have, without knowing a lot about the rule until you explain it to me, that we're continuing to encourage competition, where people have taken their own money and created a network that somebody's decided is underserved, because there's no competition, rather than really focusing on the 15 percent of Missourians that are unserved.

Secretary VILSACK. Senator, I want to make sure I understand your question. When you talk about the rule, you're talking about the FCC rule, or are you talking about the rule that we have for the administration of our broadband program?

Senator BLUNT. I'm talking about the new RUS rule.

Secretary VILSACK. Okay. What we are attempting to do is to respond to the concerns that folks have expressed about the fact that we are not directing our resources in the appropriate way and in the right way. I think what you'll see from us is a focus on those unserved.

Senator BLUNT. Unserved is what I want to say.

Secretary VILSACK. Unserved areas. Having said that, there are times when because of the remoteness of it or the population of a particular area, it may be difficult to have the highest level of broadband capacity, because you may not be able to sustain it with a customer base. So, it is, I think, important for us to continue to look for ways in which we can improve access and connection to telecommunications, without necessarily creating a circumstance where we're setting somebody up for failure.

I think the FCC rule does have some play here, because I think the FCC is under the belief that if they empower some of the larger operators to become more interested in these unserved areas, that they'll do a better job than they've done in the past of trying to respond to the needs of those unserved areas.

Let me also say that I think that there are new technology opportunities that we haven't had a chance to discuss today. I should have brought my prop with me today. At USDA, we are engaged in experimenting in the State of Hawaii with a technology that basically is about as big as this card, and it's about that thick, and four or five of these items placed on a tall building or on a hill will provide access for miles and miles of coverage, without the necessity of tens-of-thousands of dollars of infrastructure.

We are operating these units to develop a 4G network in Hawaii, using it for public safety purposes, and to provide interoperability. So, a month or so ago, I was sitting in my office in DC, in the Agriculture building in DC, talking to our chief information officer, who was on the big island in Hawaii, and we were talking to an ambulance that was driving on another island, by virtue of these little square boxes. As I understand it, they are several hundred dollars, not several thousand dollars, in cost. So, it is conceivable that we are on the cusp of new technology that will make it easier to get to those remote areas, and still make it financially feasible for them to have the technology. It's a combination of our programs, the FCC trying to help the Verizons and the AT&Ts of the world be more responsive to these needs, and new technology advancements that might make it less expensive to do it.

Senator BLUNT. That sounds good. It doesn't surprise me at all that the technology is getting smaller and more available, and I encourage you to continue to stay focused, as you obviously are, on that. It does bother me when we use tax dollars to create a competitor to somebody that has created a service without tax dollars, particularly, when there are still people who have no service of any kind.

Secretary VILSACK. I agree, and I think that's the reason why when we did the Recovery Act we made a real effort to avoid that criticism and that concern. So you'll see a lot of where we're working on the unserved areas, and in some cases, very remote areas.

RESEARCH LAB CLOSURES

Senator BLUNT. Right. I appreciate that. On the extramural grants, when we close research labs, what's the cost of moving that program somewhere else? And did the cost in fiscal year 2012 meet your expectations for the fiscal year 2012 cost of the labs we're currently in the process of closing and moving that work somewhere else?

Secretary VILSACK. We're still in the process of doing that, Senator, so it may very well be that a more definitive response can be given to you in a couple of months.

Senator BLUNT. Would you do that?

Secretary VILSACK. Sure.

Senator BLUNT. Go ahead and do what you can today, but I'll just ask right now.

Secretary VILSACK. Absolutely.

Senator BLUNT. When you get more information on that, I'd like to see it.

[The information follows:]

The fiscal year 2012 agriculture appropriations conference report agreed with the ARS proposal to close 12 laboratories. Research activities at the 12 laboratories have ceased and were not relocated elsewhere. The one-time costs associated with the relocation or separation of affected personnel and the disposal of property are estimated at $39 million in fiscal year 2012.

Secretary VILSACK. I have requested from ARS an outline of what their plans are. There are certain timelines, certain restrictions, certain communication requirements that they are going through, and they are going through with each individual location. In some cases, it obviously costs a little bit more upfront, and the savings occurs down the line.

I don't know that I've been apprised at this point that any of the estimates are totally inaccurate. Sometimes it does depend on the relationship and the deal that's made with the university, in terms of rehabilitation, in terms of environmental cleanup, that type of thing, but I have not been advised as of today that there is a significant difference between our estimates and what we actually will incur.

As far as the programming is concerned, let me say that what ARS has done, at my request, is they have looked at every single facility in our portfolio, more than 100 of these locations, and if you can conceptualize in your mind a grid, it is basically divided into four quadrants. In this quadrant at the top right-hand are those facilities that are in very good shape, from a maintenance standpoint, and are also high-priority research.

The lower right-hand quadrant are high-priority research, but in facilities that are not in particularly good shape. The upper left-hand quadrant are low-priority research and facilities that are in pretty good shape, and then over here, low-priority research and facilities that are in bad, bad shape.

So as we look at this quadrant, we're going to be in a position to know, as resources get tight, where the priority research is and where the good facilities are, and we have to make sure that we do the best job we can to match those up, and that's essentially what we're doing.

If we close a facility, and the research is high priority, it gets transferred to another facility. If it's research that is of a lower priority, it may have to be assumed by someone else. I mean the reality is we're dealing with a different day here, a different day, and that day is that we will have and have had less money in many of these areas, and that's the consequence of having less money. You've got to prioritize. And when you prioritize, you basically prioritize, and you draw a line where the money runs out, and everything below that line has got to go in some way, or shape, or form.

Senator Hoeven knows about this. Maybe he doesn't, because he's always dealt with surpluses, but those of us who are not fortunate enough to have been Governor of North Dakota understand that. And if you want to take something from the bottom of the pile and take it to the top of the pile, and then something from the top of the pile has to come down, because you've only got so many dollars.

Senator BLUNT. My understanding is the surpluses got a lot greater after Senator Hoeven became Governor, so maybe they didn't always have them, but they did have them when he left.

On that regard, as long as I don't have to explain what was in every quadrant, I'm okay, but I think I've kind of followed the quadrants, as you explained them.

Do you have any idea how ARS, rather, arrived at the decision as to where to make the cuts? It did seem they fell very heavily on the research outside of ARS, the extramural, the campus-based research, as opposed to research that was more inside the department.

Secretary VILSACK. I think I would have to provide a more detailed explanation, but I don't want to misstate something, and I'll be happy to provide that to you, but I will tell you that given where we see this headed, with various discussions and decisions you-all have to make about reducing budgets significantly, we want to be prepared to be able to do this in a thoughtful and strategic way. As a result of this approach that I've just outlined, we're now in a position to do that. And I think, if there are criticisms, I'd be happy to visit with you about——

Senator BLUNT. Yes. If you can get a little more of that information to our staff, that would be great. I would like to look at that, because it does seem to me that the campuses, particularly, have a lot of resources included, and student labor, and other opportunities that aren't available in other places. And I think that campus-based research has always been pretty cost-effective, but these closures appear to be heavily focused on that kind of research versus research that's fully funded by the Federal Government.

Secretary VILSACK. It may be the age of the facilities. It really may be the priority of the research itself. It could be the fact that it duplicates research that's being done in other locations more effectively and more efficiently. I mean it could be a combination of all those factors, Senator.

[The information follows:]

The temporary budget reductions to ongoing ARS programs in fiscal year 2012 are necessary to finance the one-time costs associated with the closure of 12 ARS laboratories. ARS sought to balance the impact on intramural and extramural programs through an across-the-board reduction of intramural research, a hiring freeze, and extramural funding reduction. Together, these actions will finance the one-time costs to ARS for facility closures without terminating other ARS research projects and continuing research with ARS extramural partners.

Senator BLUNT. I want to talk more about that, and we can.

Thank you, Chairman.

Senator KOHL. Senator Pryor.

FARM SERVICE AGENCY OFFICE CONSOLIDATION

Senator PRYOR. Thank you, Mr. Chairman. And I would like to follow-up on something Senator Blunt said a few moments ago about broadband, and Senator Moran and Senator Brown mentioned it as well.

In terms of closing some of these offices, these FSA offices in Arkansas, if you look on a map, where we have the least amount of broadband, that's where you tend to be closing these offices. It's in the most rural and sometimes most challenging parts of the State. And I know a lot of people do business online today, but these farmers who are out there in these parts of the State, they're not going to be able to go online.

Let me ask about another FSA office in Arkansas, and I'm sure this is true in other places. In Lafayette County, it's spelled Lafayette, but we pronounce it La-fay-ette in our State, there's Lewisville, Arkansas. It is 22.86 Euclidean miles away from the closest FSA office, which is in Hope. And what I would like to do, if possible, is get an understanding from you, because your people say it is only 14.9 Euclidean miles away.

Secretary VILSACK. Senator, if we've made a mistake, we obviously have to acknowledge that, and we'd be happy to work with you and your staff to make sure that either we're right or you're right, and if we're wrong, we'll need to correct that.

Senator PRYOR. Here's a map of it right here. Is it possible that I could send one of my staff members over either today or tomorrow to sit down with your people and look at your software? This software that we have right here, we couldn't get from you. We requested several times to give us a copy of what you have, and to show us how you're doing it. You wouldn't do it. We were going on Google. We were going on MapQuest, whatever else. Finally, we figured out that we actually have the software that you use at the Geographic Information office in Little Rock, so we understand we're using the exact same software you are. Could we send a staff person over there to sit down with your people and confirm that——

Secretary VILSACK. Sure.

Senator PRYOR. We're right on our numbers? Thank you.

In Faulkner County, which is Conway, we have a situation where there's 136,000 total reported planted acres in Conway. You have what we call a one-stop shop. I think you guys may call it a service center, where you have lots of different government offices there, where everybody can come in, and it's something that I know in recent years USDA and others have bragged about, because it makes it very convenient for the citizens of the State. This is another example where if we were using the road miles versus the Euclidean miles, this one wouldn't be closed. Do you take into consideration the convenience here that, in effect, what you're doing is you're breaking out of this one-stop shop for people? Did you-all take that into consideration when you looked at it?

Secretary VILSACK. We were aware of the fact that some of these facilities were collocated, Senator, but to get back to the comment that I made earlier, the options are not good. None of the options are good. And eventually, the options were creating greater inconvenience for a lot more people and a lot more offices. I mean, if you furlough people or you lay people off, that's going to create more concerns in a lot more offices. So, that's what we're faced with.

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These are not easy decisions, trust me. We did not take these lightly. Just in the same way that we're not taking lightly internally what we're trying to do within USDA to figure out how we might be able to provide more efficient service, save money, and not have to close offices in the future. This administrative services process, I'm not sure how familiar you and your staff are with it, but we'd be happy to brief you on it. I think you will find that we are looking very carefully at our own internal activities, taking a look at whether or not we could be better off with regional centers for some of the work that we do, figuring out whether or not there are centers of excellence or shared service centers that might allow us to do a better job of human resources, or civil rights, or IT, the things that are common to every mission area.

We are looking at every aspect of this, because we recognize you-all have tough decisions to make, you're going to make those tough decisions, and we're going to have less money.

FARM SERVICE AGENCY OFFICE CONSOLIDATION

Senator PRYOR. I mentioned that we have 10 FSA offices in Arkansas that closed, and I promise you this will be the last one I mention. This is the fourth out of the 10. And we could go through all 10, but we won't today.

In Clarksville, Arkansas, there's one, and it's within the 20 miles of Paris, Arkansas. But, you also have Paris on the closure list. So, that means that there will not be one for the folks in Clarksville, in that county, so they're going to have to go to Ozark, which is farther than 20 miles. Did you take that in consideration when you were doing this? That, to me, seems inconsistent with the statute.

Secretary VILSACK. Let me say that we asked the State folks to verify and to weigh in on the decisions that were specific to the State of Arkansas.

Senator PRYOR. Right. But there again, this is another map of it. That seems inconsistent with the statute, because what they're left with is, they're left with traveling farther than the 20 miles that's in the statute to get to an FSA office. I mean this is more of an interpretative issue, I think, with USDA rather than your local people in Arkansas issue.

Secretary VILSACK. It isn't, though, sir, because of the way in which these decisions were developed. They were developed primarily from instructions in DC, implemented, if you will, at the State level, so the State folks were the ones who gave us the recommendations for which offices needed to be closed. So, if we've made mistakes, we obviously have to own up to those mistakes.

Senator PRYOR. Right.

Secretary VILSACK. There's no question about that.

Senator PRYOR. But, wouldn't you say that this might be a mistake, too?

Secretary VILSACK. I don't know, because—I mean, I don't know this particular situation. The first example that you gave me was, I think, a little clearer in my mind, and it may be that I need to—I can't see that map, frankly, Senator.

Senator PRYOR. Okay. We certainly can——

Secretary VILSACK. My eyes aren't that good. I wish they were.

Senator PRYOR. In fact, maybe this afternoon or tomorrow, when I send my staff person over to meet with your people, they can talk about this one, too, because basically the bottom line is, these folks in Clarksville, the net effect is they will have to drive farther. They will have to drive much farther than 20 miles to get to an FSA office.

Actually, my last question on this line, Mr. Chairman, is, I know that you slated 131 of these for closure, and you had several public meetings. Did any of these public meetings change your mind at all on these 131?

Secretary VILSACK. Senator, these are tough decisions, and obviously, people are going to come and they're going to talk very passionately about the need for their individual office. And you could basically find a reason to keep every single one of them open, but the reality is we don't have the resources or the people to do that. That's number one.

RURAL DEVELOPMENT

Number two, my view of this is that we really need, perhaps, at USDA to do an even better job than we've done, even though we've helped more than 50,000 small businesses in the last 3 years, which is a record number. We really need to figure out how we can generate a lot of private sector activity in these communities so that there are options for jobs and for better incomes. Many of these communities rely, to a great extent, on publicly supported institutions, and really, we need to figure out how to do a better job of creating private enterprise, so that folks have more job opportunities than they have from trying to keep a post office, or an FSA office, or a school open. Those are really important, but we haven't done a good enough job, I guess, in getting factories opened there so that folks have options.

Senator PRYOR. Thank you, Mr. Chairman. I actually have a few more questions. Are we going to have a third round?

Senator KOHL. Certainly.

Senator PRYOR. Thank you.

Senator KOHL. Mr. Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman. I can defer, if you just have a question or two to finish up, Senator. Are you sure? Okay.

AGRICULTURE RESEARCH FUNDING

I actually want to follow-up on a question that Ranking Member Senator Blunt asked you, and it's about the agriculture research funding, and it's the extramural program funding. At North Dakota State University, they're doing a lot of work on the U.S. Wheat and Barley Scab Initiative, and also on the Ug99 barley stem rust research program. Both of those have seen administrative reductions of about 30 percent. And at the State level we've put a lot of funding into our agriculture research greenhouse at North Dakota State University, and so I understand that you have to find ways to save, but could you go into a little bit of how you're making that analysis?

And I know that Senator Blunt was asking the same question, but through the university system, and in States like ours, we're willing to try to design programs to maximize the leverage on that research. So, we need to understand how you're approaching that, so that we can, I guess, do the best job possible of attracting those dollars into programs like these two, which are very important to us.

Secretary VILSACK. Roughly 51 percent of the resources go into crop and animal production protection and productivity. Roughly 18 percent or so goes into environmental stewardship and the importance of maintaining water quality and quantity. A percentage goes into some of the other areas that are outside of agriculture, specifically in terms of nutrition, food safety, and things of that nature. So, it's a broad base of responsibilities we have from a research perspective. I get a little confused, because when we talk at USDA about external and internal, we often refer to the external as the competitive grant program.

Our belief is that we have got to do a better job on two fronts. First, we have to do a better job of continuing to leverage the resources that we have more effectively. The competitive grant process allows us that opportunity to fund the best projects possible, and to really force and compel people to really think about what research they're doing and how they're doing it.

Second, as great as the university systems are, and they are, and I appreciate Senator Blunt's acknowledgement of our 150th anniversary, and that of the Morrill Act, there is no overarching process that establishes the national research goals that would allow us to avoid duplication and replication of research that's taking place in many land grant universities across the country. So it's going to be important, I think, for us to have a conversation in a time of limited resources, either at the State level or at the Federal level, to do what we're doing at the global level.

We have the Global Research Alliance, where we're dealing with 30 different countries on climate issues, and we're saying let's not replicate or duplicate research, let's make sure the right hand knows what the left hand is doing. I have to feel that there's probably some duplication that's taking place across the country, and maybe we're not investing our research dollars, whether internally or externally, as efficiently as we can. So, somewhere there's got to be a process, the competitive grant process is one way of compelling collaboration, and which is working. We're making grants now to a university, but that university may have six or seven different other universities that they're partnering with. So, I think there's a lot of work in this area.

The last thing I would say, we don't have the advantage that other research areas have, the National Science Foundation, the National Institutes of Health. Our funding has been flat-lined, for the most part. It hasn't been increased dramatically. We don't have outside foundations or resources that would allow us to supplement our resources. So, I think there's a lot of opportunity in this space for us to do a better job.

Senator HOEVEN. I do want to emphasize those two programs to you, U.S. Wheat and Barley Scab Initiative, also, the Ug99 Barley Stem Rust Research Program, because both saw 30-percent reduction, administratively applied reduction, which I think is significant.

Secretary VILSACK. Senator, can I ask, when you say administrative, so I know what you mean, I think I know what I would mean by that, but what do you mean by that?

Senator HOEVEN. Essentially, reduction in this year's funding for those programs, for those research programs, in terms of what came out to the university to deduct.

Secretary VILSACK. I think there has been an effort on our part to make sure that we're not overfunding the administration of grants, as opposed to the actual research. There's a difference between how much money goes to the university to sort of administer the university versus how much money actually goes to the research project itself.

Senator HOEVEN. No. I'm talking about research for those specific programs, research dollars for those specific programs.

Secretary VILSACK. But I'm saying, within that grant, there's a certain allocation for administration and a certain allocation for the actual research, and I'm not sure if that's where we're having a communication issue.

Senator HOEVEN. No. When I say administratively reduced, I mean USDA actually coming in on a discretionary basis, reducing actual research dollars for that research. And this is something that I'll be working with Senator Blunt and others on, because I mean this is something that, obviously, we're very interested in and think that this is critically important.

The other thing is, in terms of the, and I say this a lot of times, I've got one more question. I can certainly defer for the third round. I know that's what Mark did. Maybe it's best I do that.

Senator KOHL. Go ahead.

CROP INSURANCE

Senator HOEVEN. Okay. Just in the overall budget, the administration's budget, they reduced crop insurance by almost $8 billion. I'm on the Agriculture subcommittee as well, and that's not the direction we're going. Clearly, we're not going to have direct payments. And so, what we're trying to do is find ways to enhance crop insurance. I'm on legislation with Senator Conrad, Senator Baucus, and others, and there are other bills as well. But crop insurance is going to be more important, in terms of a cost-effective safety net.

Just give me your thoughts here, because my sense is you're sympathetic to the tremendous importance of crop insurance, particularly in the situation of tight dollars. That's going the wrong direction. Just your thoughts.

Secretary VILSACK. It depends. It depends on where the money is coming from. I mean clearly, let me state unequivocally that crop insurance is the linchpin of the safety net. But, there are three components to the crop insurance. There's the amount the insurance company gets. There's the amount the agent gets. And there's the amount that the farmer pays. And all of those are basically supplemented, if you will, by Government assistance.

We've done an analysis of what insurance companies currently are getting in terms of the return on investment, and how much it would take for those insurance companies to be able to maintain the integrity of crop insurance. What we found was a 12-percent return on the money would be sufficient to maintain the integrity.

Even in a year that was extraordinary, last year, crop insurance companies are still going to net about $1.5 billion, I'm told, of profit. So right now, they're getting 14 percent. So, the question is: Is there any adjustment in these tight times between 14 and 12 that could be made that doesn't compromise the process of the crop insurance program at all? Number one.

Number two, I think agents, on average, get somewhere around $1,000 per policy for selling a policy, a slight adjustment to that, given the fact that 15 years ago when crop insurance was sold, it was quite difficult to sell the concept to farmers. Today, it's not at all difficult, because most farmers want it, and most bankers require it. Can there be a slight adjustment there?

Then the third component of the President's proposal is crop insurance is a partnership between the Government and farmers. Some commodities, we are actually subsidizing the premium by 60 to 65 percent. Maybe a 50–50 partnership is fair. So those three areas do not compromise the capacity for us to have crop insurance, nor does it compromise our capacity to expand the number of products available to cover more crops as we've done. So, I don't know that you necessarily equate reductions in Government subsidy with not supporting the program. It depends on where the money comes from.

Senator HOEVEN. There was $6 billion taken out of crop insurance, in terms of what goes to the insurers in the past year. And crop insurance is going to have to carry a lot more of the load. So, separate and apart from what you're saying, in terms of the actual program and how we make sure we have a safety net for farmers, we're going to need to emphasize crop insurance, which is going to take more funding in that part of the program, not less.

Secretary VILSACK. Not necessarily, Senator, because with the money that was taken, insurance companies were generating 17, in some cases as much as 26-percent return on their money annually.

Senator HOEVEN. But, remember, we took $6 billion out of the program already.

Secretary VILSACK. This brought it down to 14—$2 billion went back into various programs to help the farmers.

Senator HOEVEN. And now you've got crop insurance picking up some of the help that was formerly provided by other parts of the program. Crop insurance is going to have to pick that up. So, there's a lot more to it than just the one piece you're talking about.

Secretary VILSACK. Unless you amplify crop insurance with another program, which a lot of folks are talking about, which the President recognized in his budget of providing additional resources for "a disaster program of one kind of another."

Senator HOEVEN. There'll be some of that, but we're still going to need to have to emphasize crop insurance.

Thank you.

Senator KOHL. Good. Senator Pryor.

AGRICULTURAL RESEARCH SERVICE LAB CLOSURES

Senator PRYOR. Thank you, Mr. Chairman. Let me ask about an ARS issue, about a 30-percent cut to extramural ARS activities.

As I understand it, in fiscal year 2012, ARS proposed to close 12 laboratories. However, USDA did not submit a budget request to the Congress that included all the costs associated with closing these facilities, including the closure of labs, relocating employees, et cetera. As a result, ARS was $38 million short for these activities after the appropriation bills were signed into law. Is that right? Do I have that right?

Secretary VILSACK. Senator, you may very well be right, and that's basically what we have to do is when that happens we've got to figure out how to absorb that cost.

Senator PRYOR. And that seems to me to be a budget mistake on USDA's part for not budgeting properly last year.

Secretary VILSACK. I'd like to think that you-all would have given us that money, but I'm not sure that's the case, given the fact that you've been cutting ARS the last couple of years.

Senator PRYOR. My understanding was that it wasn't part of your request, that you thought you had adequate funds to do the changes.

Secretary VILSACK. We have to absorb that, Senator.

Senator PRYOR. And that's my point. You're absorbing it at our expense. I mean, in effect, we're paying for the mistake. Aren't there other ways to find that money to absorb that $38 million?

Secretary VILSACK. There are other ways. You could appropriate money. I mean a supplemental appropriation. We could transfer money, but in which case you'd then be asking me why we were transferring resources from another program that you like to another program that you like. I mean these are tough issues, Senator. These are tough issues, and when the Congress is basically telling us, as we have heard repeatedly, that we're going to have less money, and when we're talking about a $1.5 trillion cut that's forthcoming, these are hard decisions. There's no easy answer.

And I will tell you, I hear a lot of folks talk about waste, fraud, and abuse is the answer. Well, there's always going to be better ways to do things, but at the end of the day, with the kind of cuts we're talking about, and that we've dealt with, we're dealing with real difficult decisions. I think it's important for people to understand that.

Senator PRYOR. I do have some more questions along those lines, but I don't want to try the subcommittee's patience. So, let me ask about one more thing.

AGRICULTURAL RESEARCH SERVICE GRAZING RESEARCH

It seems like Arkansas got a lot of focus over at the USDA when they looked at cutting their budget this year. You've decided to close the Dale Bumpers Small Farms Research Center in Booneville. In light of the closure of the Brooksville, Florida, facility in 2011, and the expected closures of Watkinsville, Georgia, and Beaver, West Virginia, by June 1, 2012, where will the ARS conduct grazing research for the Eastern part of the United States?

Secretary VILSACK. There are three areas that will pick up some of the work that was done in Arkansas. They are Nebraska, Oklahoma, and Texas.

Senator PRYOR. And they'll be looking at the grazing aspect of it.

Secretary VILSACK. Yes, sir.

Senator PRYOR. Because I know that part of what Booneville was doing is they were doing long-term, like a 20-year study on watersheds and the impact livestock have on those.

Secretary VILSACK. The fact is that the priority research is going to continue. It may continue in a facility where the maintenance costs over time will be less. It may continue at a facility that is actually doing this work as well, to avoid duplication.

Senator PRYOR. And actually, this Dale Bumpers facility actually meets one of the criteria you talked about earlier, because it is hard for young people to get into farming. And here, they focus on small farms, and startups, and how you can get into certain type of farming activities and actually make a go of it.

AGRICULTURAL RESEARCH

I think that on this, and maybe some of these other facilities that we've talked about today, they focus on long-term basic research that actually helps farming, helps agriculture, and helps that be a core strength in the U.S. economy. So, are you-all just going to be getting out of the research business? Is that where you're headed?

Secretary VILSACK. Senator.

Senator PRYOR. I'm asking.

Secretary VILSACK. We have over 100 facilities that will still be operating, and we've asked for additional resources in the Agriculture and Food Research Initiative (AFRI) portion of the budget, $60 million-plus additional above and beyond what was appropriated last year. We've been advocating for more research opportunities. It doesn't necessarily mean that we have to have more facilities. It means that there is a number of different ways in which we can embrace additional research.

So, it's unfair to suggest that we're trying to get out of the research business. But, it is fair to point out that the Congress has provided less money in several areas of our budget, and we have to deal with that. I'm not going to whine about it. I'm not going to complain about it. I'm going to manage it. But I have to have the capacity to manage it. I have to have the capacity to make choices. And sometimes those choices are difficult.

If it doesn't come from one source, it's got to come from another source. That's the reality of less money, and we are in that position and circumstance where every single entity, every single agency of the Government is going to have to go through this.

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Frankly, it's a difficult process, but it's an important process, because it really allows you to think carefully and very strategically about what we ought to be doing, where we ought to be doing it, and how we ought to be doing it. Which is why we just didn't focus on office closings, we just didn't do what a lot of people do when they're faced with less money, is just to do a blanket across-the-board cut in workforce, which would have disrupted services in a lot of different areas. We took a strategic approach. We said, Less travel, less supplies, less conferences. We said, Are there ways in which we can do civil rights, IT, budget and finance, human resources, security, property management, and procurement more effectively and efficiently? Yes—379 different set of recommendations that we're now in the process of implementing.

We looked at a Voluntary Separation Incentive Pay and Voluntary Early Retirement Authority (VSIP/VERA) process, so that we didn't have to be unfair to the people who had worked and dedicated their life to USDA, by giving them an opportunity for early retirement or for a buyout, so that we could keep a lot of our young people that we have been hiring over the course of the last several years, to maintain a good diversity in our workforce.

We looked at office closings. We looked at lab closings. We looked at the entire process, which is what you have to do. If you could tell me we're not going to be faced with tough budget times in the next couple of years, that's great, but everything I read suggests that we're going to have to hunker down here. That's why I managed the change, rather than be managed by the change.

AGRICULTURAL RESEARCH

Senator PRYOR. That's why I asked about research, because under the Budget Control Act, it's going to be tougher in the next few years. And I'm trying to get a sense from you. You say you want to spend more in research, but you're going to have to be cutting other places. I'm just trying to get a sense of where you think the USDA is going over the next several years.

Secretary VILSACK. The research that we see is the best way to use scarce resources, is to do it in a competitive way, that compels land grant universities and other universities that are engaged in research to collaborate, to avoid duplication, to avoid replication of research. That's why we think that the AFRI process and National Institute of Food and Agriculture (NIFA) is a good way to approach this and get the biggest bang and the largest stretch for our dollar.

There have been those that have suggested that we need to complement that with the establishment of a foundation. I'm all for that. I think that's great. We don't have that in agriculture. We have it in a lot of other areas, and those areas have seen significant improvements in research. So, there are multiple ways in which we are going to be supportive of agricultural research. Make no mistake about that. Make no mistake about that. Because there is a direct correlation between agricultural productivity and research. The charts are very clear.

Senator PRYOR. I agree. I agree. And that's why I was asking that. I hope one thing you'll consider is taking these old facilities and research you're not using, and not going to fund any more, and possibly see if you can turn those over to some land grant universities so they can use those for research.

Secretary VILSACK. We are required to do that, in the sense that we're required to reach out to our land grant university partners and say, "Are you interested in having this facility? And if you are, what would you be willing to do with it, and can we enter into an agreement where you would commit it to agricultural activities for a period of time?" We're required to do that, and we will follow through with that.

Senator PRYOR. And would there be any funding stream that would go along with that for research?

Secretary VILSACK. That would, I suppose, depend on whether or not they'd like to participate in the competitive grant process under NIFA and the AFRI program.

CIVIL RIGHTS

Senator PRYOR. Mr. Chairman, the last thing I will say, and I'm sorry for trying the subcommittee's patience here. I know you've made a lot of progress in the last few years on civil rights, but there is still one major problem, I think, that exists, and that is USDA has no deadline for civil rights intake process or responding to civil rights complaints. And we have several folks in our State, and I'm sure others do as well, that are hanging out there in limbo for sometimes years at a time, waiting for responses from USDA.

Secretary VILSACK. Senator, I don't think that's correct. I just don't think that's correct. In fact, I get a quarterly report on both internal and external complaints against USDA by mission area. We have a response time within 180 days. I will get to your staff the list that I get, and it will show you that there is no claim that's currently before the USDA that is over the time period that the statute of limitations has expired since we started this process and started keeping track.

[The information follows:]

The attached table is the color coded list that USDA uses to track the progress of pending complaints that raise claims under the Equal Credit Protect Act (ECOA). The table tracks the number of days left before the statute of limitations runs on ECOA claims. USDA's civil rights managers at every level meet once a week to review progress on these claims and take steps to expedite or remove road blocks as necessary.

Most ECOA claims in inventory fall under a 2-year statute of limitations. This means that 2 years from the date of the incident alleged to be discriminatory, complainants lose the right to pursue the claim in court. More recent claims may benefit from the 5-year statute of limitations extended by the Dodd-Frank Act. This administration inherited a backlog of over 1,000 uncatalogued complaints that did not identify ECOA claims or track the date of the applicable statute of limitations.

USDA civil rights staff inventoried the backlog and identified complaints raising ECOA claims. Based on that information, USDA created the attached table to track processing time against the deadline created by the statute of limitations for each complaint. The table identifies complainants' names (redacted); the number of days remaining until a 2-year statute of limitations would expire; the date on which the 2-year statute of limitations would expire; the status of each complaint; OASCR staff assigned to process the complaint; and other relevant information.

An ECOA committee representing staff at every stage of complaint processing continues to meet regularly to maintain and update the table. New complaints raising ECOA claims are immediately added to the list. USDA civil rights managers at every level meet once a week to review progress on these pending claims and take steps to expedite or remove road blocks as necessary.

USDA—OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL RIGHTS—OFFICE OF ADJUDICATION—EQUAL CREDIT OPPORTUNITY ACT CASES STATUTE OF LIMITATION NOT EXPIRED

No.	Days remaining until 2 years from incident date	2 years since incident date	USDA rcvd date	Agency	Case #	Status	Investigator adjudicator	Pending review OASCR	Program name	Corresp date	Days elapsed (from incident date)	Current date	Actual incident date	Initial incident date	Date ECOA letter mailed
1	32	4/30/2012	10/1/2010	FSA	11–4279	Adjudication ..	MB, WS ..	OASCR	Farm Operating Loan (FSA).	9/14/2010	698	3/29/2012	5/1/2010	5/1/2010	10/13/2010
2	55	5/23/2012	5/25/2010	FSA	10–3929	Adjudication ..	SF, WH, EP.	OASCR	FSA-Guaranteed Loan.	5/24/2010	675	3/29/2012	5/24/2010	5/24/2010	....
3	58	5/26/2012	7/28/2010	FSA	10–4133	Adjudication ..	RC, HR ...	OASCR	Farm Service Agency (FSA).	7/22/2010	672	3/29/2012	5/27/2010	5/27/2010	9/23/2010
4	100	7/7/2012	7/27/2010	RD	11–4412	Adjudication ..	CB, KC ...	Adjudication ..	SFH—Rural Housing Direct Loans (RD).	7/29/2010	630	3/29/2012	7/8/2010	12/21/2010	12/29/2010
5	155	8/31/2012	7/27/2010	RD	11–4338	Investigation ..	SF	Investigation ..	SFH—Rural Housing Direct Loans (RD).	9/29/2010	575	3/29/2012	9/1/2010	9/1/2010	12/2/2010
6	168	9/13/2012	10/4/2010	FSA	11–4283	Adjudication ..	HR, RC ...	OASCR	Direct Operating Loan/Guaranteed Operating Loan (FSA).	9/27/2010	562	3/29/2012	9/14/2010	9/14/2010	11/5/2010
7	188	10/3/2012	1/31/2011	RD	11–4704	Adjudication ..	CB, JE	Adjudication ..	SFH—Rural Housing Direct Loans (RD).	3/25/2011	542	3/29/2012	10/4/2010	10/1/2010	3/25/2011
8	213	10/28/2012	7/27/2010	RD	11–4515	Adjudication ..	KCB, LR	OASCR	SFH—Rural Housing Direct Loans (RD).	10/29/2010	517	3/29/2012	10/29/2010	10/29/2010	12/15/2010
9	228	11/12/2012	11/23/2010	FSA	11–4443	Adjudication ..	MB, LR ...	Adjudication ..	Farm Operating Loans (FSA).	11/13/2010	502	3/29/2012	11/13/2010	11/13/2010	1/12/2011

10	265	12/19/2012	1/10/2011	FSA	11–4609	Investigation ..	MB	Investigation ..	Farm Operating Loans (FSA).	12/22/2010	465	3/29/2012	12/20/2010	12/20/2010	2/7/2011
11	289	1/12/2013	1/7/2011	RD	11–4606	Investigation ..	MP	Investigation ..	SFH—Housing Repair & Rehabilitation Grant/Loan.	2/24/2011	441	3/29/2012	1/13/2011	1/13/2011	2/24/2011
12	303	1/26/2013	2/1/2011	FSA	11–4687	Investigation ..	WH	Investigation ..	Farm Operating Loan (FSA).	3/14/2011	427	3/29/2012	1/27/2011	1/27/2011	3/14/2011
13	330	2/22/2013	11/4/2011	FSA	12–5519	Investigation ..	TA	Investigation ..	Farm Operating Loans (FSA).	10/17/2011	400	3/29/2012	2/23/2011	2/23/2011	11/29/2011
14	345	3/9/2013	9/22/2011	FSA	11–5359	Investigation ..	TA	Investigation ..	Farm Ownership Loans (FSA).	10/19/2011	385	3/29/2012	3/10/2011	3/10/2011	10/19/2011
15	352	3/16/2013	4/11/2011	FSA	11–4845	Investigation ..	SA	Investigation ..	Farm Operating Loans (FSA).	4/5/2011	378	3/29/2012	3/17/2011	3/17/2011	6/17/2011
16	377	4/10/2013	10/1/2010	FSA	11–4280	Adjudication ..	AG	Adjudication ..	Farm Operating Loans (FSA).	9/29/2010	353	3/29/2012	4/11/2011	4/11/2011	10/15/2010
17	377	4/10/2013	4/21/2011	FSA	11–4887	Adjudication ..	JE, MP	Adjudication ..	Farm Ownership Loans (FSA).	4/14/2011	353	3/29/2012	4/11/2011	4/11/2011	5/13/2011
18	395	4/28/2013	3/2/2011	RD	11–4828	Investigation ..	MB	Investigation ..	SFH—Rural Housing Loan (RD).	4/29/2011	335	3/29/2012	4/29/2011	....	7/18/2011
19	395	4/28/2013	3/25/2011	FSA	11–5093	Investigation ..	EP	Investigation ..	Farm Operating Loan (FSA).	4/29/2011	335	3/29/2012	4/29/2011	4/29/2011	8/15/2011
20	412	5/15/2013	8/19/2011	RD	11–5227	Investigation ..	TA	Investigation ..	SHF–Guaranteed Loan.	8/4/2011	318	3/29/2012	5/16/2011	5/16/2011	10/7/2011
21	414	5/17/2013	9/20/2011	FSA	11–5348	Investigation ..	AG	Investigation ..	Farm Operating Loans (FSA).	9/30/2011	316	3/29/2012	5/18/2011	5/18/2011	9/30/2011
22	421	5/24/2013	9/7/2011	RD	11–5316	Investigation ..	MP	Investigation ..	SFH—Rural Housing Direct Loan (RD).	8/25/2011	309	3/29/2012	5/25/2011	5/25/2011	10/27/2011

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23	433	6/5/2013	6/20/2011	FSA	11–5046	Investigation ..	CB	Investigation ..	Farm Operating Loans (FSA).	6/12/2011	297	3/29/2012	6/6/2011	6/6/2011	9/26/2011
24	442	6/14/2013	5/4/2011	RD	11–4937	Investigation ..	MP	Investigation ..	SFH—Rural Housing Direct Loans (RD).	4/25/2011	288	3/29/2012	6/15/2011	6/15/2011	6/23/2011
25	450	6/22/2013	7/5/2011	RD	11–5098	Adjudication ..	SA, LR	Adjudication ..	SFH—Rural Housing Guaranteed Loan (RD).	6/28/2011	280	3/29/2012	6/23/2011	6/23/2011	7/28/2011
26	456	6/28/2013	7/19/2011	FSA	11–5132	Investigation ..	KCB	Investigation ..	Farm Operating Loan (FSA).	7/14/2011	274	3/29/2012	6/29/2011	6/29/2011	8/8/2011
27	475	7/17/2013	8/15/2011	FSA	11–5215	Investigation ..	LJ	Investigation ..	Farm Operating Loan (FSA).	7/18/2011	255	3/29/2012	7/18/2011	7/18/2011	11/9/2011
28	500	8/11/2013	11/8/2011	FSA	12–5524	Investigation ..	LJ	Investigation ..	Farm Operating Loan (FSA).	10/19/2011	230	3/29/2012	8/12/2011	8/12/2011	11/18/2011
29	500	8/11/2013	9/30/2011	FSA	11–5392	Investigation ..	EP	Investigation ..	Farm Operating Loans (FSA).	9/15/2011	230	3/29/2012	8/12/2011	8/12/2011	10/21/2011
30	542	9/22/2013	11/8/2011	RD	12–5527	Investigation ..	NA	Investigation ..	SFH—Rural Housing Direct Loans (RD).	10/29/2011	188	3/29/2012	9/23/2011	1/27/2010	11/22/2011
31	553	8/29/2013	10/24/2011	RD	12–5497	Fact-Finding ..	FF	Fact-Finding ..	SFH—Rural Housing Loan.	10/24/2012	177	2/23/2012	8/30/2011	8/30/2011	2/13/2011

32	580	10/30/ 2013	1/9/2011	FSA	12–5699	Fact-Finding ..	FF	Fact-Finding ..	Commodity Def. Loan (FSA).	12/28/ 2011	150	3/29/ 2012	10/31/ 2011	10/31/ 2011	3/16/ 2012
33	609	11/28/ 2013	1/18/ 2012	RD	12–5715	Fact-Finding ..	FF	Fact-Finding ..	SFH—Other (Mora- torium).	12/20/ 2011	121	3/29/ 2012	11/29/ 2011	11/29/ 2011	2/28/ 2012
34	616	12/5/ 2013	1/20/ 2012	FSA	12–5740	Fact-Finding ..	FF	Fact-Finding ..	Farm Operating Loan (FSA).	1/10/ 2012	114	3/29/ 2012	12/6/ 2011	12/6/ 2011	2/28/ 2012
35	624	12/13/ 2013	11/23/ 2011	RD	12–5576	Fact-Finding ..	FF	Fact-Finding ..	SFH—Rural Housing Direct Loans (RD).	1/23/ 2012	106	3/29/ 2012	12/14/ 2011	12/14/ 2011	1/23/ 2012
36	687	2/14/ 2014	3/2/2012	FSA	12–5864	Fact-Finding ..	FF	Fact-Finding ..	Farm Operating Loans (FSA).	2/21/ 2012	43	3/29/ 2012	2/15/ 2012	2/15/ 2012	3/16/ 2012
37	950	11/4/ 2014	2/26/ 2010	RD	10–3706	Adjudication ..	FF	Adjudication ..	SFH—Other (RD)	11/19/ 209	875	3/29/ 2012	11/5/ 2009	11/5/ 2009	....
38	1047 ...	2/9/2015	8/16/ 2010	RD	10–4155	Adjudication ..	FF	OASCR	Rural Development (RD).	4/25/ 2010	778	3/29/ 2012	2/10/ 2010	2/10/ 2010	10/1/ 2010
39	−103	12/17/ 2011	5/13/ 2010	FSA	10–3906	Adjudication ..	OASCR	OASCR	Farm Operating Loan (FSA).	5/27/ 2010	833	3/29/ 2012	12/17/ 2009	7/15/ 2010	5/27/ 2010
40	....	....	6/22/ 2010	FSA	10–4017	Adjudication ..	OASCR	OASCR	Farm Operating Loan (FSA).	6/16/ 2010	....	3/29/ 2012	TBD	TBD	8/24/ 2011
41	−412	2/11/ 2011	3/4/2009	FSA	09–2297	Adjudication ..	OASCR	OASCR NF Proposed OGC Not Signed.	Farm Operating Loans (FSA).	2/11/ 2009	1142	3/29/ 2012	2/11/ 2009	2/11/ 2009	4/16/ 2010
42	0	1/22/ 2012	2/18/ 2010	FSA	10–3681	Settlement completed with com- plainant.	....	....	Farm Operating Loans (FSA).	2/8/2010	797	3/29/ 2012	1/22/ 2010	1/22/ 2010	9/1/2010
43	42	5/10/ 2012	5/18/ 2010	FSA	10–3933	F 2/29/2012 ..	....	....	Farm Operating Loan (FSA).	5/18/ 2010	688	3/29/ 2012	5/11/ 2010	5/11/ 2010	6/22/ 2010

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44	218	11/2/2012	2/15/2011	FSA	11–4729	F 2/29/2012 ..	....	....	FSA—Farm Operating Loan.	4/8/2011	512	3/29/2012	11/3/2010	4/8/2011	....
45	93	6/30/2012	9/22/2010	FSA	10–4242	F 2/29/2012 ..	....	....	Farm Operating Loans (FSA).	8/27/2010	637	3/29/2012	7/1/2010	7/11/2010	10/20/2010
46	34	5/2/2012	6/2/2010	FSA	10–3988	NF 3/8/2012 ..	....	....	Operating Loan (FSA).	5/25/2010	696	3/29/2012	5/3/2010	5/25/2010	7/7/2010
47	0	2/22/2012	3/2/2010	RD	10–3719	Closure Withdrawn 1/30/2012.	....	....	SFH—Rural Housing Direct Loans (RD).	2/22/2010	766	3/29/2012	2/22/2010	2/22/2010	9/9/2010
48	0	8/31/2011	1/20/2010	FSA	10–3593	NF 3/8/2012 ..	....	....	Farm Operating Loans (FSA).	12/30/2009	941	3/29/2012	8/31/2009	5/1/2009	....
49	0	5/13/2012	6/8/2010	RD	10–3966	NF 1/12/2012	....	....	RD (loan)	5/24/2010	685	3/29/2012	5/14/2010	5/14/2010	6/25/2010
50	0	8/18/2012	7/27/2010	FSA	11–4445	Closure 8/19/2011.	....	....	Farm Operating Loans (FSA).	8/22/2010	588	3/29/2012	8/19/2010	8/19/2010	12/15/2010
51	0	7/11/2013	7/20/2001	RD	11–5143	Closure 11/03/2011.	....	....	SFH—Rural Housing Guaranteed Loan (RD).	7/12/2011	261	3/29/2012	7/12/2011	7/12/2011	8/12/2011

52	0	2/8/2012	3/1/2010	FSA	10–3707	NF 12/2/2011	....	....	Direct Operating Loan/Guaranteed Operating Loan (FSA).	2/24/2010	780	3/29/2012	2/8/2010	2/8/2010	7/19/2010
53	0	11/9/2011	4/29/2010	FSA	10–3873	NF 11/10/2011	....	....	Outreach & Assistance for Socially Disadvantaged Farmers.	4/25/2010	871	3/29/2012	11/9/2009	4/7/2010	4/30/2010
54	0	11/9/2011	4/29/2010	FSA	10–3872	NF 11/09/2011	....	....	Outreach & Assistance for Socially Disadvantaged Farmers.	4/25/2010	871	3/29/2012	11/9/2009	4/7/2010	11/5/2010
55	0	12/2/2011	3/18/2010	RD	10–3766	NF 10/24/2011	....	....	SFH—Rural Housing Direct Loans (RD).	3/8/2010	848	3/29/2012	12/2/2009	12/2/2009	2/11/2011
56	0	10/22/2011	9/15/2010	FSA	10–4218	NF 10/21/2011	....	....	Operating Loan (FSA).	9/7/2010	889	3/29/2012	10/22/2009	5/3/2010	....
57	0	11/1/2011	5/27/2010	FSA	10–3942	NF 10/24/2011	....	....	Farm Operating Loan (FSA).	5/21/2010	879	3/29/2012	11/1/2009	11/1/2009	Pending discussion
58	0	2/29/2012	7/28/2010	RD	10–4099	Closed 10/19/2011.	....	....	Rural Development (502/504 loan grant).	7/20/2010	759	3/29/2012	3/1/2010	3/1/2010	6/1/2010
59	0	3/9/2012	10/28/2010	RD	11–4469	Closed 10/21/2011.	....	....	SFH—Rural Housing Direct Loans (RD).	2/11/2011	750	3/29/2012	3/10/2010	3/10/2010	6/1/2010
60	0	5/31/2012	7/20/2010	FSA	10–4102	Closed 8/15/2011.	....	....	Emergency Loan (FSA).	7/12/2010	667	3/29/2012	6/1/2010	....	9/27/2010
61	0	11/14/2012	5/4/2011	RD	11–4941	Closed 10/5/2011.	....	....	SFH—Rural Housing Loan (RD).	4/12/2011	500	3/29/2012	11/15/2010	....	7/8/2011

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62	0	10/9/2011	10/27/2009	FSA	10–3304	NF 9/30/2011	....	....	Farm Operating Loans (FSA).	10/26/2009	902	3/29/2012	10/9/2009	10/9/2009	5/5/2010
63	0	11/18/2011	1/26/2010	FSA	10–3633	NF 9/29/2011	....	....	Farm Ownership Loans (FSA).	1/27/2010	862	3/29/2012	11/18/2009	11/18/2009	5/18/2010
64	0	2/26/2012	2/26/2010	FSA	10–3689	Closed—No Jurisdiction.	....	....	Farm Ownership Loans (FSA).	2/26/2010	762	3/29/2012	2/26/2010	2/26/2010	2/11/2011
65	0	6/30/2012	8/25/2010	FSA	10–4181	Adjudication Closed—Filed in Federal Court.	....	....	Diaster Loan (FSA)	8/25/2010	637	3/29/2012	7/1/2010	7/1/2010	10/4/2010
66	0	9/1/2011	7/20/2010	FSA	10–4083	NF 8/31/2011	....	....	Farm Operating Loans (FSA).	7/12/2010	940	3/29/2012	9/1/2009	9/1/2009	....
67	0	10/14/2011	10/21/2009	FSA	10–3312	NF 8/26/2011	....	....	Farm Operating Loans (FSA).	10/14/2009	897	3/29/2012	10/14/2009	10/14/2009	5/20/2010
68	−616	7/22/2010	12/15/2008	FSA	09–2094	Investigation (Held in Abeyance).	....	....	Farm Operating Loans (FSA).	12/9/2008	1346	3/29/2012	7/22/2008	7/22/2008	4/15/2010
69	−626	7/12/2010	7/31/2008	FSA	8–1642	Investigation (Held in Abeyance).	....	....	Farm Operating Loans (FSA).	7/31/2008	1356	3/29/2012	7/12/2008	7/12/2008	4/30/2010

70	0	7/4/2012	7/27/ 2010	RHS	10–4092	Closure 8/23/ 2011.	....	....	Rural Development (RD).	7/20/ 2010	633	3/29/ 2012	7/5/2010	7/5/2010	8/27/ 2010
71	0	12/2/ 2011	1/12/ 2010	FSA	10–3558	Adjudication Not ECOA.	....	....	Farm Operating Loan (FSA).	1/4/2010	848	3/29/ 2012	12/2/ 2009	12/2/ 2009	....
72	0	12/11/ 2011	12/30/ 2009	FSA	10–3546	Removed Not ECOA.	....	....	Farm Ownership Loans (FSA).	12/11/ 2009	839	3/29/ 2012	12/11/ 2009	12/11/ 2009	9/3/2010
73	0	9/1/2011	4/7/2010	FSA	10–3827	Closure 8/17/ 2011.	....	....	Farm Operating Loans (FSA).	3/21/ 2010	940	3/29/ 2012	9/1/2009	9/1/2009	5/27/ 2010
74	0	1/1/2012	10/6/ 2010	RD	11–4468	Closure 8/17/ 2011.	....	....	SFH—Rural Housing Direct Loans (RD).	2/11/ 2011	818	3/29/ 2012	1/1/2010	1/1/2010	5/14/ 2010
75	0	1/14/ 2012	4/5/2010	RD	10–3813	Removed Not ECOA.	....	....	Rural Development	3/24/ 2010	805	3/29/ 2012	1/14/ 2010	1/14/ 2010	5/13/ 2010
76	0	7/24/ 2011	9/4/2009	FSA	09–3073	F 7/25/2011 ..	....	....	Farm Operating Loans (FSA).	8/27/ 2009	979	3/29/ 2012	7/24/ 2009	10/1/ 2009	....
77	0	7/28/ 2011	8/14/ 2009	RD	09–2948	NF 7/28/2011	....	....	SFH—Rural Housing Guaranteed Loan (RD).	8/7/2009	975	3/29/ 2012	7/28/ 2009	7/28/ 2009	4/16/ 2010
78	0	7/29/ 2011	1/8/2008	RD	8–0907	NF 7/28/2011	....	....	SFH—Rural Housing Direct Loans (RD).	1/6/2010	974	3/29/ 2012	7/29/ 2009	7/29/ 2009	....
79	0	10/26/ 2011	10/26/ 2009	FSA	10–3260	Removed Not ECOA.	....	....	Farm Operating Loans (FSA).	10/26/ 2009	885	3/29/ 2012	10/26/ 2009	10/26/ 2009	5/20/ 2010
80	−253	7/20/ 2011	9/11/ 2009	FSA	09–3087	Closure/File in Federal Court (KCB).	....	....	Farm Operating Loans (FSA).	7/20/ 2009	983	3/29/ 2012	7/20/ 2009	7/20/ 2009	....
81	0	7/21/ 2011	11/7/ 2009	FSA	10–3332	Closure 7/20/ 2011.	....	....	Farm Operating Loans (FSA).	10/7/ 2009	982	3/29/ 2012	7/21/ 2009	7/1/2009	5/20/ 2010

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82	0	10/31/2011	10/9/2009	FSA	10–3343	Closure 6/27/2011.	....	....	Farm Operating Loans (FSA).	9/29/2009	880	3/29/2012	10/31/2009	10/31/2009	7/1/2010
83	0	2/26/2012	4/2/2010	RD	10–3810	Closure 6/24/2011.	....	....	Denial of Loan (RD)	2/26/2010	762	3/29/2012	2/26/2010	2/26/2010	9/3/2010
84	0	2/23/2012	7/27/2010	FSA	10–4090	Closure 6/23/2011.	....	....	Farm Operating Loans (FSA).	4/27/2010	765	3/29/2012	2/23/2010	2/23/2010	4/30/2010
85	0	7/13/2011	7/30/2009	FSA	09–2919	NF 7/12/2011	....	....	Farm Operating Loans (FSA).	7/24/2009	990	3/29/2012	7/13/2009	7/13/2009	5/5/2010
86	0	7/8/2011	3/5/2009	FSA	09–2294	NF 7/5/2011 ..	....	....	Farm Operating Loans (FSA).	2/25/2009	995	3/29/2012	7/8/2009	5/18/2009	4/16/2010
87	0	7/14/2011	4/6/2009	FSA	09–2482	Removed	....	....	Farm Ownership Loans (FSA).	4/3/2009	989	3/29/2012	7/14/2009	7/14/2009	4/30/2010
88	0	7/6/2011	7/29/2009	FSA	09–2904	NF 7/1/2011 ..	....	....	Farm Operating Loans (FSA).	7/9/2009	997	3/29/2012	7/6/2009	7/6/2009	4/16/2010
89	0	6/26/2011	7/30/2009	RD	09–2899	NF 6/27/2011	....	....	Rural Business Enterprise Grant (loan) (RBS).	7/28/2000	1007	3/29/2012	6/26/2009	6/26/2009	7/19/2010
90	0	6/17/2011	5/28/2009	FSA	09–2668	Closure 5/26/2011.	....	....	Farm Operating Loans (FSA).	5/18/2009	1016	3/29/2012	6/17/2009	4/24/2009	5/20/2010

91	0	7/17/2011	8/20/2009	RD	09–3014	Closure 6/23/2011.	....	....	SFH—Housing Repair & Rehabilitation Grant/Loan.	8/11/2009	986	3/29/2012	7/17/2009	7/17/2009	5/6/2010
92	0	8/1/2011	10/8/2009	FSA	10–3243	Closure 6/27/2011.	....	....	Beginning Farmer loan.	9/28/2009	971	3/29/2012	8/1/2009	8/1/2009	6/15/2010
93	0	8/8/2011	8/17/2009	RD	09–2946	Closure 7/5/2011.	....	....	SFH—Rural Housing Guaranteed Loan (RD).	8/8/2009	964	3/29/2012	8/8/2009	8/8/2009	5/5/2010
94	0	8/17/2011	8/25/2009	RD	09–2999	Closure 6/23/2011.	....	....	SFH—Rural Housing Guaranteed Loan (RD).	8/17/2009	955	3/29/2012	8/17/2009	8/17/2009	5/20/2010
95	0	2/14/2012	2/26/2010	RD	10–3716	Closure 6/23/2011.	....	....	502 Housing Loan (RD).	2/14/2010	774	3/29/2012	2/14/2010	2/14/2010	4/30/2010
96	0	2/22/2012	9/8/2010	FSA	10–4260	Closure 6/23/2011.	....	....	Farm Operating Loan (FSA).	8/23/2010	766	3/29/2012	2/22/2010	2/22/2010	8/3/2010
97	0	6/3/2011	10/7/2009	RD	10–3337	Partial Finding 6/03/2011.	....	....	SFH—Rural Housing Guaranteed Loan (RD).	10/7/2009	1030	3/29/2012	6/3/2009	6/4/2009	4/30/2010
98	0	5/18/2011	6/9/2009	FSA	09–2724	NF 5/18/2011	....	....	Farm Operating Loans (FSA).	5/1/2709	1046	3/29/2012	5/18/2009	4/14/2009	....
99	0	5/18/2011	1/20/2010	FSA	10–3593	NF 5/18/2011	....	....	Farm Operating Loans (FSA).	12/30/2009	1046	3/29/2012	5/18/2009	5/1/2009	....
100	0	5/19/2011	4/7/2009	FSA	09–2455	NF 5/19/2011	....	....	Farm Operating Loans (FSA).	4/1/2009	1045	3/29/2012	5/19/2009	4/2/2009	4/16/2010
101	0	5/26/2012	7/15/2010	FSA	10–4089	Adjudication Admin Close.	....	....	Farm Operating Loan (FSA).	7/6/2010	673	3/29/2012	5/26/2010	5/26/2010	8/3/2010

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102	0	5/13/2011	3/5/2009	RD	09–2311	NF 5/13/2011	....	....	SFH—Rural Housing Guaranteed Loan (RD).	2/16/2009	1051	3/29/2012	5/13/2009	5/13/2009	4/23/2010
103	0	5/5/2011	5/27/2009	FSA	09–2646	NF 5/4/2011 ..	....	....	Farm Operating Loans (FSA).	5/4/2009	1059	3/29/2012	5/5/2009	5/5/2009	5/20/2010
104	0	4/30/2011	6/10/2009	FSA	09–2726	NF 5/2/2011 ..	....	....	Farm Operating Loans (FSA).	6/5/2009	1064	3/29/2012	4/30/2009	6/5/2009	4/16/2010
105	0	5/1/2011	3/4/2009	FSA	09–2302	NF 5/2/2011 ..	....	....	Farm Operating Loan (FSA).	7/7/2009	1063	3/29/2012	5/1/2009	5/1/2009	....
106	0	4/23/2011	5/6/2010	RHS	10–3898	F 4/25/2011 ..	....	....	504 Loan Grant/ Loan (RD).	4/28/2010	1071	3/29/2012	4/23/2009	4/23/2009	5/20/2010
107	0	8/1/2011	11/17/2009	FSA	10–3367	Admin Closure	....	....	Farm Operating Loans (FSA).	11/12/2009	971	3/29/2012	8/1/2009	8/1/2009	5/5/2010
108	0	5/7/2011	5/27/2009	RD	09–2667	Admin Closure	....	....	SFH—Rural Housing Guaranteed Loan (RD).	5/7/2009	1057	3/29/2012	5/7/2009	5/7/2009	5/20/2010
109	0	4/1/2011	6/12/2009	RD	09–2815	Admin Closure	....	....	Rural Housing	6/24/2009	1093	3/29/2012	4/1/2009	4/1/2009	4/23/2010
110	0	4/8/2011	4/21/2009	FSA	09–2501	F 4/8/2011	....	....	Farm Operating Loans (FSA).	4/15/2009	1086	3/29/2012	4/8/2009	4/8/2009	4/16/2010

111	0	4/9/2011	5/6/2009	FSA	09–2580	NF 4/11/2011	....	....	Farm Operating Loans (FSA).	4/30/2009	1085	3/29/2012	4/9/2009	4/9/2009	4/16/2010
112	0	6/1/2011	10/14/2010	FSA	11–4379	Status Change No Longer ECoa (RC).	....	....	Farm Operating Loans (FSA).	9/27/2010	1032	3/29/2012	6/1/2009	6/1/2009	2/3/2011
113	0	4/17/2011	4/30/2009	FSA	09–2560	Admin Closure	....	....	Farm Operating Loans (FSA).	4/17/2009	1077	3/29/2012	4/17/2009	4/17/2009	Request to withdraw ltr. Was mailed to Comp. on 040610
114	0	5/18/2011	5/27/2009	FSA	09–2651	Admin Closure	....	....	Farm Operating Loans (FSA).	5/18/2009	1046	3/29/2012	5/18/2009	5/18/2009	Need ECOA ltr. Gave to TMJ on 051910
115	0	4/2/2011	4/26/2009	RD	09–2568	NF 4/4/2011 ..	....	....	SFH—Rural Housing Direct Loans (RD).	4/16/2009	1092	3/29/2012	4/2/2009	4/2/2009	4/16/2010
116	0	4/15/2011	4/22/2009	FSA	09–2524	Admin Closure	....	....	Farm Operating Loans (FSA).	4/14/2009	1079	3/29/2012	4/15/2009	4/15/2009	....
117	0	3/19/2011	6/5/2009	FSA	09–2729	NF 3/21/2011	....	....	Farm Operating Loans (FSA).	5/29/2009	1106	3/29/2012	3/19/2009	3/19/2009	6/15/2010
118	0	4/30/2011	5/13/2009	RD	09–2622	Admin Closure	....	....	SFH—Rural Housing Direct Loans (RD).	4/30/2009	1064	3/29/2012	4/30/2009	4/30/2009	5/24/2010
119	0	3/6/2011	4/7/2009	RD	09–2438	Adjudication Admin Closure.	....	....	RD (loan)	3/25/2009	1119	3/29/2012	3/6/2009	3/6/2009	6/15/2010
120	0	2/4/2011	6/30/2008	FSA	8–1537	Settlement 2/4/2011.	....	....	Farm Operating Loans (FSA).	6/30/2008	1149	3/29/2012	2/4/2009	2/4/2009	4/15/2010

USDA—OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL RIGHTS—OFFICE OF ADJUDICATION—EQUAL CREDIT OPPORTUNITY ACT CASES STATUTE OF LIMITATION NOT EXPIRED—Continued

No.	Days remaining until 2 years from incident date	2 years since incident date	USDA rcvd date	Agency	Case #	Status	Investigator adjudicator	Pending review OASCR	Program name	Corresp date	Days elapsed (from incident date)	Current date	Actual incident date	Initial incident date	Date ECOA letter mailed
121	0	2/5/2011	2/9/2009	FSA	09–2233	NF 2/7/2011 ..	....	....	Farm Operating Loans (FSA).	1/15/2009	1148	3/29/2012	2/5/2009	2/5/2009	4/16/2010
122	0	1/8/2011	2/24/2009	FSA	09–2273	NF 1/10/2011	....	....	Farm Operating Loans (FSA).	1/27/2009	1176	3/29/2012	1/8/2009	1/8/2009	4/16/2010
123	0	1/21/2011	1/6/2009	RD	09–2164	NF 1/20/2011	....	....	SFH—Rural Housing Direct Loans (RD).	12/21/2008	1163	3/29/2012	1/21/2009	1/21/2009	4/16/2010
124	0	7/7/2011	7/22/2009	RD	09–2861	Adjudication Admin Closure.	....	....	SFH—Housing Repair & Rehabilitation Loan (RD).	7/16/2009	996	3/29/2012	7/7/2009	7/7/2009	4/30/2010
125	0	1/6/2011	1/29/2009	FSA	09–2210	NF 1/6/2011 ..	....	....	Farm Operating Loans (FSA).	1/8/2009	1178	3/29/2012	1/6/2009	1/6/2009	4/23/2010
126	0	12/21/2010	2/2/2009	RD	09–2226	NF 12/21/10 ..	....	....	RBP—Business & Industry Guaranteed Loans (RD).	1/20/2009	1194	3/29/2012	12/21/2008	12/21/2008	4/16/2010
127	0	12/20/2010	11/13/2008	FSA	8–1651	NF 12/20/10 ..	....	....	Farm Operating Loan (FSA).	11/3/2008	1195	3/29/2012	12/20/2008	12/20/2008	4/23/2010
128	0	12/20/2010	8/5/2008	FSA	8–1660	F 12/20/10	....	....	Farm Operating Loans (FSA).	8/1/2008	1195	3/29/2012	12/20/2008	12/20/2008	4/15/2010
129	0	11/29/2010	1/7/2009	RD	09–2129	NF 11/26/10 ..	....	....	SFH—Rural Housing Direct Loans (RD).	12/27/2008	1218	3/29/2012	11/27/2008	11/27/2008	4/23/2010

130	0	11/13/2010	12/23/2008	RD	09–2118	NF	....	....	SFH—Rural Housing Direct Loans (RD).	12/4/2008	1232	3/29/2012	11/13/2008	11/13/2008	4/23/2010
131	0	11/1/2010	10/29/2008	FSA	09–1973	NF 10/28/10 ..	....	....	Farm Operating Loans (FSA).	10/18/2008	1244	3/29/2012	11/1/2008	11/1/2008	4/15/2010
132	0	9/17/2010	12/15/2008	FSA	09–2095	NF 9/16/10	....	....	Beginning Farm loan denied (SOL).	12/5/2008	1289	3/29/2012	9/17/2008	9/17/2008	4/23/2010
133	0	8/13/2010	8/20/2008	RD	8–1715	NF 8/12/10	....	....	SFH—Rural Housing Direct Loans (RD).	8/14/2008	1324	3/29/2012	8/13/2008	8/13/2008	4/23/2010
134	0	8/19/2010	8/27/2008	FSA	8–1744	F 8/19/10	....	....	Farm Operating Loans (FSA).	8/20/2008	1318	3/29/2012	8/19/2008	8/19/2008	4/15/2010
135	0	6/14/2010	6/21/2008	FSA	8–1269	NF 6/11/10	....	....	Farm Operating Loans (FSA).	6/9/2008	1384	3/29/2012	6/14/2008	6/14/2008	5/27/2010
136	0	5/16/2010	5/14/2008	FSA	7–0270	F 5/17/10	....	....	Farm Storage Facility Loans (FSA).	5/16/2008	1413	3/29/2012	5/16/2008	5/16/2008	4/27/2010
137	0	5/6/2010	5/20/2008	RD	8–1416	F 5/10/10	....	....	SFH—Rural Housing Direct Loans (RD).	5/15/2008	1423	3/29/2012	5/6/2008	5/6/2008	4/19/2010

Current date: 3/29/2012.
Priority 1 =<180 days from 2-year incident date.
Priority 2 =181–365 days from 2-year incident date.
Priority 3 = >365 days from 2-/5-year incident date.
Case SOL TBD.
Case held in abeyance.
Cases resolved prior to SOL expiration.

Name	Title	Initial
Tonya Ahmed	Investigator	TA
Sterling August	Investigator	SA
Karen Bascombe-Cleaver	Investigator	KBC
Moses Brown	Investigator	MB
Cinnamon Butler	Investigator	CB
Roberto Contreras	Investigator	RC
Michele Ferreira	Investigator	MF
Shawntey Fox	Investigator	SF
Alpha Griffin	Investigator	AG
William Henry	Investigator	WH

Name	Title	Initial
Loretha Johnson	Investigator	LJ
Minh Pham	Investigator	MP
Edward Profit	Investigator	EP
Carletta Watkins	Investigator	CW
Kristine Yen	Investigator	CY
Barrett Caine	Adjudicator	BC
Leila Levi	Adjudicator	LL
Carla Quincy	Adjudicator	CQ
William Reid Strong	Adjudicator	RS
Pilar Velasquez	Adjudicator	PV
Millie West-Wigins	Adjudicator	MWW
Tysan Williams	Adjudicator	TW
Keyo & Judy	Adjudicator	K&J
Heather	Adjudicator	H&N
Lawrence Rudden	Adjudicator	LR
Neema G.	Adjudicator	NG

UPDATE STATUS CODES

	Codes
Program Intake Div	PI
Program Investigations Div	PID
Program Adjudications Div	PAD
Fact Finding	FF
Transfer	T
Admin Closure	AC
Actual Incident Date Change	AIDC
Finding	F
No Finding	NF
ECOA Complaint Addition	ECA
Assignment	ASMT
Pending	P
Status Change	SC
Closure	C

Secretary VILSACK. We are now in a process of knowing. We've got a red, green, yellow system, and if it's a red, it tells us that within a certain period of time we've got to get a response, otherwise their claim expires. We have not let that happen.

Senator PRYOR. That's great. I know you have been improving this, but I met with a fairly large group in Arkansas, 3 or 4 months ago, I don't remember exactly when it was, and that was one of the concerns that pretty much everybody in the group had.

Secretary VILSACK. They don't know what the system is, Senator. I mean that's just not accurate.

Senator PRYOR. Okay. We have one claim, apparently, that's 2 years old, that they haven't gotten a response from you guys yet. I'll tell you what. We'll sit down after this. I'll send my folks over, or you can send your folks over. We can talk about it.

Secretary VILSACK. I'm happy to talk to you about it, but sometimes it turns out that there's more to the story than either you or I are getting, and if we have a claim that's more than 2 years old, I'm happy to personally get that rectified. But, I will tell you that we are very focused on this, because we are not interested in giving rise to the tens-of-thousands of lawsuits and claims that I've been working on for the last couple of years to get resolved.

[The information follows:]

In 2009, USDA discovered more than 14,000 documents that had been classified as civil rights program complaints filed against the Department between 2001 and 2008 that had barely been looked into. Many of these documents in fact turned out to be complaints, alleging discrimination under a variety of laws, including title VI, section 504 of the Rehabilitation Act, the Food Stamp Act, and the Equal Credit Opportunity Act (ECOA). The delayed and minimal processing of complaints during the previous Administration was particularly troubling for those cases that fell under the ECOA. The ECOA, which prohibits discrimination in lending, is distinct from other civil rights laws because under the ECOA, the Government can be held liable by a court for compensatory damages. In addition, the USDA has the authority to provide monetary relief to resolve an administrative complaint of lending discrimination against the Department provided the complainant could still go to court on that claim (e.g., the statute of limitations is not expired). For incidents of discrimination that occurred before July 21, 2009, the statute of limitations for ECOA claims is 2 years.[1]

The administration proposed $40 million in the fiscal year 2013 President's budget request for the purpose of settling written claims filed under the ECOA from July 1, 1997, to October 31, 2009. This funding would be subject to authorization by Congress to allow USDA to waive the statute of limitations to settle these claims.

A farmer or other customer with an ECOA claim does not have to file a complaint with USDA; they have the right to proceed directly to court. However, litigation can be a costly alternative to the administrative process. When the backlog was discovered, the typical processing time for a civil rights complaint was 4 years, with many cases taking much longer, which meant that by the time a decision was rendered on a complaint, no monetary relief could be provided by USDA where discrimination and resulting economic harm was found. To ensure that a backlog like the one encountered did not occur again, the Department set a policy to resolve all ECOA complaints either in formal closure and/or a settlement before the expiration of the statute of limitations. To achieve this goal, the Office of Civil Rights doubled the number of investigators and adjudicators working on program complaint processing, and instituted a Lean Six Sigma process improvement initiative to streamline the complaint process and reduce processing time. Since the new complaint staff have been recruited and trained, every ECOA complaint filed with the USDA has been resolved before the expiration of the statute of limitations. The typical processing time for new civil rights program complaints has been reduced from 4 years to 18 months. Processing time for one component of the complaint process, complaint intake, has been reduced from an average of 90 days to an average of 28 days to de-

[1] The Dodd Frank Financial Reform Act extended the statute of limitations to 5 years, but the extension was not retroactive.

termine jurisdiction and intake a complaint in 2012. Despite the extension of the ECOA statute of limitations to 5 years in the Dodd Frank Financial Reform Act, the Office of Civil Rights is pressing forward to further reduce processing time for complaints. Just this year, the Office of Civil Rights debuted a single, USDA-wide form that USDA customers and program participants can use to file a civil rights complaint. By capturing all of the information needed to accept a complaint, the form will reduce the time it takes to process complaints. The form helps to simplify and expedite the process for those who believe they have been discriminated against. The Department knows how important it can be to customers to receive a decision on their civil rights case and is committed to making that happen as quickly as a fair, thorough, and just decision can be reached.

Senator PRYOR. Like I said, I think you deserve a lot of credit for the progress you've made in that area, because it's been something that's been neglected for a long time.

Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Senator KOHL. Thank you very much, Senator Pryor, and we thank you-all for being here today, particularly Secretary Vilsack, for your very strong testimony.

We'll keep the record open for 1 week.

Secretary VILSACK. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing.]

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

FIELD OFFICE CLOSINGS

Question. What is the current status of the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and Rural Development office closings that were recently announced?

Answer. As of March 29, 2012, Rural Development (RD) closed 20 of the 43 offices with plans to close the remaining office by the end of fiscal year 2012 and NRCS plans to close or consolidate 24 offices by the end of fiscal year 2012. At this time none of the NRCS offices have been closed or consolidated. The 2008 farm bill (Public Law 110–246) requires that FSA take no action toward final approval of the office consolidation proposal until at least 90 days after the Secretary of Agriculture notified Members of Congress of his proposal. This notification occurred on February 27, 2012.

[Clerk's note: Subsequently, on May 29, FSA announced its decision to consolidate 125 of the 131 offices originally proposed for consolidation with other USDA Service Centers, consistent with provisions of the 2008 farm bill.]

Question. What will be the total costs of closing offices in fiscal year 2012?

Answer. The total estimated costs for the Department in fiscal year 2012 will be approximately $44.5 million.

Question. What do you estimate to be the total savings of these closings in fiscal year 2013?

Answer. Total annual savings for all closures is approximately $58.7 million, already reflected in the budget.

FOOD SAFETY AND INSPECTION SERVICE

Question. The Food Safety and Inspection Service (FSIS) is responsible for ensuring that the Nation's commercial supply of meat, poultry, and processed egg products is safe, wholesome, and correctly labeled and packaged. This is accomplished through inspection and regulation of the products by agency personnel. The budget calls for a $13 million cut in funding associated with implementing new methods of poultry inspection and reducing staff by 500 employees.

Have you begun negotiations with your unions on implementation of the new inspection process?

Answer. We are currently conducting pre-decisional involvement (PDI) sessions with the union that should be completed by June 2012. In PDI, we work with representatives of the union by sharing information about the proposed poultry slaughter process and asking the union to identify its concerns. We have tried to find solutions to the union's concerns to limit the scope of bargaining should we decide to go forward with the final rule. PDI is essentially pre-negotiations.

Question. The $13 million in fiscal year 2013 savings assumes implementation of the new inspection method by October. Is it realistic to think you can obtain industry buy-in, successfully complete union negotiations, and implement new procedures in such a short time?

Answer. Our timeline is very ambitious, and there are of course some things beyond our control. However, FSIS is committed to implementing on schedule. We understand that most large and small plants favor the proposed change, so industry will likely seek to participate shortly after a final rule is published. As stated above, we are conducting pre-decisional involvement sessions with the union. We are hopeful that these sessions will limit the scope of any necessary bargaining, assuming that the agency decides to finalize the proposal. When the agency makes a final decision on how to proceed, we hope to conduct any negotiations with the union, possibly in late summer. Our experience with the Hazard Analysis and Critical Control Point (HACCP)-based Inspection Models Project gives us some understanding of the implementation tasks we face and will help us manage the conversion should we decide to adopt the rule. Finally, our estimate was based on spreading implementation over about 9 months, so FSIS does not expect to have to convert a large number of plants immediately in order to achieve our estimated savings.

We are currently conducting PDI sessions with the union. In PDI, we work with representatives of the union by sharing information about the proposed poultry slaughter process and asking the union to identify its concerns. We have tried to find solutions to the union's concerns to limit the scope of bargaining should we decide to go forward with the final rule. PDI is essentially pre-negotiations.

Question. How do you plan to purge 500 employees from your roles next year?

Answer. FSIS' goal is to ensure that every employee affected by this proposed change is given an opportunity to remain with the agency. We plan to accomplish most of the reductions through attrition and reassignment to vacancies in other parts of the agency.

NON-O157

Question. In September 2011, FSIS published a "Final Determination" that six additional strains of E. coli would be deemed adulterants in certain beef products.

Please detail the process and scientific evidence on which this determination was made.

Answer. FSIS developed a risk profile to examine the risk of non-O157 Shiga toxin-producing Escherichia coli (STEC) as an emerging food safety hazard associated with beef consumption in the United States. This risk profile provides an in-depth review of the relevant science to assess public health risk. The conclusions reached in the risk profile include that raw non-intact beef products and raw components of those products may harbor non-O157 STEC; that pathogenic non-O157 STECs are injurious to human health; that ordinary cooking practices, which include rare cooking, may be insufficient to destroy all cells of the pathogen in beef; and that a low dose of a non-O157 STEC can induce illness. In fact, the Centers for Disease Control and Prevention estimate that each year, non-O157 STEC serotypes cause nearly 113,000 foodborne illnesses in the United States. Moreover, while more than 100 STEC serotypes have been associated with human illness, these six serogroups cause between 70 and 83 percent of the confirmed non-O157 STEC illnesses. Thus, combating these six serogroups can have a significant beneficial public health impact.

For these reasons, FSIS announced a final determination that raw, non-intact beef products, or raw, intact beef products that are intended for use in raw, non-intact product, that are contaminated with STEC O26, O45, O103, O111, O121, and O145, are adulterated, per 21 U.S.C. 601(m)(1) and (m)(3).

Question. What are the implications on the industry and on our international beef trading partners of this determination?

Answer. FSIS will launch its non-O157 E. coli testing program on June 4, 2012, which will allow establishments time to validate their test methods. FSIS will initially test raw beef manufacturing trimmings (the major component of ground beef), and then expand testing to other raw ground beef product components. FSIS will apply the new tests to samples already being tested for other pathogens, so this policy will ensure a safer, more reliable food supply with minimal additional cost to the agency or to industry.

Foreign countries that export FSIS-regulated products to the United States must maintain a food safety system equivalent to that of the United States. Therefore, in February 2012, FSIS contacted foreign governments already approved for the export of raw beef to the United States and informed them that FSIS would make a limited amount of reagents used in the FSIS laboratory method for non-O157 STEC serogroups available to a foreign government if that government wanted to conduct a comparative analysis of its methods with test kits assessed by FSIS.

AGRICULTURAL RESEARCH SERVICE

2013 Budget Resource Reallocation

Question. The Agricultural Research Service (ARS) is the flagship in-house research agency of the Department.

This budget proposes to redirect over $70 million in resources from "lower priority programs" to higher priority research activities. Please explain your process to determine the priority of research initiatives, and how decisions were made to reallocate resources.

Answer. Focusing on the need to reallocate limited resources to address high-priority initiatives, all research programs were systematically evaluated based on relevance, quality, impact and cost effectiveness. The fiscal year 2013 budget recommends selected high-priority initiatives which address the administration's science and technology priorities and the Department's strategic goals. The reallocation of these resources would allow Congress to fund higher priority agriculture research identified in the fiscal year 2013 budget.

Question. Is the redirection of $70 million in resources in 1 year normal for your research portfolio or is this unusually high?

Answer. The reduction of $70 million is not unusually high. In fiscal years 2009 through 2012, the President's budget for ARS proposed reductions and/or terminations of research activities ranging from $39 million to $146 million to help offset proposed initiatives.

Agricultural Research Service Lab Closures

Question. This budget proposes to close five laboratories within existing facilities, and to close one facility entirely. Please explain how these decisions were made.

Answer. Decisions regarding which programs to propose for termination or closure are always difficult but necessary, given the ongoing budget constraints and changing priorities of research endeavors. These research laboratories proposed for closure met one or more of the following criteria:

—Considered by the administration to be of lower priority;
—Mature where the research objectives have been mainly accomplished;
—Duplicative or can be accomplished more effectively elsewhere in ARS;
—Marginal or below threshold funding for program viability or sustainability;
—Conducted in substandard or inadequate infrastructure and future costs are prohibitive;
—Lacking a critical mass of scientists/support personnel for an effective program; or
—Are carried out by other research institutions.

Question. What will happen to the employees at these locations?

Answer. USDA will strive to place all impacted permanent Federal employees in suitable jobs where ARS position vacancies exist and for which the employee is qualified. While every effort will be made to identify a position for all impacted employees, USDA cannot guarantee that all employees will be placed. In the event that a placement cannot be identified for an impacted employee, the Department will ensure that the individual is provided all the entitlements and protections available under prescribed personnel procedures and programs.

Question. How much will it cost to close these labs in 2013?

Answer. The estimated cost to accommodate the impacted employees and dispose of the real property ranges from $10 million to $12 million. These costs may be spread over 2 fiscal years, depending on how quickly the real property assets can be disposed.

Question. When do you expect to begin realizing savings from these closures?

Answer. Beginning in fiscal year 2013, the $17 million associated with the research activities at the six laboratories will be reallocated to high-priority research in other ARS laboratories. After all costs have been expensed, the closure of these laboratories will allow ARS to achieve significant cost avoidance in the capital improvement and repair/maintenance of these facilities beginning in 2014.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Budget Reductions

Question. The Animal and Plant Health Inspection Service (APHIS) promotes the health of animal and plant resources to facilitate their movement in international markets, and works to ensure abundant agricultural products for U.S. consumers. These responsibilities include monitoring plant and animal health, working to eliminate or control invasive pests, facilitating safely bringing benefits of genetic research into the market place, providing diagnostic laboratory activities, assisting developing countries improve their safeguarding systems, and protecting and promoting animal welfare. However, the budget proposes a 7-percent funding reduction, and elimination of 151 employees.

How do you plan to meet these responsibilities with such severe cuts in funding and staffing?

Answer. The 2013 budget identified several ways for APHIS to operate more efficiently, allowing APHIS to maximize its resources to carry out its mission. APHIS has implemented a variety of changes in its operations that will result in cost-savings for fiscal year 2013, including the consolidation of information technology customer service support and switching telecommunications technology. In addition, APHIS has identified other areas where a shift in methodology can allow savings and still achieve the agency's goals. For example, APHIS has developed several statistical and epidemiological methods to increase the efficiency of animal health surveillance while continuing to meet international standards, saving $9 million. APHIS also is implementing business process improvements that will result in savings in areas such as licensing of veterinary biologics products, import and export reviews, and reviews of petitions to determine the regulatory status of genetically engineered crops. The agency's budget request reflects the implementation of the identified efficiencies and changes in strategies without compromising our mission and services.

APHIS is also proposing further reductions in the agency's contributions towards domestic and international efforts to allow those who benefit from our services to contribute, or to scale back the Federal role when a pest or disease is simply too widespread. We will continue to place high priority on protecting the health and value of American agriculture by focusing on those pests or diseases that pose the greatest risk and facilitating safe agricultural trade.

Question. The Animal and Plant Health Inspection Service promotes the health of animal and plant resources to facilitate their movement in international markets, and works to ensure abundant agricultural products for U.S. consumers. These responsibilities include monitoring plant and animal health, working to eliminate or control invasive pests, facilitating safely bringing benefits of genetic research into the market place, providing diagnostic laboratory activities, assisting developing countries improve their safeguarding systems, and protecting and promoting animal welfare. However, the budget proposes a 7-percent funding reduction, and elimination of 151 employees.

Can you provide assurances that existing safeguards protecting against intrusion of new invasive pests into the United States will not be weakened?

Answer. APHIS uses a comprehensive set of measures to safeguard the United States against the introduction of foreign pests and diseases. These measures include assessing and reducing threats overseas through information collection and collaborating with foreign governments, and implementing regulatory import policies designed to facilitate trade while excluding high-risk products. The agency also works with the Department of Homeland Security's Customs and Border Protection to enforce these regulations, monitoring for introductions of high-risk pests and diseases in the United States and maintaining emergency response capabilities to respond when outbreaks occur.

In developing its fiscal year 2013 budget proposal, APHIS carefully examined its programs and operations to determine where we could gain efficiencies while maintaining focus on the areas that pose the highest risks. For example, APHIS has proposed decreases related to changes in epidemiological methods for swine and cattle disease surveillance. These changes will allow the agency to realize savings while still meeting international standards. In other cases, APHIS identified efficiencies that could be gained in telecommunications and information technology that will have little or no effect on program operations and reduce overall costs. Other reductions target programs for pests and diseases that are already established in the United States, such as emerald ash borer (EAB), and focus resources on those programs where they could make a difference. Despite intensive efforts by APHIS and cooperating States to address this pest, we lack the tools needed to control it. APHIS will continue to work on tools to manage EAB over the long term and protect

U.S. forests and urban landscapes. The overall proposed reduction is the result of our efforts to identify targeted changes and reduce costs while focusing on the highest risk areas.

Question. The Animal and Plant Health Inspection Service promotes the health of animal and plant resources to facilitate their movement in international markets, and works to ensure abundant agricultural products for U.S. consumers. These responsibilities include monitoring plant and animal health, working to eliminate or control invasive pests, facilitating safely bringing benefits of genetic research into the market place, providing diagnostic laboratory activities, assisting developing countries improve their safeguarding systems, and protecting and promoting animal welfare. However, the budget proposes a 7-percent funding reduction, and elimination of 151 employees.

Much of this savings assumes State-cooperating agencies accept higher costs. Have you discussed with your State partners their willingness to take on these higher costs? What are the implications of States being unable to pay more for these activities? Do you have a back-up plan?

Answer. Most of APHIS' plant and animal health programs are cooperative efforts with State and local partners, and we understand that our budget proposal affects them. In developing the agency's budget request, we had to make difficult choices to enable us to best protect the health of American agriculture while balancing the President's priority of reducing the deficit. Under the reality of current resource limitations, it is reasonable to share with cooperators the costs of programs for which they will receive a benefit.

When addressing pests and diseases of national concern, the Federal Government's role traditionally is to coordinate and manage program efforts, and ensure that we apply program methods and technologies consistently in all affected States and areas. Since these pests and diseases have a direct impact on State and local conditions and since States and localities are beneficiaries of the actions, it is expected that all parties will devote available resources to the effort. While there may not have been agreement to the level of contributions for each pest and disease program, it is reasonable to expect all parties to contribute some level of resources towards these cooperative programs that, in most cases, have been in place for several years. These decreases will result in a more appropriate allocation of funding responsibility given the budget realities we face, and a transparent level of Federal contribution will allow cooperators to plan for future needs. The agency's budget request is presented more than 6 months in advance of when it will become effective, which allows time for program partners to develop their spending plans in the coming year. The agency will continue to conduct pest and disease programs based on the total available resources while considering the highest priorities for the program. We will continue to work cooperatively with our State partners on these programs and use available resources as effectively as possible.

ANIMAL WELFARE

Question. Animal Welfare has been a high priority of this administration. In past years the Department transferred funds from other accounts to supplement these activities. However, this budget cuts Animal Welfare funding by over 11 percent (larger than the overall reduction to the agency). What has caused this change in the administration's priority toward Animal Welfare responsibilities?

Answer. Animal Welfare still remains a high priority of the administration. APHIS recognizes that we need to do our part in helping to reduce Federal spending. As such, we are scaling back operations as a cost-savings measure, including our priority areas such as animal welfare inspection and enforcement. Even with the proposed budget in 2013, the Animal Welfare program remains a priority and will be comparable to the adjusted fiscal year 2011 funding level, including the reprogramming of $2.5 million in funding.

Additionally, APHIS will continue its focus on the most egregious violators of the Animal Welfare Act (AWA) while seeking ways to operate more efficiently in fiscal year 2013. The agency has implemented measures to enhance its animal welfare inspection and enforcement efforts in recent years. These measures include identifying potential regulation changes related to commercial dog breeders and dealers, reevaluating the current methodology for calculating the frequency of inspection, and developing and sponsoring meetings and trainings aimed at increasing compliance with the AWA. APHIS also conducted a business process improvement analysis of its enforcement activities, including animal welfare enforcement. After identifying more than 80 recommendations for streamlining its processes and improving timeliness, the agency pilot tested several recommendations with considerable success.

These business process improvement efforts will allow quicker and more effective actions that require fewer resources.

LACEY ACT

Question. One of the rare increases in this budget is for implementation of Lacey Act responsibilities. In fact, the budget seeks to double Lacey Act spending by 50 percent, to $1.5 million. Please describe what the Department is doing this year regarding its Lacey Act responsibilities. In your view, do you think this USDA effort is successful? What do you plan to do with the 50-percent increase? Could these responsibilities be more efficiently handled outside the Department?

Answer. As amended in the 2008 farm bill, the Lacey Act prohibits the importation of any plant, with limited exceptions, taken or traded in violation of domestic or international laws. The amendments were designed to address illegal logging in other countries. Illegal logging is environmentally destructive and undermines markets for wood products produced in the United States, affecting businesses and jobs. Among other things, the Lacey Act requires a declaration for imported shipments of regulated products. This declaration must contain the scientific name of the plant, the importation value, the quantity of the plant, and name of the country where the plant was taken.

APHIS began phased-in enforcement of the Lacey Act in May 2009 and currently receives about 10,000 declarations per week. Approximately 10 percent of these are submitted on paper forms that require significant resources to analyze and store. Currently, electronic declarations can only be made through licensed Customs brokers. In 2012, APHIS has $775,000 available for activities conducted under the amendments to the Lacey Act. The agency is using these funds for a dedicated staff, secure document storage, and outreach activities to inform the various industries and importers affected by the Lacey Act amendments. The program selects 1 percent of the declarations at random for a cursory review and stores the remaining documents. The Department of Homeland Security's Customs and Border Protection collects the electronic declarations and sends them to APHIS on a weekly basis. For 2013, the agency is requesting an additional $725,000 for a total funding level of $1.5 million. With these additional funds, the program would work toward providing an easier electronic means for collecting and maintaining declarations to help eliminate the need for paper-based declarations. This will provide another alternative to importers for filing declarations (as importers currently must go through a licensed customs broker or fill out a paper declaration) and allow APHIS to be more responsive to importers' needs. In addition, APHIS would utilize additional staff to assist with Lacey Act activities and expand outreach efforts to affected industries so they better understand the act's requirements. With the requested increase in 2013, the program anticipates selecting an increased share of the declarations for a review.

APHIS is working within an interagency group representing the U.S. Forest Service, U.S. Department of Homeland Security's Customs and Border Protection (CBP), U.S. Trade Representative, U.S. Department of Justice, U.S. Department of State, U.S. Fish and Wildlife Service, the Council on Environmental Quality, and the U.S. Department of Commerce, to implement the Lacey Act provisions and review the program. The interagency group represents a broad range of viewpoints on how to implement the act. Because of APHIS' regulatory role and interaction with the importing community as well as its ongoing joint efforts with CBP through the Agriculture Quarantine Inspection program, the agency is well positioned to implement the act. APHIS will continue working with its partners to administer the Lacey Act in the most efficient manner possible given the volume of declarations and products covered.

BIOTECHNOLOGY REGULATORY SERVICES

Question. In the past, this subcommittee has provided increased funding for Biotechnology Regulatory Services to support an effective biotechnology compliance program for genetically engineered organisms. Private sector demands on these services continue to expand. Currently, the agency currently faces litigation due to its inability meet its regulatory responsibilities in a timely manner. However, this budget reduces this funding by 8 percent. How do you plan to improve this unfortunate situation with a large funding cut?

Answer. I appreciate the subcommittee's support for APHIS' Biotechnology Regulatory Services (BRS) program. BRS is integral to the process of ensuring that genetically engineered (GE) crops under development can be safely tested and brought to market. After a careful evaluation of the nonregulated status petition review process, APHIS has identified several process improvements that are expected to achieve the goal of reducing the overall length and variability of the time it takes for the petition process. Once complete, this effort is expected to reduce review time by more than 50 percent (average review times will decrease from about 3 years to just over 1 year). For instance, APHIS has eliminated unnecessary steps, clarified and simplified responsibilities, and put into place time frames for completion of individual steps while maintaining appropriate safeguards. Additionally, a portion of the program's $5 million increase in fiscal year 2012 will be used for one-time legal fees related to litigation over GE alfalfa. The remaining portion will be used to hire additional staff and enter into contracts for environmental analysis to support the improvements to the petition review process. While we are proposing a small decrease in fiscal year 2013, biotechnology remains a priority for the agency. Even with the proposed reduction, the BRS funding level would increase more than 25 percent from the fiscal year 2010 level of $13.3 million to the fiscal year 2013 request of about $16.8 million.

AGRICULTURAL MARKETING SERVICE

Microbiological Data Program

Question. The fiscal year 2012 House report did not include funding for the Microbiological Data Program. The conference report included the following statement:

"The statement of the managers remains silent on provisions that were in both House Report and Senate Report that remain unchanged by this conference agreement, except as noted in this statement of the managers.".

Please explain why this program was zeroed out in the budget even though no funding was provided in fiscal year 2012.

Answer. The Microbiological Data Program (MDP) was continued in 2012 because the funding reduction in the Consolidated and Further Continuing Appropriations Act, 2012 for Marketing Services (which includes MDP) could not be positively identified. While the House provided $77,500,000 for Marketing Services, accompanied by Appropriations Committee report language that denied funding for MDP, the Senate and final Appropriations Act provided $82,211,000. Both the Senate committee and conference reports were silent on the matter. The program was zeroed out in the fiscal year 2013 proposed budget due to budget constraints. In developing the fiscal year 2013 budget, we took a hard look at activities which support AMS' core mission. The fiscal year 2013 budget eliminates funding for MDP, which saves about $4.3 million. This reduces discretionary funding while focusing Marketing Services resources on AMS' core mission. AMS is not a food safety agency and MDP is not closely aligned with AMS's core mission to facilitate the competitive and efficient marketing of U.S. agricultural products.

PESTICIDE RECORDKEEPING PROGRAM

Question. The budget proposes to terminate the Pesticide Recordkeeping Program. Currently, 27 States and 2 territories are reimbursed to conduct federally recognized State pesticide recordkeeping requirements. This program has been in place since 1992.

Please explain the rationale for terminating this program in light of ever-shrinking State budgets.

Answer. We continue to take practical steps to control expenditures and optimize organizational structure to more effectively manage current and future resources. In making budget determinations we are focusing on AMS' core mission to facilitate competitive and efficient marketing of U.S. agricultural products.

Question. Since this program has been operating for 20 years, why does AMS now believe it is no longer central to its core mission?

Answer. We took a hard look at activities that support AMS' marketing-based mission and Pesticide Recordkeeping is not as closely aligned with marketing as other AMS activities such as Market News or Transportation and Market Development. Although Federal monitoring and advisory services will be discontinued, applicators of restricted use pesticides will still be required to retain their records and provide access upon request to Federal and State agency representatives. Since the Federal program has been operating for 20 years, we have had the opportunity to educate a large number of private applicators of federally restricted use pesticides. More than 100,000 pesticide recordkeeping manuals, brochures and other outreach materials have been distributed each year by the program to producers.

CONSERVATION

Question. The budget proposes a decrease of $2.5 million and 142 staff years for conservation technical assistance.

How does NRCS plan to provide important technical assistance with fewer funds and fewer staff?

Answer. NRCS will continue to provide important technical assistance to landowners in addressing their resource issues and concerns. This will be accomplished through the use of improved delivery and streamlining processes such as the Conservation Delivery Streamlining Initiative (CDSI), expanding the role of Technical Service Providers (TSPs), and continuing to build strong conservation partnerships with local, State, and Federal entities as well as with the private sector.

Question. Please describe what organizational improvements NRCS plans to implement.

Answer. In coordination with the USDA Blueprint for Stronger Service, NRCS is taking a holistic look at our entire organization to ensure we are well prepared to meet our mission now and in the years to come. NRCS currently has teams working on 17 major efforts that will result in a streamlined, efficient organization to transform NRCS into a 21st century, multi-billion dollar agency that can adapt to change while delivering exceptional conservation assistance to private landowners. The information is provided below.

The efforts are organized into five categories:

—*Conservation Delivery Streamlining Initiative (CDSI).*—This effort will result in new and innovative technology that will support conservation assistance process online, streamline service delivery, and will give landowners 24/7 access to their conservation information. It will allow conservationists to spend more time in the field while enabling administrative experts to handle the administrative tasks of programs and applications.

In fiscal year 2012 through fiscal year 2013, CDSI will implement a national strategy to realign field positions through the establishment of program support specialist position. This position will reduce the administrative burden on the technical field employees and enable a more streamlined and efficient approach to the delivery of conservation support.

—*Science Efforts.*—NRCS launched efforts to gain agency-wide efficiencies by sharing resources, reducing duplication of effort, and enhancing our role as a leader in conservation science while addressing decreased operating budgets. Efforts include:

—Consolidate Soil Survey offices and provide shared services across larger geographic regions;

—Reduce duplication of effort and streamline our system of developing and maintaining conservation practice standards and associated guidance;

—Improve our capacity to support complex engineering needs across the country; and

—Create more effective and efficient systems for conservation technology acquisition, development, and support to the field.

In fiscal year 2012 and fiscal year 2013, NRCS will implement the consolidation of the Soil Survey offices, beginning with the 24 office closures identified by Secretary Vilsack.

—*State Efforts.*—NRCS is also working on State level improvement efforts to coordinate, centralize, and streamline State processes and needs.

—States are charged with finding ways to increase direct technical service and increase resource sharing across State boundaries. Selected States in each region will test models where they reduce duplication by sharing services such as contract management and technical expertise;

—NRCS is also evaluating the benefits of centralizing support for quality assurance, equitable relief, and legal appeals at national headquarters to reduce burdens on State and field staff.

In fiscal year 2012, NRCS kicked off the multi-State servicing pilot that is testing a comprehensive approach to identifying areas for State-sharing, analyzing the option, and implementing long-term strategies for sharing resources.

—*Administrative Efforts*.—NRCS is taking a comprehensive approach to analyze administrative efforts; specifically NRCS is focusing on four key administrative functions or areas:

—Budget and financial management;

—Human resources;

—Procurement; and

—Property functions within NRCS.

NRCS is determining short-term solutions to position NRCS to best integrate the USDA Administrative Solutions Project and deliver the best support to the field.

In fiscal year 2012, NRCS will be moving forward with the development of a new administrative operating model that will focus on streamlining processes, developing virtual teams, and enhancing standardization. NRCS will develop and implement the new operating model throughout fiscal year 2013 and this will result in increased capacity for administrative services and will position NRCS for improved performance.

—*Modernization Efforts.*—Modernization efforts across NRCS will look at IT, Public Affairs, and Outreach to identify ways to improve the delivery of communications and information services to our internal and external customers.

In fiscal year 2012, NRCS began the modernization of the public affairs and IT organizations. Public Affairs implemented the redesign of the external Web site and engaged with GovDelivery for modernization of communications delivery. Public Affairs is also underway with a comprehensive redesign that is currently in the baseline assessment stage and will result in fiscal year 2013 with additional improvements to the Public Affairs function at NRCS. The IT assessment is currently underway as well; an organization redesign is expected in fiscal year 2013. This effort will help to improve IT delivery, enhance oversight, and enable increased service delivery across NRCS.

RURAL DEVELOPMENT

Broadband

Question. This subcommittee has provided substantial support for expanding high-speed broadband service to remote rural areas. The Federal Communications Commission (FCC) is now engaged in revising access to the Universal Service Fund, on which the bulk of Rural Development broadband loans rely for a portion of their income. Reducing Universal Service Fund payments to rural providers will place Rural Development's loan portfolio in severe jeopardy.

Please discuss how USDA is working with the FCC to ensure that rural broadband providers are not treated unfairly under the new FCC requirements.

Answer. Throughout the years, Rural Development and FCC have worked closely to uphold the universal service provisions in the 1996 Telecommunications Act as Congress had intended. Those provisions ensure that rural America has access to advanced telecommunications services at rates and at levels of service that are comparable to those offered in urban America. Prior to implementing the new Universal Service Fund (USF) Reform Order, Rural Development consulted with FCC on numerous occasions to help ensure that this important statutory objective was fulfilled. Rural Development has provided briefings and data to the FCC on its portfolio and on the impacts of revenue reductions to RD's borrowers. The USDA also worked with the FCC in developing a national broadband strategy published in 2009, as required by the 2008 farm bill.

Question. What is USDA doing in the short run to protect existing broadband borrowers and their rural customers?

Answer. In the short run, Rural Development is analyzing its portfolio to determine the impacts of reduced USF and intercarrier compensation revenues on rural telecommunications providers serving rural high-cost communities. Rural Development has conducted a series of listening sessions with borrowers, financial experts, and other segments of the rural infrastructure sector to fully comprehend the impact on rural America. Rural Development is keenly focused on making sure that rural America continues to receive affordable, high-speed broadband service required for economic development and job creation.

Question. Is the Department experiencing reduced loan demand due to the uncertainty of looming changes to FCC requirements? If so, does that affect the Department's broadband loan request for fiscal year 2013?

Answer. The Rural Utilities Service (RUS) and the telecommunications industry continue to evaluate the impact of the FCC revisions in USF, ICC, and local rates. While the level of uncertainty caused by the order may delay project consideration, the agency fully supports the proposed funding levels for fiscal year 2013. The broadband infrastructure needs across rural America were demonstrated by the tremendous response to the Recovery Act's Broadband Initiatives Program (BIP). There were many valuable projects which simply could not be funded. We are hopeful that some BIP applicants will apply for regular RUS loan programs to further extend existing broadband networks to rural areas. We are also hopeful the FCC will consider the needs of RUS borrowers who are actively investing in rural broadband networks made possible through the Recovery Act by reestablishing the regulatory and financial certainty that is needed for rural telecommunications investment to continue.

Question. When the FCC announced plans to reform the Universal Service Fund, what changes did the Department make to its broadband loan underwriting criteria to reflect this new uncertainty?

Answer. Even before FCC published it proposed USF Reform Order, Rural Development revised its underwriting criteria in both our infrastructure and broadband programs to determine reliance on USF and the impact of reduced revenues. Only loans which meet more rigid underwriting standards advance through this process to loan approval. The agency further enhanced its underwriting criteria after the first USF order was published and will continue to make changes to ensure any taxpayer investments are secured.

HOUSING

Question. This budget calls for a 27-percent reduction in your flagship direct single family housing loan program.

Is demand for this program going down?

Answer. The USDA budget proposal reflects the efforts of this administration to do more with less and to make tough decisions where necessary. Historically, the direct single family housing program has helped low- and very-low-income borrowers to obtain homeownership. Our budget proposal will refocus the direct single family housing program to serve low- and very-low-income borrowers, and will target a portion of the funding to help attract a new generation of bright, young teachers to our rural schools.

Over the past decade, Rural Development has increasingly relied upon guaranteed loans to cost effectively provide for the credit needs of rural America. In fact, during this administration alone, funding for the guaranteed single family housing program (excluding Recovery Act funding) has quadrupled from about $6.2 billion to $24 billion in 2011. This funding has helped to fill a critical need for credit in rural America, and importantly, this level of assistance is being provided at no subsidy cost to taxpayers.

Question. What is the current backlog of applications and pre-applications for these loans?

Answer. As of March 29, 2012, the total number of Section 502 Direct Loan applications on a waitlist pending processing due to the lack of available funds is 11,398.

Question. Is there any other Federal direct loan program that provides home-ownership assistance for low- and very-low-income rural residents?

Answer. There is no other Federal direct loan program similar to the Section 502 Direct Loan program. The Section 502 Direct Loan program provides mortgage financing for low- and very-low-income rural Americans unable to get credit from other sources. The program includes a payment assistance feature to reduce the borrower's housing cost for principal, interest, taxes, and insurance to approximately 24 percent of income. The other fundamental difference in program administration between USDA and other Federal housing programs such as Housing and Urban Development (HUD) programs is USDA's field staff, which allows USDA to maintain a local presence in the rural communities it serves.

Question. Why are you seeking such a drastic cut in the program?

Answer. Some of the same rural residents with low- and very-low-incomes who qualify for loans under the single family housing direct loan program can also qualify for the single family housing guaranteed loan program. The primary difference between the two programs is that the direct loans are made and serviced by USDA and in some instances contain an interest subsidy. The guaranteed loans are made and serviced by a bank or other commercial lender at the current market interest rate and guaranteed by the Federal Government. Unlike the direct program, the guaranteed program is provided at no subsidy cost to taxpayers.

Question. Please discuss the requested set-asides for rural teachers and self-help housing program participants. Why did you elevate the priority of those applicants above others, including healthcare workers, police and fire workers, daycare workers, etc?

Answer. The budget proposes to set aside a small portion of the direct single family housing program funding for teachers and beneficiaries of the Mutual and Self-Help Grant Program for a portion of the fiscal year, after which the funds will be available for all applicants.

The decision to set aside funding for the Mutual and Self-Help Grant Program ensures that adequate loan funds are available to support the grant funding provided by Congress. Without sufficient loan funding we would be unable to fulfill the intent of Congress with respect to self-help housing.

Rural Development remains committed to the support of all low- and very-low-income families, regardless of their profession. Set aside funding for teachers, however, would help address the shortage of teachers willing to work in rural areas that lack affordable housing. Teachers are a key factor in creating sustainable rural communities. By targeting a portion of this assistance to teachers, we hope to encourage many bright, young, and enthusiastic college graduates to consider returning to rural America to begin their professions as teachers.

Question. This budget seeks to eliminate the multi-family housing direct loan program (section 515). The stated justification for this elimination is that the guaranteed multi-family housing loan program (section 538) also provides construction financing and more funds are needed in the multi-housing revitalization program to maintain existing projects.

How effective is the guaranteed loan program in promoting construction in small towns and not just in larger communities?

Answer. The Multi-Family Housing (MFH) Guaranteed Rural Rental Housing Program (section 538) is very effective in promoting construction and preservation in rural areas. Like the MFH direct loan program (section 515), the section 538 program is restricted to areas of no more than 20,000 in population, unless eligible under a statutory exception. Approximately 50 percent of the loans guaranteed under section 538 preserve existing affordable properties in rural areas, most notably section 515 properties. For new construction, financial tools, including section 515 and section 538 loans, are more efficient for properties with more units of affordable housing, so nearly all of the new construction activity is in rural areas with populations between 10,000 and 20,000.

Question. How effective is the guaranteed program in offering affordable rents for very-low-income households?

Answer. The MFH Guaranteed Rural Rental Housing Program is very effective in offering affordable rents to very-low-income seniors, families, and individuals. The vast majority of tenants are under 80 percent of the area median income. More than 70 percent of all properties financed in the past several years using the section 538 program also have low-income housing tax credits (LIHTC), which impose lower income thresholds for tenants to qualify under the LIHTC program. Under the LIHTC program tenants must be very-low-income (50 percent of area median income) or low-income (less than 80 percent of area median income) families. In the last 3 years alone, the MFH Guaranteed Rural Rental Housing Program provided financing to build or preserve approximately 200 apartment buildings with 11,100 apartments, of which more than 9,400 are rented to very-low-income or low-income seniors, families or individuals.

Question. What is the total funding needed for the revitalization program?

Answer. We believe the budget request provides adequate funding for the Revitalization Program.

COMMUNITY FACILITIES

Question. This budget requests a $2 billion Community Facilities Direct Loan Program (CF) level, up from $1.3 billion in fiscal year 2012.

Is there demand for a $2 billion annual loan program?

Answer. As a result of the credit crisis, one of the biggest issues facing rural communities today is the lack of access to capital. In recent years, the agency has seen an increase in funding requests for projects that are larger in nature, scope, and complexity. Accordingly, we believe the proposed program level reflects the sizable demand that exists for infrastructure financing in rural areas.

Question. What is the current backlog of applications and pre-applications?

Answer. As of May 2, 2012, the Community Facilities Program has a total backlog of about $1.8 billion. This includes approximately 635 direct loan applications for $1.6 billion, over 900 grant applications for $51 million, and 27 guaranteed loan applications for $131 million.

Question. Why is the guaranteed loan program eliminated?

Answer. The guaranteed loan program originated as an inexpensive alternative to the direct loan program and was designed to stimulate additional assistance to moderate income communities in rural areas. The default rate for the program, however, has been much higher than originally projected; in effect, this has made it more expensive than the direct loan program. The proposed increase in the direct loan program will more than offset the effects of the guaranteed loan program termination.

RURAL JOBS ACCELERATOR

Question. We have recently become aware of a new initiative, the Rural Jobs Accelerator, which apparently will be a joint effort among USDA, the Economic Development Administration, the Delta Regional Commission, and the Appalachian Regional Commission.

Please explain the purpose of this initiative and how it is designed to work?

Answer. The programmatic guidelines and goals of the Rural Jobs and Innovation Challenge (RJA) are very similar to those of the regular RCDI; RJA merely emphasizes building regional capacity. To be eligible for RJA, applicants must be eligible for the regular RCDI program.

RJA is a coordinated interagency funding opportunity designed to promote accelerated job creation and community and economic development in rural regions through regional collaboration. The RJA will provide resources to support economic development in the areas of renewable energy, food production, rural tourism, natural resources, and advanced manufacturing. The RJA will also assist distressed rural communities in accelerating job creation by leveraging local assets, building stronger economies, and creating regional linkages. The Funding Partners include USDA, the Department of Commerce's Economic Development Administration (EDA), the Appalachian Regional Commission (ARC), and the Delta Regional Authority (DRA). This coordinated, integrated, interagency initiative offers applicants the opportunity to submit a single project narrative to access multiple funding sources that collaboratively support regional development in rural communities.

Question. What are the performance measures you will use to gauge the initiative's success?

Answer. Applications will be evaluated based on their ability to satisfy core evaluation criteria. This includes building community and regional capacity, linking to regional clusters and opportunities, integrating and building regional partners, and utilizing multiple resources to meet project objectives and promote substantive economic growth in the region and rural communities. Grant recipients will identify project milestones and submit reports throughout the project period, along with a final project performance report. Success will be gauged by the degree to which grant recipients achieve their project milestones.

Question. What administrative and programmatic resources have you committed in fiscal year 2012, and what resources do you hope to use in fiscal year 2013, to support the initiative?

Answer. The Rural Jobs Accelerator will be administered using existing USDA staff for fiscal years 2012 and 2013. Approximately half ($2.49 million) of the funding available for use in fiscal year 2011 and half ($1.81 million) of the funding available for use in fiscal year 2012 for the Rural Community Development Initiative (RCDI) will be used to support this initiative. The remaining $4.33 million in RCDI funding was announced under a separate notice of funding availability on March 21, 2012.

Question. Will USDA's support in fiscal year 2012 require a transfer or reprogramming of funds?

Answer. No. USDA is using existing authorities and a portion of the existing appropriations for the Rural Community Development Initiative (RCDI) to fund our portion of the Rural Jobs Accelerator. The projects funded by USDA must meet all existing RCDI funding criteria and would be eligible for RCDI assistance regardless of their participation in the Rural Jobs Accelerator. However, by employing a "whole-of-government" approach through the Rural Jobs Accelerator we can significantly enhance the prospects for job growth in the selected regions.

NUTRITION

Equipment Grants

Question. In 2009, this subcommittee provided $100 million through ARRA for grants to allow schools to purchase and renovate their food service equipment. The fiscal year 2013 budget for Child Nutrition Programs includes $35 million for this same activity. In February 2012, USDA's Office of Inspector General (OIG) issued a report criticizing FNS' management of these ARRA funds. According to the OIG report, FNS "did not create adequate, proactive controls to ensure that grants were awarded based on Recovery Act criteria and accurate data."

If funding is provided in fiscal year 2013, what assurances can FNS provide to this subcommittee that funds will be managed appropriately?

Answer. USDA believes that the ARRA grant award process in its totality was highly effective and met the goals set forth by the Recovery Act to effectively and timely distribute funds to low-income schools that clearly demonstrated need. The OIG audit did not identify any instances of improper use of the ARRA funds, but it did identify some areas for process improvement, and FNS will address these issues where needed. FNS' oversight of the State agencies which operate the school meals program will focus on ensuring that the processes used to distribute grant funds meet all appropriate requirements and ensure that funds are used for their intended purpose. As the audit report notes, OIG has accepted FNS' plan to implement additional internal controls within its standard competitive grant award processes, identifying areas that can be strengthened for future grant awards. I am confident that FNS would appropriately manage another round of school equipment funding.

Moreover, it is critically important to recognize that there remains significant unmet funding need for schools to replace out-dated equipment and help schools meet our new, updated standards for school meals. These standards represent the first update to school meals in over 15 years, emphasizing fruits, vegetables, and whole grains. Schools need modern, appropriate equipment to help them serve healthy meals. Only about 22 percent of the school districts who requested ARRA funds received them. So, the present $35 million request for the School Meals Equipment Grants is critical to providing support to help fund equipment purchases for school districts that did not receive Recovery Act funding.

Question. How do you envision these grants being allocated?

Answer. FNS would award equipment assistance funding to State agencies using a competitive process, and the State agencies would then build on the Recovery Act of 2009 criteria, which targeted low-income districts with the greatest need. When developing the specific competitive grant process that States would use when awarding these grants to school districts, FNS would also consider how to best meet the needs of school districts as per the requirements associated with the $35 million school meals equipment grant funding request.

Question. What changes to your grant process will be made in response to OIG's recommendations and concerns?

Answer. FNS will use management evaluations and/or targeted reviews to determine State agency compliance with the grant application and award processes. As part of these reviews, if FNS reviewers determine that (1) exceptions to the grant application were made during grant execution; and (2) potential grant awards to the State are pending, FNS will develop appropriate corrective action plans which could include submission of documentation for selected future grant awards to FNS for review and approval prior to implementation. This documentation may include applications (RFAs) and grant award evaluation processes prior to the States releasing the applications to potential subgrantees.

CIVIL RIGHTS

Question. Can you explain to the subcommittee the status of the women farmers discrimination litigation against USDA, along with the status of the USDA's plans for a Women and Hispanic Farmers Claims Process?

Answer. I will provide an update of the civil rights discrimination litigation as well as USDA's plans for a Women and Hispanic Farmers Claims Process.

[The information follows:]

In 2006, the D.C. Circuit affirmed the district court's denial of class certification of plaintiffs' ECOA claims. *Love* v. *Vilsack*, 439 F.3d 723 (D.C. Cir. 2006). In 2009, the D.C. Circuit affirmed the district court's dismissal of the claims plaintiffs brought under the Administrative Procedure Act (APA), 5 U.S.C. sections 701–706, by female farmers in *Love* v. *Vilsack*, and remanded the cases to the district court on the named plaintiffs' individual claims under ECOA. *Garcia* v. *Vilsack*, 563 F.3d 519 (D.C. Cir. 2009). In January 2010, the Supreme Court denied plaintiffs' petitions for certiorari on the APA claims in *Love* and *Garcia*. 130 S. Ct. 1138 (Mem.) (2010). All appeals related to class certification have been decided in favor of USDA and the *Love* case is now limited to individual claims of credit discrimination. *Love* has been stayed while the voluntary Alternative Dispute Resolution claims process is being finalized by USDA.

In order to offer relief to female and Hispanic farmers who allege credit discrimination during the relevant statutory period, USDA developed an entirely voluntary ADR program to settle those claims without litigating them individually in court. This non-adversarial process will be administered by a third-party neutral, who will make individualized determinations based on the evidence presented by each claimant. Successful claimants will receive up to $50,000 or $250,000 each depending on the tier of relief chosen by the claimant, plus tax relief on their award and possible debt cancellation for certain outstanding farm loans. Whether any individual chooses to participate in the program is entirely up to the individual. Those farmers who wish to ignore the ADR process are free to do so.

The claims process has not yet started. On January 25, 2012, after hearing from members of Congress, community organizations, and farmers, the Department announced changes to the claims process framework. In May, USDA selected an independent Administrator/Adjudicator who is now preparing to implement the claims process. Claimants will not need to pay any filing fees to participate in the claims process.

Question. What is the USDA's outreach plan to spread the word to women farmers nationwide about the availability of the claims process? Who will conduct the outreach, what forms of outreach will be used, and how much money does the agency plan to spend on outreach? Is the Agency involving women's and farmers' groups in the development of the outreach plan?

Answer. USDA has engaged in outreach activities to inform potential claimants, including women farmers who have alleged past discrimination, about the claims process. As part of the outreach process, USDA has held numerous meetings and webinars with farmers and community organizations, including women's organizations. USDA will expend up to $75,000 for outreach inclusive of staff travel and meeting space incidentals. In addition, USDA announced the claims process (including recent changes) through press releases and media interviews; and created a dedicated Web site with informational documents about the process such as a fact sheet and summary notice. USDA currently operates a toll-free call center to register individuals interested in participating in the process, allowing them to request a claims package.

USDA plans to continue to notify women and Hispanic farmers who allege past discrimination against USDA about the claims process requirements and the date on which the claims period will commence. Ongoing outreach to potential claimants will be conducted in a number of ways. USDA will use media to contact as many women and Hispanic farmers as possible about the claims process, including social media, press releases, Web sites, and posters, and USDA will hold additional webinars summarizing the program to stakeholders. USDA also plans to mail postcards directly to over 500,000 women and Hispanic farmers listed in USDA customer information systems about the claims process, plans to continue to hold meetings with farmers to notify them about the program, and plans to work with third-party organizations to reach out to potential claimants. Finally, USDA plans to enter into cooperative agreements with third-party organizations to educate potential claimants about the process.

Question. What, if any, specific program reforms is USDA implementing to prevent future discrimination against women farmers in particular?

Answer. To prevent future discrimination against women farmers, USDA has strengthened training, outreach, and policy efforts. At my direction, every political appointee in the Department has attended civil rights trainings and USDA has offered civil rights training to Farm Service Agency, Natural Resources Conservation Service, and Rural Development leadership and staff at State offices in more than a dozen select States that have a history of problems in this area. The States included Oklahoma and Arkansas, two of the States with the highest concentrations of female producers. The States selected for civil rights training for the Farm Service Agency State leadership accounted for a total of 40 percent of FSA program complaints in fiscal year 2008, and the States selected for Rural Development trainings represented 42 percent of RD program complaints in the same period.

We commissioned an independent assessment of civil rights in USDA's program delivery. We are working to implement the recommendations of this Cultural Transformation Assessment to help USDA improve field-based service delivery to minority and women farmers and ranchers, and communities that have historically not participated in USDA programs. The recommendations for the Farm Service Agency in the assessment included steps to provide better representation of women and minority farmers on county committees, to take prompt action to hold employees accountable for discrimination, and to institute outreach as a core mission of the Agency. To improve USDA programs' ability to serve all farmers, we analyzed the potential for new policies, rules and decisions to impact civil rights. Over 3 years the Office of Civil Rights recommended important changes on about 20 percent of all policies they reviewed. We also more than doubled the number of internal compliance reviews of USDA agencies to evaluate their civil rights policies, procedures and practices.

USDA is committed to reaching out to women farmers and involving new generations of female farmers in local and State USDA committees. The Farm Service Agency also recently designed a customer's guide to improve all producers' knowledge of farm loan programs.

In 2010 and again in 2011, USDA's FSA recorded the fewest number of customer civil rights complaints since the Department began keeping track, 37 complaints were filed in 2010 and 37 in 2011. We have also made changes to improve the processing of the complaints we do receive. Adding staff and conducting Lean Six Sigma process improvement have reduced the typical processing time for new civil rights program complaints from 4 years to 18 months.

QUESTIONS SUBMITTED BY SENATOR ROY BLUNT

DIVERSITY OF RURAL ELECTRIC PROGRAMS

Question. The budget request for the Rural Utilities Service electric loan program provides specific set-asides for renewable energy plants and fossil fuel powered facilities that include carbon emissions reduction. As a result, the budget request puts traditional power plants sourced by fossil fuels, such as natural gas and coal, at a disadvantage in participating in the program.

While I appreciate the importance of renewable energy and carbon sequestration, Americans in rural areas rely on cheap, accessible electricity that demands a diversification of energy sources for affordable customer rates. Energy policy should have a balanced approach and not focus on one particular source.

Does USDA know the potential long-term economic effects if rural electric cooperatives are unable to utilize the loan program to construct natural gas and coal-fired power plants or to provide basic facility upgrades that do not specifically reduce emissions?

Answer. USDA has not calculated the long-term economic effects of limiting future investment in fossil fuel-fired power plants. However, by virtue of being located in rural America, the rural electric cooperatives are ideally situated to invest in many renewable energy technologies such as solar and wind power. By targeting future assistance to renewable fuel technologies the rural electric cooperatives have the opportunity to play a central role in this administration's "all-of-the-above" approach to energy independence.

Question. How will the recent EPA announcement on greenhouse gas emission limits affect participation in the electric loan program?

Answer. The Rural Utilities Service (RUS) is expecting an increase in demand for RUS loan funds as borrowers work to comply with the EPA greenhouse gas emissions limits. At this point in time, RUS does not know the amount needed for borrowers to comply with EPA. However, the estimates for environmental upgrades range from $1 billion this fiscal year and reaching approximately $3.5 billion by 2016 according to the Electric Program application pipeline and the National Rural Electric Cooperative Association's 10-year projections.

Question. Because the average natural gas powered electric plant has a CO_2 emissions level below the recently announced EPA guidelines, what is the reasoning for prohibiting their access to two-thirds of the funding in the rural electric program unless they include carbon capture sequestration systems?

Answer. This limitation is one of many ways to achieve energy independence and improve the environmental health of the Nation. The proposal does not preclude the ability of rural electric cooperatives from seeking other sources of financing to build or upgrade fossil fuel-fired power plants. Rather, it provides an opportunity for the rural electric cooperatives to be at the forefront of implementing renewable energy strategies that will power a greener tomorrow.

FREE TRADE AGREEMENTS WITH COLOMBIA AND PANAMA

Question. Last year, Congress approved the trade agreements with South Korea, Colombia, and Panama. Implementation of all three of the trade agreements will increase U.S. farm exports by an additional $2.3 billion—supporting nearly 20,000 American jobs.

The agreement with South Korea came into force earlier this month (March 15). However, the agreements with Colombia and Panama have not been fully implemented. Full implementation of these two agreements would increase farm exports by $400 million and support approximately 4,000 jobs. It is important that these agreements are implemented expeditiously to open up these markets for our agriculture producers.

What is the current status of the free trade agreements with Colombia and Panama?

Answer. The United States-Colombia Trade Promotion Agreement will enter into force on May 15, 2012. The Department of Agriculture's Foreign Agricultural Service (FAS) worked closely with the Office of the U.S. Trade Representative (USTR) and stakeholders to establish effective mechanisms for ensuring market access under the terms of the agreement, particularly for tariff-rate quotas (TRQs). A range of issues will be resolved prior to implementation, including barriers to U.S. poultry and rice. Almost 70 percent U.S. exports to Colombia will become duty-free upon implementation, and most other tariffs will be reduced and eliminated over 5 to 10 years, with all Colombian tariffs on agricultural products duty-free in 19 years.

With respect to the United States-Panama Trade Promotion Agreement, discussions with Panama are currently focused on changes required in their laws and regulations in order to implement the agreement. FAS is working closely with USTR to ensure the mechanisms Panama will use to implement its agricultural TRQs will be ready when the agreement enters into force. Panama will be adapting its current auction system for some TRQs and establishing new licensing and first-come, first-served systems for others. FAS and USTR are working to ensure that these systems will be implemented in a way that is consistent with the provisions of the agreement and that will enable U.S. exporters to take full advantage of new opportunities.

Question. Is there an estimated date for implementation of these agreements?

Answer. The United States-Colombia Trade Promotion Agreement will enter into force on May 15, 2012. An implementation date for the United States-Panama Trade Promotion Agreement will be set once agreement has been reached on all of the implementation mechanisms. FAS is working with USTR to ensure the new market access opportunities established in the agreement will be available as soon as the agreement enters into force. In an effort to ensure the implementation of the agreement moves forward expeditiously, a team of FAS, USTR, and Customs officials will travel to Panama in the first week of May to assist the Panamanian Government as it develops its TRQ regulations.

AGRICULTURAL RESEARCH SERVICE LAB CLOSURES

Question. Consistent with the budget request, the fiscal year 2012 agriculture bill closed 12 Agricultural Research Service (ARS) labs. However, the budget request did not adequately budget for the expense of closing these labs, which turned out to be far more significant than either USDA or the subcommittee imagined.

How much do you estimate it will ultimately cost ARS to relocate staff and close all 12 labs in fiscal year 2012?

Answer. The termination of research activities at the 12 ARS laboratories affected 233 permanent ARS employees. The one-time costs associated with the relocation or separation of affected personnel and the disposal of property are estimated at $39 million in fiscal year 2012.

EXTRAMURAL RESEARCH

Question. I understand ARS plans to reduce existing extramural research funding by 30 percent this year to find the additional funds necessary to close the labs.

How did ARS arrive at the decision to reduce extramural funding as opposed to other activities within ARS?

Answer. The temporary budget reductions to remaining ARS programs in fiscal year 2012 are necessary to finance the one-time costs associated with the closure of 12 ARS laboratories. The 30-percent reduction to extramural research supported by ARS resources is one of several measures necessary to finance the one-time costs. These measures also include restricted hiring and assessing all remaining ARS management units. As a result of these actions, only about half of the one-time costs to close the 12 laboratories will be financed by reductions to extramural supported research. Although ARS' mission is to conduct primarily intramural research, ARS along with other USDA agencies, such as the National Institute of Food and Agriculture (NIFA), will continue to support high-priority extramural research.

CAPITAL ASSET AND CONSTRUCTION PLAN

Question. The fiscal year 2013 budget includes a proposal to close six more labs. Last year, the subcommittee requested a capital assets and construction plan from ARS. We have not received the capital asset plan. Without the benefit of this plan, how did USDA determine which labs would be closed?

Answer. ARS has completed a capital investment strategy for recapitalization and new research facilities based on facility condition, needs, and research program priorities. The report establishes criteria and processes for determining and recommending the appropriate level of new investments needed for USDA research facilities. The report's recommendations and overall strategy will inform and support the development of administration budget requests for research facilities in the out years.

During the process of evaluating all ARS research programs, and in conjunction with developing the capital investment strategy, ARS also developed a conceptual framework to determine its capital investment needs based on the relation between the condition of a facility to the priority level of a program. This methodology allowed ARS to determine, on a scale, which facilities are in the poorest conditions and housed the lowest priority programs. The six laboratories recommended for closure were identified after all evaluations were completed. The 2013 budget proposes reallocating these funds to facilities/programs that support higher priority initiatives.

CLOSING COSTS OF RESEARCH LABORATORIES

Question. Should the subcommittee agree with ARS's plan to close the labs, does the budget request adequately account for the cost of closing these labs?

Answer. The estimated cost to accommodate the potentially impacted employees and dispose of the real property ranges from $10–12 million. If the fiscal year 2013 proposed budget reallocations are approved, ARS would be able to utilize the associated program funds to offset the facility closure costs.

BUDGET IMPACT OF SCHOOL MEALS REGULATIONS

Question. I have received a number of inquiries from schools across Missouri regarding the Department's new school meal regulations. I am deeply concerned about the unintended costs on public schools as a result of the Department's regulations.

With the price of food commodities rising, it looks like the impact of the regulations will result in an unfunded Federal mandate on Missouri schools. My constituents have said that the fruit, vegetable, and whole grain requirements will increase the cost of a school lunch by as much as $0.28 per meal. The increase in funding provided in the reauthorization is set at $0.06 per lunch, significantly less than the estimated actual cost of implementation.

These cost increases will be borne by local school districts, which will likely be forced to increase prices on paid lunches, resulting in a reduction in overall participation rates.

How does the Department plan to deal with rising food commodity costs?

Answer. Beginning October 2012, school food authorities that meet the new meal patterns will receive a $0.06 lunch reimbursement rate increase authorized by the Healthy, Hunger-Free Kids Act of 2010 (HHFKA). Furthermore, the HHFKA requires that schools set an adequate price for paid lunches so that schools receive as much revenue from paid lunches as the Federal program provides for free lunches. The HHFKA also requires that schools set competitive prices for foods sold outside of the reimbursable meal so that revenues received from the sale of nonprogram foods equal the cost of obtaining them. When taken together, the additional Federal reimbursement provided for improved meals and the non-Federal revenue generated by the aforementioned provisions will, on average, make sufficient resources available for schools to meet the new meal requirements. Also, it is important to note that over 3,000 schools receiving the HealthierUS School Challenge (HUSSC) awards report they have been able to achieve similar standards without significant cost increases. To date, 61 Missouri schools have been recognized as HUSSC award winners, including 12 schools that were recognized at the Silver level.

In addition, one key way that USDA helps schools provide cost-effective, nutritious meals is by providing agricultural commodities in the form of USDA Foods. The USDA Foods program helps schools stretch limited food budgets by providing high-quality fruits, vegetables, meat, fish, poultry, dairy, and grains. School commodities, which represent approximately 15–20 percent of the food on the cafeteria serving line, now include more fruits and vegetables, more whole grains, and more food that is lower in sugar, salt, and fat than ever before. For example, USDA purchased nearly $300 million in canned, fresh, frozen, and dried fruits and vegetables for schools through the USDA Foods program and the Department of Defense (DOD) Fresh Fruit and Vegetable Program in fiscal year 2011. The USDA Foods program is well positioned to help schools meet the new meal requirements and we are confident that most of the schools will continue to benefit from this program.

Question. Does the Department have a plan for dealing with increased costs and the burdens these costs will place on public schools?

Answer. Careful consideration of cost and logistical issues were an important part of developing the updated nutrition standards for the school meals programs. USDA is committed to ensuring that any such standards are practical and accompanied by extensive guidance and implementation assistance for our school partners. As part of the Healthy, Hunger-Free Kids Act of 2010, USDA built the new rule around recommendations from an Institute of Medicine expert panel, updated with key changes from the 2010 Dietary Guidelines for Americans. Getting the science right is critical to better nutrition and health for our children.

We received unprecedented public participation and input on the proposed standards, and made modifications to the proposed rule where appropriate. As a result, the final standards are much less costly than the proposed standards, provide additional time for implementation of some key changes, and better accommodate the administrative constraints facing schools and States. These responsible reforms do what is right for children's health in a way that is practical and achievable in schools across the Nation. USDA's estimate shows implementation of the new nutrition standards for school lunches and breakfasts will cost $3.2 billion over the next 5 years. This is less than half of the proposed standards' originally estimated cost of $6.8 billion.

In addition, we believe the $0.06 lunch reimbursement rate increase authorized by the Healthy, Hunger-Free Kids Act of 2010 along with the revenue support provisions noted in the previous response such as the non-Federal revenue generated by schools setting an adequate price for paid lunches so that schools receive as much revenue from paid lunches as the Federal program provides for free lunches and the requirement that schools set competitive prices for foods sold outside of the reimbursable meal so that revenues received from the sale of nonprogram foods equal the cost of obtaining them, will make sufficient resources available for schools to meet the new meal requirements. Finally, we are working on technical assistance and menu planning materials to help schools plan and prepare nutritious meals in a cost-effective manner, and will make those materials available as soon as they are complete.

BUDGET IMPACT OF COMPETITIVE STANDARDS RULE

Question. It's clear from speaking to many of the schools in Missouri that they depend on revenue from foods sold outside of the National School Lunch & Breakfast Programs to give them greater ability to purchase healthier options for school meals.

There is a lot of anxiety in the school foodservice community over how new competitive foods' standards will impact this revenue stream, particularly at a time when school cafeterias are being asked to cut their budgets.

I understand that the Department believes schools should expect increased revenue from competitive foods lines as a result of the new standards.

What data you are basing this assumption on?

Answer. The Department projected increased revenue from competitive foods as a result of regulations implementing section 206 of the Healthy, Hunger-Free Kids Act of 2010 (HHFKA). The rule, published in the Federal Register on June 17, 2011 (76 FR 35301), requires school food authorities (SFAs) to set prices for nonprogram foods purchased with SFA funds, a subset of competitive foods, at a level sufficient to generate revenue proportionate to their share of SFA food costs. The Department estimated that HHFKA section 206 would generate $7.3 billion in additional SFA revenue over 5 years. The primary source for that estimate was USDA's school year 2005–2006 School Lunch and Breakfast Cost Study. That study found that nonprogram foods generated revenue for SFAs equal to just 71.3 percent of their reported costs of production. Counter to common perception, on average, the revenue generated by program meals subsidizes the production of other SFA foods when labor and overhead costs are properly allocated to all foods prepared with SFA funds.

Elimination of that subsidy is the source of the revenue generated by HHFKA section 206—not nutrition standards for competitive foods, which are still under development. Whatever the ultimate impact of those nutrition standards on competitive food sales, section 206 ensures that competitive foods will not divert revenue from the production of reimbursable meals. Reforming SFA accounts in this manner frees up program revenue for the investments necessary to meet new meal standards.

Question. Do you plan to perform any sort of assessment on impact of the competitive foods standards on school cafeteria budgets?

Answer. Yes. The Department will begin data collection in school year 2014–2015 for a "School Nutrition and Meal Cost Study". That study will examine both the school nutrition environment and school foodservice operations. The study will assess the impact of nutrition standards on the content of reimbursable meals and competitive foods, and will compare the revenues generated by each of these to their allocated share of SFA costs.

QUESTION SUBMITTED BY SENATOR TOM HARKIN

LEAN FINELY TEXTURED BEEF

Question. In the light of the large amount of press attention recently given to a product called lean finely textured beef (LFTB), I would like to clarify for the record some aspects of the situation. As I understand it, the Department of Agriculture was informed and reviewed the process and technology involved in producing lean finely textured beef and did not raise problems with the process, nor did the Department indicate a problem with including it in what is sold as "ground beef" without any special labeling. It is also my understanding that the Food and Drug Administration allows the use of ammonia in food under a designation of "generally recognized as safe." The factual circumstances seem to show that the company that developed the process felt it was applying an innovative technology and addressing food safety risks in doing so, again, with the knowledge of and effectively an OK from the Department of Agriculture. Now the company has suspended operations at several plants and jobs of hundreds of workers are in doubt.

My question is simply, does lean finely textured beef meet the applicable food safety standards and criteria of the Department of Agriculture?

Answer. Yes, lean finely textured beef (LFTB) products meet Federal food safety standards. The process used to produce LFTB is safe, and adding LFTB to ground beef does not make that ground beef any less safe to consume.

Questions Submitted by Senator Susan M. Collins

FOOD SAFETY

Question. I understand that the Department of Agriculture (the Department) has announced that it is preparing to propose new regulations for the grinding of raw beef that would require additional recordkeeping to help the Department trace outbreaks back to their source. It has been reported that these new regulations, which have not yet been published, would require retail stores to keep detailed records identifying the supplier and the quantities of all source materials used in raw ground beef products. The Department has long encouraged retail stores to keep such detailed records, but has not required them to do so. The Department has indicated that it considers the use of beef trimmings without detailed recordkeeping as a "high-risk" practice.

What additional actions is the Department taking or proposing to take to improve its ability to prevent foods containing dangerous pathogens from ever leaving the slaughterhouse, processing facility, or entering the retail chain?

Answer. FSIS announced and asked for comment on a new "test and hold" requirement for the meat and poultry industry that, once implemented, will significantly reduce consumer exposure to unsafe food. When the policy is finalized, industry will be required to hold products that FSIS has sampled for microbiological testing until the test results are received. The product will be released if the results show that it is safe to move in commerce. This approach could have prevented 22 recalls during fiscal year 2009 and fiscal year 2010. Under this policy, FSIS expects fewer recalls by industry, fewer illnesses, and increased consumer confidence in the safety of the food supply. The agency is also announcing new procedures for tracing product that is positive for E. coli O157 to its supplier as well as actions that will strengthen its implementation of HACCP.

Question. What steps is the Department taking to educate consumers about the risks of food-borne illness, the dangers and avoidance of cross contamination, and the need to handle and cook meat properly to ensure it is safe for consumption?

Answer. On June 28, 2011, FSIS launched a joint national multimedia campaign with the U.S. Department of Health and Human Services to help families prevent food poisoning: The Food Safe Families—Check Your Steps campaign. The campaign urges consumers to remember four key steps to food safety: Clean (surfaces, utensils, and hands), separate (raw meat and poultry from other foods), cook (to a safe temperature), and chill (raw and prepared food). We have reached millions, in English and Spanish, using a variety of donated media, including television, radio, print media, social media tools, and the Internet.

On May 5, 2011, FSIS launched the Mobile Ask Karen application (m.AskKaren.gov on your phone's mobile browser), a Web-based smartphone application that gives consumers another way to access the only U.S. Government-sponsored food safety virtual-representative. Consumers can search by topic and products, send e-mails, or use the chat feature, all via their mobile devices. Thus, users can get answers to their food safety questions anywhere: At the grocery store, barbecue grill, and kitchen stovetop.

During fiscal year 2011, the USDA Food Safety Discovery Zone, a new and improved USDA Food Safety Mobile, visited grocery stores, schools, and local community events to educate consumers about food safety and to promote the Food Safe Families Campaign. The Discovery Zone improves consumers' awareness of the risks associated with mishandling food and provides in-depth, hands-on demonstrations of the steps they can take to reduce their risk of contracting a foodborne illness.

NATIONAL SCHOOL LUNCH PROGRAM

Question. Recently the Department purchased for use in the National School Lunch Program a product that is commonly referred to as "pink slime," known in the industry as "boneless lean beef trimmings" or "lean finely textured beef," as an additive in ground beef. This product is reportedly treated with ammonium hydroxide gas, suggesting that decontamination is necessary to ensure the product is safe to eat. What analysis has the Department done to determine whether this product is safe for consumption?

Answer. Ammonium hydroxide is used in the production of lean finely textured beef (LFTB) as a pH control agent to help reduce harmful bacteria. Ammonium hydroxide, produced by mixing anhydrous ammonia (ammonia gas) with the natural moisture in LFTB, was determined to be Generally Recognized as Safe (GRAS) by the Food and Drug Administration (FDA) in 1974, after extensive review and a rulemaking process (21 CFR 184.1139). USDA, after consultation with FDA, determined that ammonium hydroxide is safe and suitable for use in the production of meat and poultry products (FSIS Directive 7,120.1).

Question. Have there been incidents of food-borne contamination in products containing pink slime?

Answer. Some ammoniated beef has been shown to be contaminated with E. coli O157:H7, and such product has been excluded or removed from commerce under the same procedures FSIS employs for any product it regulates.

Question. Parents in Maine have contacted school districts to inquire about the safety and wholesomeness of products containing this additive. Are there any health implications, particularly for school-age children, associated with consuming foods that have been treated with ammonium hydroxide?

Answer. No. Ammonium hydroxide is accepted as GRAS for this use.

Question. Does the Department plan to undertake any additional studies or actions to ensure that these products are safe for consumption by the public and by our Nation's school children?

Answer. No. No evidence has been presented or cited that would raise a question about the GRAS status of this use of ammonium hydroxide. However, based on requests from school districts across the country, USDA announced on March 15 that it would offer more choices in the National School Lunch Program in terms of purchases of ground beef products.

LEAN FINELY TEXTURED BEEF

Question. I understand that the Department has recently announced it will give schools the choice of using products that do not contain pink slime.

What will the Department do with unwanted product that contains this additive that, in some cases, has already been delivered to school districts?

Answer. On March 30, a policy memo was sent to State distributing agencies (SDAs) and school food authorities (SFAs) that not only reaffirmed the safety of lean finely textured beef (LFTB) but also outlined the options available for the treatment of their current inventories if recipients chose not to utilize the product as intended. USDA does strongly encourage all SDAs and SFAs that have ordered donated beef products to use them as intended but understands the desires of certain recipient Agencies not to do so. However, USDA cannot provide entitlement credit or reimbursement for any processing-related fees or replacement product. If the SFA does not wish to use donated beef products that contain LFTB, the SDA must determine if the donated products can be reallocated to another SFA that is willing to use them. If donated beef products in SDA inventories cannot be reallocated to another SFA, the SDA must determine if they can be transferred to another SDA for distribution to SFAs in the National School Lunch Program, or if such foods can be transferred for use in the Emergency Food Assistance Program (TEFAP), or another eligible charitable institution. SDAs will be responsible for any transportation costs, and there will be no compensation to an SDA or SFA for lost entitlements.

USDA continues to affirm the safety of LFTB products. However, the Department was overwhelmed with inquiries from schools and parents who did not want it to be allowed as a component in the ground beef that USDA purchases. The schools are our customers and they were demanding choices. The decision was driven by customer demand.

Question. What is the estimated cost to the Department and to schools of choosing not to use products containing this additive?

Answer. AMS estimates that the cost of beef products that do not allow for the inclusion of LFTB could run 3 percent higher than the comparable LFTB-allowing beef product specifications. Depending on whether a school food authority is ordering donated products or using non-entitlement funds, selecting this option could either result in them receiving a smaller volume of products or a higher cost. USDA does not expect there to be any increased direct costs to the Department from providing the option.

AGRICULTURAL RESEARCH SERVICE PROGRAM REALLOCATION

Question. In fiscal year 2012, and in the 10 previous fiscal years, ARS and the potato industry, through a potato research initiative, have cooperated to identify research projects that have scientific merit and address potato industry priorities. ARS researchers serve as the lead investigators on all projects and collaborate with land grant universities and other private entities to conduct this research.

The President's fiscal year 2013 budget request proposes to reallocate $4.6 million to improve the control of diseases attacking small fruits, nursery crops, potatoes, and other crops, through the development of resistant varieties and disease management strategies. Preventing the damaging effects of pests and diseases requires the consistent application of sound pest management strategies, including the development of disease- and pest-resistant crop varieties. These strategies are the result of years of collaborative efforts among ARS, research institutions, private industry, and local producers that have resulted in better pest management, reduced environmental impact, improved quality, and increased yield. Can you explain how the Department's proposed reallocation will affect these partnerships? Is USDA committed to providing adequate funding for pest and disease management programs, including the development of pest and disease-resistant varieties through ARS that address the potato industry's identified research priorities?

How does the Department intend to fund and administer these programs, and what resources will USDA commit to these programs to ensure they are able to address evolving pest and disease management challenges facing producers?

Answer. USDA will maintain its strong partnerships with its cooperators, customers, and stakeholders, including agricultural producers and universities. These close working relationships are an integral part of plant breeding and pathology research programs nationwide, and the Department will use its dedicated resources to continue these partnerships that address producer priorities in plant production and protection.

Public plant breeding programs are crucial in meeting needs identified by the potato and other industries. Development of improved germplasm and varieties, as needed, with enhanced disease and pest protection is a high-priority research initiative within the Department.

USDA research will continue to address producer needs for plant health and sustainability. Research priorities will continue to be established through a continuing dialogue with customers and stakeholders.

NATIONAL INSTITUTE OF FOOD AND AGRICULTURE CROP PROTECTION PROGRAM

Question. The President's fiscal year 2013 budget proposes to consolidate several pest management programs into a single "Crop Protection" program and to provide $29.1 million for that program in the next fiscal year. Integrated Pest Management (IPM) programs allow research universities to partner with State, local, and regional producers to conduct critical field work and research, perform field inspections, and provide producer notifications. These steps are critical to converting laboratory research into improved pest and disease management strategies that can be applied in the field to reduce pesticide application and improve crop quality and yield.

Please describe how the Department intends to administer these important programs should such a consolidation occur. How would the proposed consolidation affect ongoing partnerships with States and research universities to transfer laboratory research to the field? How much of the $29.1 million that is requested would go to fund IPM programs, and specifically, potato IPM programs? How much of the requested funding under this proposed consolidation would go to Minor Crop Pest Management (IR–4) program efforts?

Answer. USDA is currently soliciting broad stakeholder input on the appropriate design of the Crop Protection Program in anticipation of funding in fiscal year 2013. Our goal is to improve the efficiency of the program and enhance NIFA's ability to support research, education, and extension activities needed to assist in global food security and respond to other major societal challenges.

[Additional information is provided below.]

The President's budget for fiscal year 2013 proposed the consolidation of six pest management budget lines into the Crop Protection Program. The budget proposal identifies five priority areas that will be supported by the new program:

—The development of crop protection tactics and tools;

—The development of diversified IPM systems;
—Enhancing agricultural biosecurity;
—Developing IPM for a sustainable society; and
—Developing the next generation of IPM scientists.

These priority areas encompass core research, extension and service activities supported by the six budget lines that will be consolidated. As we implement the new program, we will try to minimize disruption to ongoing efforts that are currently supported by the six budget lines, which includes the IR–4 program. We value the partnerships that have developed as a result of the Department's involvement with these pest management efforts over the past 50 years, and we remain committed to supporting critical research, extension and service efforts in fiscal year 2013 and beyond. We believe that the proposed budget consolidation and creation of the Crop Protection Program will strengthen these partnerships, and will result in the most effective and efficient use of Federal funding appropriated to the National Institute of Food and Agriculture for pest management efforts. Funding allocations for this competitive program will be determined when 2013 funding is provided.

NORTHEAST REGIONAL AGRICULTURAL RESEARCH

Question. One of the major strengths of American agriculture is the wide variety of crops grown, and the ability of different geographic regions to produce high-quality, often unique, agricultural products. USDA research activities through the ARS play a key role in leveraging departmental resources, academic expertise, and the input of regional producers to improve quality and expand production of many crops. The President's fiscal year 2013 budget proposes to close several ARS laboratories, including the New England Plant, Soil, and Water Research Center—the only ARS lab in the six-State New England Region that conducts crop, soil, water, environmental, and economic research.

The closing of ARS labs represents a significant loss not only for regional producers, but also for affiliated research universities that will lose critical staff and resources. These losses can jeopardize the ability of universities and industry to apply prior research and develop better pest and disease management strategies. Moreover, the closure of the only plant, soil, and water ARS laboratory in New England hardens the impression that the Department does not view the Northeast's agricultural sector as worthy of growth, improvement, or investment. Does the Department believe it is important to maintain an ARS laboratory research footprint in New England and other regions of the country? Has the Department analyzed the potential economic impacts of closing these labs on regional producers who may directly benefit from the applied research that these labs can generate?

Answer. ARS is a national research institution; although many ARS research laboratories address the needs of local producers, these laboratories also often serve as model systems. Thus, research conducted at many ARS locations yields benefits to producers in Maine and elsewhere. USDA believes that there are significant benefits to maintaining research facilities across the range of climatic, soil, and cropping systems represented in the United States. Though the Orono facility is proposed for closure, ARS is maintaining a comprehensive set of research laboratories in New York, Pennsylvania, Maryland, and West Virginia that continue to address the needs of producers in the northeast. Agriculture in the United States is seldom extremely location-specific. Although crops usually are particularly productive in certain combinations of soils and climate, those conditions can often be found at multiple locations. Taking advantage of the differences across the country contributes to the important characteristic of resilience leading to increased food security.

The Department has not undertaken a comprehensive economic analysis of the impacts on regional producers from the proposed closures. Aside from Orono, ARS conducts many research projects around the concept of Agricultural Systems Competitiveness and Sustainability at research locations in several States. In most instances, these projects address complete cropping systems relevant to various production areas across the country. For example, many research findings in sustainable potato production systems in Washington and Oregon benefit producers in the northeast. Although the research in those locations is by necessity conducted on local crops and soils, the principles that are developed are beneficial in a broad range of crops, soils, and climates.

QUESTIONS SUBMITTED BY SENATOR JERRY MORAN

COMPETITIVE FOOD RULE

Question. Changes to the National School Lunch and Breakfast Programs have imposed new challenges and costs on schools in Kansas and across the country. While I am glad the implementation cost of the final meal pattern rule is lower than what was initially proposed, I am concerned about what the cost may be of the competitive foods rule USDA is currently working on. What assurances can you give me and school nutritionists in Kansas who are already having difficulty planning menus for next year that the forthcoming rule on competitive foods will not impose costs and compliance hurdles similar to those that were proposed in the initial meal pattern rule?

Answer. As you are aware, the Healthy, Hunger-Free Kids Act (HHFKA) requires that the USDA develop nutrition standards for foods sold in schools outside the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). It also requires they be consistent with the most recent Dietary Guidelines for Americans and take a number of important issues into consideration, including the practical application of the nutrition standards in schools. A proposed rule to establish such standards is currently under development.

We are aware that school districts have concerns regarding the potential financial and logistical impacts associated with the implementation of these standards and have received extensive input from a variety of stakeholders on how to best address those concerns. As we continue our work to develop the proposed rule, a great deal of time has been spent analyzing current scientific information and school practices as well as voluntary standards for food sold outside of the NSLP and SBP that have been recommended by a number of nongovernmental organizations. We have also considered the costs associated with implementation of such standards for all foods sold to students in school. I am committed to ensuring that any such standards are practical and accompanied by extensive guidance and assistance for our school partners as implementation moves forward. In addition, I understand the need to aim for consistency with the NSLP meal pattern regulation in areas in which the regulations may overlap, particularly as a means to ensure the regulations do not place undue burden or complexity on school staff who operate food service under both standards. We look forward to receiving public comments once the proposal is published and want to assure you that such comments will be most carefully considered as we develop the final rule.

Question. Last year, in the Consolidated and Further Continuing Appropriations Act (Public Law 112–55), Congress expressed concern about sodium reduction targets specified in the proposed meal pattern rule. Is the Department taking these concerns about aggressive sodium reduction targets into account as it finalizes its proposed rule for competitive foods?

Answer. We understand the complexity of balancing ambitious approaches to improving the food intake of children with the needs of program operators and look forward to receiving public comments once the competitive foods proposal is published. I want to assure you that such comments will be carefully considered as we develop the final rule. We continue to be committed to ensuring a careful review of current science and technologies before implementing the ambitious, but important, sodium reduction targets included in the school meal patterns final rule and will apply these considerations to our work on competitive foods.

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

OFFICE CLOSURES

Question. Let me first thank you for your February 13, 2012, response to the letter I sent with Senator Thune and Representative Noem concerning your January 9, 2012, announcement to close 259 USDA offices, facilities, and laboratories across the country, including four FSA offices in my home State of South Dakota. At the same time, I was disappointed that several of our questions were not addressed in your response. I recognize, as you have stated publicly multiple times, that the Department has been faced with difficult choices given reduced budgets, and that you faced a choice of either closing offices or instituting furloughs. The situation in which you find yourself is certainly unfortunate; the rush to cut Federal spending by some in Congress without regard for the impact has begun to show the consequences.

Recognizing these difficult circumstances, I would like to get a better idea of how you identified offices for closure. The 2008 farm bill directed you to use a specific set of criteria. Specifically, my constituents would appreciate a better understanding of why the Department utilized "as the crow flies" rather than driving miles for determining the mileage between offices; this has been of significant concern for my constituents, because in multiple cases, the distance between offices in question is actually greater than 20 miles. As we stated in our letter, the Department utilizes miles driven when determining mileage for official Government travel with motor vehicles; particularly given the unique geographical characteristics of some of the affected offices, why did the Department utilize the "as the crow flies" standard?

Answer. USDA selected Euclidian miles because it represents a precise distance between two points which is not subject to interpretation.

Question. Additionally, some of the offices slated for closure, though minimally staffed at the time the decisions were made, have still had a significant workload. As we stated in our letter, using the actual number of employees in the office at any given time is an unreliable and inconsistent staffing measure as this number can vary greatly due to retirements and transfers. Why did the Department use the actual number of employees for determining whether county offices met this statutory guideline?

Answer. USDA used the number of staff currently employed in each office in order to strictly adhere to the criteria laid out in the 2008 farm bill.

HOUSE BUDGET RESOLUTION

Question. Can you outline what the impact will be of the budget resolution recently passed in the House of Representatives, if enacted on your ability to operate in the future, and in particular, the degree to which you may need to consider additional office closures?

Answer. The President's budget request was fiscally responsible and included reductions in many discretionary programs. For any further reductions beyond the President's budget we would need to further review our priorities and make appropriate adjustments.

COUNTRY OF ORIGIN LABELING

Question. Thank you for your continued efforts in defending our country-of-origin labeling (COOL) program. As you know, I've worked on this issue for many years, and I am pleased that USDA, under your leadership, has finally implemented the program. Additionally, I am very pleased that the administration will be appealing the World Trade Organization Dispute Settlement Panel's decision concerning our COOL program. Can you provide a general timeframe for the appeals process moving forward and the role that USDA will play in the process?

Answer. The parties to the dispute have already filed all their submissions in the appeal. The WTO Appellate Body will hold the hearing in this appeal on May 2–3, 2012. A final decision is expected sometime during the summer of 2012. USDA's COOL team of regulators, economists, trade policy experts and lawyers has been working closely with United States Trade Representative's litigation team throughout this dispute, both at the Panel stage and at the appellate stage.

SUN GRANT INITIATIVE

Question. As you know, the Sun Grant Initiative is an important university research and education program that addresses national priorities to develop bioenergy and bioproducts at regional and local levels. The initiative broadens the role of land-grant universities to conduct research and educational programs that emphasize renewable energy systems based on agriculture and renewable resources. Particularly given the administration's emphasis on the importance of the development of renewable energy, why does the administration's budget propose zero funding for this nationally authorized program?

Answer. A decrease is proposed so funding can be redirected to support higher priority activities, and is consistent with the administration's policy to redirect available resources, as appropriate, and consistent with the agency mission, from lower priority areas to other science and technology activities. Alternative funding from the Agriculture and Food Research Initiative and/or formula funding may be used to support aspects of the program deemed to be of priority at State and/or local levels. For example, the 2013 budget proposes reallocating funding within AFRI towards bio-based energy technologies, increasing funding towards this initiative by $30 million.

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

AGRICULTURAL RESEARCH SERVICE FISCAL YEAR 2012 FUNDING

Question. It's my understanding that USDA's fiscal year 2012 budget request for Agricultural Research Service (ARS) underestimated the funding needed to close the 12 ARS laboratories that were proposed for closure in fiscal year 2012. As a result I see that ARS has taken action to find the needed $38 million elsewhere in the budget. I note three things happened to make up this shortfall:

—All ARS programs were cut an estimated 0.7 percent;

—ARS has frozen all vacancies; and

—ARS has proposed to reduce all extramural activities by 30 percent.

Do these three rounds of cuts fully make up for the budgeting error?

Answer. I do not believe this was a budgeting error. ARS' fiscal year 2012 enacted level was $43 million below what was proposed in the fiscal year 2012 President's budget and $38 million below the fiscal year 2011 enacted. This permanent reduction eliminated ARS' ability to offset the costs of the closures with program funds associated with each of the 12 laboratories. The one-time costs associated with the relocation or separation of affected personnel and the disposal of property are estimated at $39 million in fiscal year 2012. These one-time costs are being financed by temporary reductions to remaining ARS research programs. The resources accumulated from the temporary assessments will cover the one-time costs in fiscal year 2012.

Question. Why do these cuts, to make up for an ARS budgetary mistake, target extramural activities?

Answer. I do not believe this was a budgetary mistake. The permanent reduction of $38 million from fiscal year 2011 levels required that all ARS research, not just sponsored extramural research, needed to be reduced to pay for the closures. USDA sought to balance the impact on intramural and extramural programs through an across-the-board reduction of intramural research, a hiring freeze, and extramural funding reduction. Together, these actions will finance the one-time costs to ARS for the facility closures without closing other ARS research projects and let ARS partners continue ARS extramural research with 70 percent of the funding. USDA will also continue to support high-priority extramural research through other USDA agencies, such as the National Institute of Food and Agriculture (NIFA).

Question. Why is the cut not across the board like the earlier 0.7-percent across-the-board cut and the freeze on all ARS vacancies?

Answer. The approach to financing the one-time costs seeks to minimize the impact to USDA personnel. Additional temporary reductions to in-house research supported by ARS personnel would potentially impact additional ARS employees and require significant reductions in ARS intramural research.

Question. Was there a measured approach used to evaluate productivity or performance?

Answer. To fund the one-time costs associated with closing the 12 laboratories, all of ARS research was reduced through an across-the-board reduction of intramural research, a hiring freeze, and an extramural funding reduction. This balanced approach to reductions did not evaluate productivity or performance.

Question. Who made this decision to cut extramural facilities on their expected fiscal year 2012 funds to cover the closure costs?

Answer. I made the decision to assess the funding for extramural-supported research, as well as ongoing in-house programs, based on recommendations from ARS and other staff.

Question. Is there an appeal process?

Answer. USDA has not established a process to appeal the temporary reductions necessary to finance the one-time costs associated with closing the 12 laboratories.

Question. What other sources of funding were under discussion to help cover the unit closure budget shortfall?

Answer. The Department's ability to finance the one-time costs is limited to the resources appropriated to conduct the agency's research programs. All funds appropriated to ARS are used to support the salaries of ARS personnel and other necessary expenses to conduct research, including cooperative agreements with our extramural research partners that contribute to specific ARS program objectives. Since 2010, the ARS Salaries and Expenses budget has been reduced by over 7 percent, while the need to invest in research continues to grow. Shared sacrifice has to be made given limited resources.

DALE BUMPERS SMALL FARMS RESEARCH CENTER

Question. The fiscal year 2013 budget request includes a proposal to effectively close the Dale Bumpers Small Farms Research Center in Booneville, Arkansas, by redirecting all its funding elsewhere. I obviously do not support this proposal. In light of the closure of Brooksville, Florida, in 2011, and the expected closures of Watkinsville, Georgia, and Beaver, West Virginia, by June 1, 2012, where will ARS conduct grazing research for the benefit of the eastern United States if it closes Booneville, too?

Answer. Grazing research for the Eastern United States is conducted at ARS locations in University Park, Pennsylvania (Pasture Systems and Watershed Management Research Unit); Lexington, Kentucky (Forage Animal Production Research Unit); Madison, Wisconsin (U.S. Dairy Forage Research Center); Morris, Minnesota (North Central Soil Conservation Research Laboratory); Mandan, North Dakota (North Great Plains Research Laboratory); Tifton, Georgia (Southeast Watershed Research Unit); and El Reno, Oklahoma (Grazinglands Research Laboratory). The research at these units is done in cooperation with university and industry partners.

Question. Booneville is the home of unique long-term water quality research including a 20-year grazing study that began in 2003 using 15 small watersheds in Booneville, and a 10-year study on the effects of poultry litter application method on nutrient runoff to watersheds. Both of these studies promise answers to critical issues plaguing the entire region. What are your plans to continue this highly valuable research if Booneville is abandoned?

Answer. ARS maintains a nationwide network of research watersheds at 22 locations. Similar research is being conducted in watersheds at University Park, Pennsylvania; Beltsville, Maryland; Florence, South Carolina; Madison, Wisconsin; Tifton, Georgia; Fayetteville, Arkansas; Bushland, Texas; St. Paul, Minnesota; Mississippi State, Mississippi; Bowling Green; Kentucky; and Clay Center, Nebraska. The research is addressing animal production systems for cattle beef and dairy, swine, and poultry. The mitigation of poultry litter impacts is specifically addressed by research at University Park, Fayetteville, Mississippi State, and Tifton.

Question. Additionally, Booneville is home to the only dedicated ARS sheep and goat research program. Sheep and goats are an ideal enterprise for small farms for the production of meat, wool, or milk, and there is an exploding demand for these products in the United States. What are your plans for conducting research in this area if you abandon Booneville?

Answer. In addition to Booneville, ARS conducts research in sheep production at other locations—Clay Center, Nebraska (U.S. Meat Animal Research Center); Dubois, Idaho (U.S. Sheep Experiment Station); and El Reno, Oklahoma (Grazinglands Research Laboratory). Research at these locations is focused on the development of genetic resources for the sheep industry including an "easy care" genetic composite for small flock producers in the Midwestern and Eastern United States, and maternal and terminal lines adapted for large Western and Southwestern range flock production systems. This research program is also coordinated with the rangeland programs to examine the interaction between sheep and rangeland ecosystem services with specific focus on grazing and fire remediation, invasive weeds, and rangeland ecology. Additional research at the Grazinglands Research Laboratory is focused on grazing system forage using pastures and winter annual forages to reduce production costs and environmental impacts associated with grazing for both small and large animal ruminants. ARS is planning to initiate grazing goat research at El Reno in cooperation with the Langston University Goat Research Center. ARS is providing leadership for an international consortium which is developing a project to sequence the goat genome. This project is being developed by ARS scientists in Beltsville, Maryland, at the Beltsville Agriculture Research Center.

Question. In your fiscal year 2012 budget proposal, this same Center was proposed to be one of the sites for a major increase in funding as part of an ARS biofuels feedstock initiative. Now this year ARS is apparently targeting for elimination grazing research and research that benefits small producers. I understand the budget realities the agency faces, but the on-again, off-again, chaotic nature of selecting funding priorities is out of line with the normal activities of a research agency focused on long-term, basic research. Can you explain the rationale behind the changes in ARS priorities from year-to-year?

Answer. A portion of a President's budget request for $10 million in 2010, and $6 million in 2011 to the USDA Regional Biomass Research Centers was designated for Booneville, but these funds were not appropriated. The Booneville location now has only three scientist positions. Because of the loss of critical mass of scientists, and adequate funding to support priority biomass research at Booneville, small ruminant research will be addressed at other ARS locations including applications to small scale producers for goats at El Reno, Oklahoma, and coordination of regional biomass research at Temple, Texas.

DELTA OBESITY PREVENTION UNIT

Question. USDA's fiscal year 2013 budget request proposes to eliminate funding for the Delta Obesity Prevention Research Unit in Little Rock, Arkansas. I am opposed to this proposed elimination. In previous years, ARS has proposed changing priorities for the Delta Obesity Prevention Research Unit. It was suggested by ARS that funding redirected from this unit would be used at AR Children's Nutrition Center, Tufts, and Houston to augment basic nutrition research that could be targeted to the Delta region. What happened to that proposal? This year's budget proposal simply proposes to terminate this funding and redirect "to more critical needs."

Answer. The President's budget for fiscal year 2012 proposed redirection of funds from the Delta Obesity Prevention Research Unit (DOPRU) to a study that would evaluate factors affecting adherence to the Dietary Guidelines for Americans. The funds for that study were to be reallocated to Beltsville, Maryland, but all six of the ARS Human Nutrition Research Centers were to participate in the research and would have received a share of those funds distributed from Beltsville. This proposed reallocation was never implemented since Congress, in the 2012 conference report, directed that the funds continue to support DOPRU. The proposed closure of DOPRU is part of the ARS proposed termination of several predominantly extramural research projects.

CATFISH INSPECTION

Question. With passage of the Food, Conservation and Energy Act of 2008 Congress shifted inspection and regulation of catfish from the Food and Drug Administration (FDA) to the United States Department of Agriculture (USDA) Food Safety and Inspection Service (FSIS). Since that time, USDA has undertaken a thorough process to implement this new responsibility, including issuing a proposed rule and completing the comment period on June 24, 2011. It has been almost 4 years since this responsibility was given to USDA–FSIS. When will the final rule be implemented?

Answer. Because there are many factors that influence rulemaking, it is difficult to estimate when the final rule is published, but FSIS will do so as soon as possible.

Question. What are the challenges with completing this rule?

Answer. As you know, the law provided that USDA define "catfish," which is not as simple as it may seem. In the taxonomy of fish, Siluriformes (the common name of which is "catfish") consist of 36 different families, among which are Ictaluridae (North American channel and blue catfish) and Pangasiidae (which are common to Asia). While some Siluriformes imported from Asia include those in the family Ictaluridae, much of the product is in the family Pangasiidae. Thus, there is a great deal of controversy surrounding the question of whether "catfish" should be defined narrowly or broadly.

Question. Will you commit to issuing this final rule this year?

Answer. FSIS will publish a final rule as soon as possible.

FARM SERVICE AGENCY OFFICE CLOSURES

Question. Do you foresee any need to take further action beyond the "Blueprint for Stronger Service" initiative to further reduce the number of Farm Service Agency (FSA) county offices?

Answer. There is currently no plan or proposal to close more than the 131 FSA county offices identified on January 9, 2012.

Over the last 2 years, FSA's salaries and expenses appropriation has been reduced by more than 5 percent. These reductions have necessitated significant reductions in administrative spending, a reduction in permanent staffing by 12.5 percent, and the proposed consolidation of 131 offices in 32 States. These actions were designed to bring the Agency's operating budget in line with the current and expected future funding levels. USDA will continue to do its best to serve America's farmers and ranchers within the funding level set by Congress.

Question. How could the process used to consider USDA field office consolidations be improved to involve stakeholders in the process before these proposals are officially announced?

Answer. USDA adheres to congressional notification requirements in the annual appropriations acts. For FSA, additional guidelines are laid out in the 2008 farm bill.

The proposal to close 131 FSA county offices remains the Agency's only proposal to close FSA offices. This proposal was announced on January 9, 2012. Over the following month, FSA held public meetings in each affected county and notified Congress of the proposed office closures on February 27, 2012. The public meetings enabled stakeholders to share their concerns with senior FSA leadership. FSA communicated about the circumstances that led to proposed county office closures—the need to manage the Agency under significantly reduced operational spending, 12.5 percent fewer permanent staff, and an ever-increasing workload, while continuing to deliver the best possible service to farmers and ranchers. FSA's approach to consultation adhered to statutory requirements, and provided a transparent and inclusive means to communicate with affected parties.

Question. With 2,800 NRCS offices and only 2,100 FSA offices remaining open across the country, how is USDA insuring that producers are being adequately serviced in locations without both agencies present?

Answer. We strongly believe that co-location is a great benefit to producers, and we will continue to offer these arrangements wherever possible. However, it is important to note that even before the proposed closures were announced, not all FSA offices had an NRCS presence. Further, we do not believe the proposed closures significantly undermine our efforts to co-locate FSA and NRCS offices.

FSA is modernizing IT and improving its business processes so that farmers will be able to do more of their business with FSA without having to visit an office. If the proposed consolidations occur, FSA will concentrate staff in its 2,113 remaining offices in order to provide consistent service in fully staffed, fully functioning offices.

If the proposed consolidations take place, producers may choose any county office that is convenient for them to conduct their FSA business.

Question. Recently there has been a lot of emphasis on reorganizing the field office structure of the Farm Service Agency in an attempt to provide better more timely service to the producers they serve. Most private businesses do not cut or make reductions at the customer level until a complete review of their structure has been completed above the field level. As I look at USDA's Blue Print for Success, it appears to me that you have not made any attempts to review FSA's structure above the field level to find needed savings. When does USDA plan on reviewing and reorganizing USDA/FSA above the field level? Does USDA have any plans to reduce the number of State offices?

Answer. FSA reviewed its operations at all levels to identify administrative efficiencies that resulted in significant savings. FSA also achieved needed savings by reducing staff levels in national, State, and county offices by 12.5 percent. There is currently no plan or proposal to close any offices other than the 131 FSA county offices identified on January 9, 2012.

Question. Under USDA's Blueprint for Success, a number of county offices met the criteria of two or fewer permanent full-time employees after VERA (voluntary early retirement program) and VSIP (voluntary incentive payment retirement program) programs in 2011. Some of these offices have the workload to support four or more employees and employed four or more FTEs when calendar year 2011 began. Because of VERA and VSIP, some of these offices were quickly reduced to two FTEs. When you looked at the number of employees for each office, did you take into account the previous workload of each office?

Answer. The VERA and VSIP opportunities were implemented in order to reduce staffing necessary to live within current and expected future budget realities. To identify FSA offices for consolidation, USDA followed criteria provided by Congress in section 14212 of the 2008 farm bill, which required, for any office closures, that the Secretary "first close any offices of the Farm Service Agency that—(a) are located less than 20 miles from another office of the Farm Service Agency; and (b) have two or fewer permanent full-time employees." In addition, FSA proposed for closure all offices with zero full-time, permanent employees regardless of the distance to another FSA office.

Question. Office closure language included in the 2008 farm bill called for offices located closer than 20 miles apart would be the first offices considered for closure/consolidation. Under USDA's Blueprint for Success, there are a number of cases where the navigable miles between the proposed office to be closed and the proposed receiving office is significantly more than 20 miles. You mentioned in a previous letter that USDA used Euclidian miles in order to be more objective. Why was it determined that 20 Euclidian miles were more objective than 20 navigable road miles when developing the list of offices proposed to be closed/consolidated?

Answer. USDA measured using Euclidian miles because Euclidean miles offer no advantages to any particular county. Euclidean miles are the most uniform and equitable unit of measurement for distance, regardless of geography or terrain.

Question. Since 1996, USDA has prided itself in using the Service Center for customers utilizing programs and services provided by any agency in USDA. Repeatedly, USDA has stated the importance of having all USDA agencies in a single location to provide maximum customer service. Knowing 131 of the 259 USDA offices being proposed for closure are FSA county offices, this will certainly cause the Service Center concept to be abandoned in many areas. How can USDA maximize customer service while abandoning the Service Center, causing USDA customers to visit separate locations to transact business?

Answer. It is important to note that even before the proposed closures were announced, not all FSA offices were Service Center locations. Further, we do not believe the proposed closures undermine the Service Center concept. However, we strongly believe the Service Center concept is a great benefit to producers, and we will continue to offer these arrangements wherever possible. We understand the concerns of producers who will have to travel to another location to conduct business with FSA once consolidations take effect. However, over the past 3 years, FSA has had to make tough decisions to be able to continue to operate within significantly reduced budgets.

FSA is modernizing IT and improving its business processes so that farmers will be able to do more of their business with FSA without having to visit an FSA office. FSA will concentrate staff in its remaining offices in order to provide consistent service in fully staffed, fully functioning offices. Producers affected by an office closure will be able to choose any county office that is convenient for them to conduct their FSA business.

SUBCOMMITTEE RECESS

Senator KOHL. And this hearing is recessed.

[Whereupon, at 3:53 p.m., Thursday, March 29, the subcommittee was recessed, to reconvene subject to the call of the Chair.]