AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2015

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

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

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2015

THURSDAY, APRIL 3, 2014.

U.S. DEPARTMENT OF AGRICULTURE, FOOD SAFETY AND INSPECTION SERVICE

WITNESSES

BRIAN RONHOLM, ACTING UNDER SECRETARY, FOOD SAFETY
PHILIP DERFLER, DEPUTY ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE
MICHAEL YOUNG, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTION OF WITNESSES

Mr. ADERHOLT. Good morning. The subcommittee will come to order.

We welcome today to the subcommittee's hearing Mr. Brian Ronholm, Acting Under Secretary for Food Safety; Mr. Phil Derfler, Deputy Administrator for the Food Safety and Inspection Service; and back with us, Mr. Mike Young, USDA's Budget Director.

So we are glad to have you here this morning and to be before us as we discuss food safety and inspection services.

OPENING STATEMENT—MR. ADERHOLT

Today we focus on the fiscal year 2015 budget request for the Food Safety and Inspection Service, referred to FSIS, which totals approximately $1 billion.

USDA's Food Safety and Inspection Service works to ensure that our Nation's supply of meat, poultry, and processed eggs are safe, wholesome, and correctly packaged and labeled.

FSIS is comprised of more than 9,400 employees and regulates more than 6,400 establishments across the United States. Approximately 80 percent of the FSIS budget is for personnel, salaries, and for benefits.

While there will be questions related to your budget request, I expect that members will have plenty of oversight questions as well. One of our goals here today is to ensure the proper use of the funds through our oversight responsibility.

Without a doubt, there is likely to be lively debate about the agency's poultry modernization rule, which leads to another goal of ensuring the appropriate level of regulation is in place to protect the public health.

The administration has assured us that this practice—I am sorry—this particular regulation will demonstrate positive health results and cost less to implement.

As we discuss various FSIS rules and regulations, let me be clear about one thing. America is blessed to have the safest food supply in the world.

When false accusations and misinformation enters the media and the public domain, it is a disservice to America's farmers, ranchers, and consumers. Sound science should always guide food safety and the decisions that follow.

My third goal is to ensure taxpayer funds are targeted to the most vital programs. Unquestionably, the work performed by the men and women at FSIS on a daily basis on behalf of consumers and taxpayers is some of the most important work that the Federal Government conducts.

I appreciate the work of all the FSIS employees who strive to keep safe meat, poultry, and egg products available for all consumers across the Nation.

At this time I would like to recognize the ranking member, Mr. Sam Farr, for any comments that he may have.

OPENING STATEMENT—MR. FARR

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

I really don't have a lot of comments. I am just curious as to every year we have this review as we prepare to mark up the appropriations bill. And what always strikes me is the confusion of your agency's title, food safety, when you are very limited to what food safety you are responsible for.

Congresswoman DeLauro has been championing sort of a one-stop food safety bureau. As you know, the fight is usually between consumers, who want to keep it in FDA, and ranchers and growers, who want to keep it in USDA. And so we bifurcated the responsibility into the two agencies.

And I would just be interested in some comments about why we don't do truth in labeling and just label you as the meat, poultry, and eggs food safety bureau.

But I appreciate your work and look forward to the questions my colleagues will ask you.

Mr. ADERHOLT. Thank you, Mr. Farr.

I would like to recognize Mr. Ronholm for his opening statements. Bear in mind your entire written testimony will be included in the record. And so feel free to summarize or say any comments as you want to make. And then we will go through the round of questioning.

So, Mr. Ronholm, thanks for being here. We look forward to your testimony.

OPENING STATEMENT—MR. RONHOLM

Mr. RONHOLM. Thank you, Mr. Chairman. I will be very brief.

And, Mr. Chairman, Ranking Member Farr, and members of the subcommittee, we are pleased to be here to today in support of the President's fiscal year 2015 budget request for FSIS, which is set at $1.001 billion, a $9.3 million decrease from fiscal year 2014.

And with this funding level, we are confident that FSIS will maintain the effectiveness of its core mission of preventing food-borne illness. We are also confident that the budget will provide every establishment we regulate with appropriate staffing levels.

The main driver of the FSIS strategic plan is the focus on the agency's public health mission and the ability to adapt to evolving food safety risks.

The first goal in the strategic plan is to ensure that food safety inspection aligns with existing and emerging risks.

As noted in the budget, the All-Illness Measure shows a reduction of approximately 52,000 illnesses in fiscal year 2013. In addition to this reduction, FSIS met or exceeded 81 percent of its annual performance measures.

While these accomplishments are significant, there is much work to do, especially in reducing the incidence of Salmonella. Salmonella is one of the most challenging issues facing FSIS, and combating it is the agency's top priority.

In 2013, the agency developed a Salmonella Action Plan, which outlines the measures FSIS will employ to lower contamination rates. The plan includes developing new performance standards for ground poultry and chicken parts.

Both performance standards would be established by FSIS, and we believe it will help reduce consumer exposure to Salmonella.

Another key component of our Salmonella Action Plan is our effort to modernize poultry slaughter inspection. We first began inspecting poultry in 1957. Based on the science available then, the inspection system was focused on improving food safety through identifying visual defects.

Since then, however, we have learned a great deal about invisible pathogens, but our inspection system has remained the same.

As an Institute of Medicine report stated in 2003, "While the standards established in the early part of the 20th century were highly successful in accomplishing the objectives to which they were targeted, their success and our increasing scientific sophistication has led to the recognition of new problems that cannot be adequately addressed using existing standards."

The IOM report pointed to two problems. The first involved shellfish. The second one was the current poultry inspection system.

The IOM report stated that it is virtually impossible for current inspection techniques to identify products bearing invisible microbial contamination by a specific pathogen; therefore, it is unrealistic to expect the current inspection system to have an important impact on reducing infections in humans.

A peer-reviewed risk assessment shows that a system that provides for increased off-line food safety inspection activities results in greater compliance with regulations and to lower levels of fecal contamination and equivalent or lower levels of Salmonella contamination.

The risk assessment also estimates that this new approach will prevent at least 5,000 food-borne illnesses each year.

We recognize that there have been concerns expressed about the proposed rule based on findings in a GAO report about the pilot program.

Just to clarify what the report said, GAO found that there were limitations in the agency's data analyses in evaluating the poultry pilot.

This was the one significant finding that GAO outlined with respect to the poultry pilot. And GAO even acknowledged in their report that FSIS plans to address these limitations in the final rule.

It should be noted that the report was not an indictment against the poultry slaughter rule. In fact, GAO described the pilot project and the effort to deploy inspection resources more effectively as a positive step.

The dedicated men and women of FSIS work every day toward a common and extremely important goal of preventing food-borne illness. We take our mission seriously and understand the importance of our work.

Thank you for the opportunity to report on the work we do to protect public health.

Mr. ADERHOLT. Thank you, Mr. Ronholm.

[The information follows:]

FOOD SAFETY

Statement of Brian Ronholm, Acting Under Secretary for Food Safety
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives

Introduction

Mr. Chairman, Ranking Member Farr, and members of the Subcommittee, I am Brian Ronholm, Acting Under Secretary for Food Safety at the U.S. Department of Agriculture (USDA). With me are Al Almanza, Administrator of USDA's Food Safety and Inspection Service (FSIS) and Michael Young, USDA's Budget Officer. Thank you for the opportunity to discuss the status of the agency's programs and policies.

I am pleased to appear before you today in support of the President's Fiscal Year (FY) 2015 budget request for FSIS, which is set at $1.001 billion, a $9.3 million decrease from FY 2014. With this funding level, I am confident that FSIS will maintain the effectiveness of its core mission of preventing food-borne illness.

By law, FSIS is required to examine and inspect all livestock and poultry slaughtered and processed for use in commerce for human food. Our inspectors and veterinarians monitor the health of the animals brought to slaughter and ensure that livestock are treated humanely. These inspectors also collect the samples that our scientists analyze for the presence of pathogens and residues. These dedicated men and women are on the front lines nationwide following regulations and directives backed by scientific evidence to ensure that meat, poultry, and processed eggs in commerce are safe and wholesome.

FSIS frontline and support personnel are poised to maintain and accomplish the agency's mission, and indeed we are legally required to have a sufficient number of inspectors present in every single meat and poultry plant in the country. Like any organization, FSIS has a vacancy

rate that fluctuates as inspectors leave work or retire. But FSIS always prioritizes food safety inspection and dedicates significant resources toward ensuring that all plants have the required number of inspectors. I am confident that the budget we have presented will provide every establishment we regulate in this country with appropriate staffing levels.

Our Mission

The main driver of FSIS' Strategic Plan is the focus on the Agency's public health mission and the ability to adapt to evolving food safety risks. Our Annual Performance Plans and Reports are linked to the Strategic Plan and hold the Agency accountable by reporting on the accomplishments and deficiencies, as measured by 36 specific items within eight goals.

FY 2013 Accomplishments

The first goal in the Strategic Plan is to ensure that food safety inspection aligns with existing and emerging risks. As noted in the budget, the All-Illness Measure shows a reduction of 479,621 in FY 2012 to 427,171 in FY 2013, representing a reduction of about 52,000 illnesses.

In addition to the reduction in the All-Illness Measure, FSIS "met" or "exceeded" 81 percent of its 32 annual performance measures in FY 2013. The Agency's accomplishments included:

- Launching the *Salmonella* Action Plan;
- Expanding our work using Centers for Disease Control and Prevention (CDC) outbreak data to estimate foodborne illness attribution for FSIS-regulated product;
- Adding three major functionalities to the Public Health Information System (PHIS), as well as implementing it in 23 State Meat and Poultry Inspection programs;.
- Expanding the number of establishments employing a humane handling systematic approach;
- Increasing public education targets with at-risk and vulnerable audiences; and
- Improving traceback timelines, as well as response time in which consumer complaints were investigated.

To help our agency be more user-friendly to small and very small establishments, we published a Small Plant News Guidebook about how to develop a recall plan, developed a new rule on generic labeling, improved our electronic Label Submission and Approval System (LSAS), and updated our PHIS industry user guidelines.

However, while these accomplishments are significant, our most recent Annual Performance Report for FY 2013 demonstrates that there is much work to do, especially in reducing the incidence of *Salmonella*.

Salmonella

Salmonella is one of the most challenging issues FSIS faces in keeping America's food supply safe. We share the frustration expressed by many with the recent outbreaks of *salmonellosis* over the past year, and want to emphasize that combating *Salmonella* is the agency's top priority.

In 2013, the Agency developed the *Salmonella* Action Plan, which outlines the actions FSIS will take to lower *Salmonella* contamination rates on meat and poultry products. The plan includes developing a new performance standard for comminuted poultry, as well as new strategies for inspection to address potential sources of *Salmonella* contamination throughout the food production process. Finally, the plan realigns the agency's education and outreach tools to raise public awareness of ways to limit cross contamination with *Salmonella* at home. We have been moving on all fronts to implement this plan.

FSIS is always adapting our regulatory strategies to maximize their public health benefit. For instance, while FSIS has reduced the national average of *Salmonella* on young chickens during the past decade, our experiences this past year with the *Salmonella* outbreak associated with Foster Farms poultry products reinforce the need to control this pathogen on chicken parts. A recently completed baseline survey found the national average of *Salmonella* on chicken parts to be approximately 24 percent. FSIS believes setting a performance standard for chicken parts will help reduce consumer exposure to *Salmonella*.

Although not an adulterant, *Salmonella* is a pathogen, and FSIS treats it as such. Frequent presence of *Salmonella* in a product may indicate that the production process is not adequately controlled, and in situations like this, food that is contaminated with *Salmonella* is adulterated. In these instances, FSIS has the authority to close an establishment for failing to produce safe food and to keep it closed until adequate control measures are in place. FSIS has exercised this approach when supported by evidence.

We must work within the law and legal precedent as we deal with *Salmonella*, but we will not cease to be creative in combating this pathogen in order to protect the public health. We know that in order to reduce cases of foodborne illness, we must reduce the amount of *Salmonella* in the food supply.

Modernization to Improve Food Safety

One way we are attacking *Salmonella* is through our efforts to modernize our approach to poultry slaughter inspection. We first began inspecting poultry in 1957. Since that time, we have learned a great deal about how to detect and control pathogens. Rather than checking for quality defects, the proposal to modernize poultry slaughter allows FSIS to realign the duties of our inspectors so those on-line can focus on food safety defects, and those off-line can collect more samples and monitor establishment sanitary conditions more closely to ensure that establishments are complying with FSIS regulations. Through these activities -- rather than checking for visual defects -- we can prevent and control bacteria on poultry more effectively.

This new inspection system is designed to be a critical piece of our aggressive agenda to control *Salmonella* in poultry. The risk assessment that we conducted based on the data from our pilot study of the new inspection system show that an inspection system that provides for increased off-line inspection activities that are directly related to food safety results in greater compliance with sanitation and HACCP regulations. In addition, these activities lead to poultry carcasses with lower levels of visible fecal contamination and equivalent or lower levels of *Salmonella* contamination. The risk assessment has been peer-reviewed and estimates that this new approach will prevent approximately 5,000 foodborne illnesses each year.

Targeting and Leveraging Resources

In addition to *Salmonella*, FSIS also targets other common and dangerous pathogens, thereby reducing their prevalence in finished food products. The agency coordinates the development of its policies with other USDA agencies and other Federal agencies, including the Food and Drug Administration, the Environmental Protection Agency, and the Centers for Disease Control and Prevention, as well as foreign governments and international organizations, to ensure a comprehensive approach to food safety.

By revising current procedures and removing outdated regulatory requirements, the agency will further reduce the risk of foodborne illness by focusing FSIS inspection activities on those tasks that advance FSIS' core mission of food safety.

Conclusion

The dedicated men and women of FSIS work every day toward a common and extremely important goal of preventing food-borne illness. We take our mission seriously and understand the importance of our roles in ensuring the safety of the nation's food supply.

Thank you for your continued support and the opportunity to report on the work we do to protect public health.

FOOD SAFETY AND INSPECTION SERVICE

Statement of Philip Derfler, Deputy Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Introduction

Mr. Chairman, Ranking Member Farr, and Members of the Subcommittee, I am Philip Derfler, Deputy Administrator of the Food Safety and Inspection Service (FSIS). Thank you for the opportunity to discuss the status of the agency's work to ensure the safety of meat, poultry, and processed egg products and to prevent foodborne illness.

Who We Are

FSIS is the public health agency in the U.S. Department of Agriculture (USDA) responsible for ensuring that the nation's commercial supply of meat, poultry, and egg products, whether domestic or imported, is safe, wholesome, and correctly labeled and packaged.

The dedicated men and women of FSIS carry out our vital mission all across the nation. At the end of fiscal year 2013, the agency employed 9,436 employees (or 9,262 FTEs), 8,004 of whom work on the front lines protecting public health at either one of the 6,427 federally regulated establishments, in-commerce facilities, or one of the three FSIS laboratories. Our scientists analyzed more than 100,000 samples in FY 2013 to ascertain the presence of pathogens in the meat, poultry, and processed egg supply. In addition, inspectors remained vigilant at 127 ports of entry and in 150,000 in-commerce facilities nationwide.

We are now operating under our third Annual Performance Plan (APP) guided by the FY 2011-2016 Strategic Plan. The APP provides the American public and FSIS employees with a clear list of Agency priorities and a detailed roadmap of the steps we intend to take this year to achieve our mission. It outlines an operational plan that we are following in order to steer the Agency as

we work to prevent foodborne illness and protect public health. It provides managers and stakeholders with a wide range of Agency actions and activities that are traceable and transparent, so that we can remain accountable to the Subcommittee and the American public.

What We Do

Federal Inspection of Domestic Products

Our mission is unique because much of it is mandated by law. FSIS enforces the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA), which require the examination and inspection of all livestock and poultry slaughtered and processed for use in human food. FSIS also enforces the Humane Methods of Slaughter Act (HMSA), which requires that livestock be handled and slaughtered humanely. Livestock and poultry slaughter operations cannot operate without the presence of inspection personnel, and inspection personnel must also be present at least once-per-shift for meat and poultry processing operations. During FY 2013, FSIS personnel inspected about 148 million head of livestock and 9 billion poultry carcasses.

Under the Egg Products Inspection Act, FSIS also inspects establishments that produce egg products. Egg products are primarily used as ingredients in other foods, such as prepared mayonnaise and ice cream, as well as by the food service industry, including hospitals and schools. During FY 2013, FSIS personnel inspected about 4 billion pounds of processed egg products.

Federal Inspection of Imported Products

FSIS also regulates all imported meat, poultry, and processed egg products intended for use as human food. Before FSIS-regulated products can enter the country, the agency determines whether the food safety regulatory system of any country that wishes to export to the U.S. is equivalent to that of the U.S. Once FSIS finds a foreign country's system for meat, poultry, or egg products to be equivalent, FSIS inspects eligible products from that country at U.S. ports-of-entry.

During FY 2013, FSIS personnel inspected approximately 3 billion pounds of meat and poultry products presented for import by 28 actively exporting foreign countries, including approximately 10 million pounds of processed egg products presented for import from Canada.

The agency evaluates an exporting country's food safety system on an ongoing basis. Each year, FSIS reviews any changes in the foreign country's food safety system. In addition, FSIS may conduct an in-country audit of the system and will review the country's performance in port-of-entry inspections. Based on these reviews, the agency decides whether the country is maintaining equivalence, or whether additional agency action is warranted. This performance-based approach allows FSIS to direct its resources to foreign food regulatory systems that potentially pose a risk to public health and makes its international program more consistent with its domestic inspection system. Finally it improves the linkage between port-of-entry re-inspection and on-site audits. During FY 2013, FSIS conducted on-site verification audits of 12 countries that are eligible to export meat, poultry, or processed egg products to the United States and identified no significant equivalence concerns in these countries.

Cooperative State Inspection

FSIS also assesses the safety of State-inspected meat and poultry products through cooperative agreements with State Departments of Agriculture.

FSIS cooperates with 27 States to develop and administer State meat and poultry inspection (MPI) programs that implement food safety requirements that are "at least equal to" Federal requirements at about 1,700 establishments. These establishments can only ship or sell products within their State. FSIS completed comprehensive reviews of meat and poultry inspections programs for Kansas, Missouri, Minnesota, North Dakota, Wisconsin, and Wyoming. The agency also obtained self–assessment reviews of the other 21 MPI programs.

FSIS also cooperates with three States — Ohio, North Dakota, and Wisconsin — to operate a new interstate shipment program, as provided for in the 2008 Farm Bill. This approach eliminates barriers allowing small State-inspected businesses to expand their customer base and

explore new markets, by making these establishments eligible to ship meat and poultry products to different States and thereby promoting small business growth.

Targeting and Leveraging Resources

FSIS is instrumental in helping reduce the level of foodborne illness by targeting common and dangerous pathogens, thereby reducing their prevalence in finished food products. We will continue to improve, innovate, and modernize our approach as we coordinate the development of policies with other USDA agencies and Federal agencies, including the Food and Drug Administration, the Environmental Protection Agency, the Centers for Disease Control and Prevention, as well as foreign governments and international organizations to ensure an integrated farm-to-table approach to food safety.

By revising current procedures and removing outdated regulatory requirements that do not help combat foodborne illness, the agency will make more efficient and effective use of taxpayer dollars. We are confident that our proposed rule on poultry slaughter modernization will reduce the risk of foodborne illness by focusing FSIS inspection activities on those tasks that advance FSIS' core mission of food safety. And, through our expanded Public Health Information System (PHIS), our personnel are able to rely on more powerful tools to do their job.

Consumer Outreach

In addition to doing everything we can to make sure that food is safe before it enters commerce and as it moves in commerce, we feel it is also our responsibility to give consumers the tools that they need to handle food safely at home. This is why in FY 2013, FSIS expanded its placement of food safety education videos at check-out monitors at several nationwide retailers, reaching nearly 72 million customers. We also doubled our FY 2012 public education targets to at-risk and vulnerable audiences. And our "Cook it Safe!" public service announcements registered more than 38 million impressions.

To better reach consumers on their terms and ensure that our food safety messages are better received by a larger audience, FSIS also utilizes various social media avenues to broadcast key food safety messages, such as news about recalls and information on safe food handling

practices. FSIS actively disseminates food safety messages through Twitter, Facebook, blogs, and YouTube. For example, the @USDAFoodSafety Twitter account had 466,000 followers at the end of FY 2013, representing a 40 percent increase over FY 2012. We are able to reach nearly half a million followers with each tweet.

More and more, we are using mobile technology to reach consumers where they are, whether they are at the grocery store, in the kitchen, or at the grill. FSIS continues to field safe food handling questions through Ask Karen. The number of views of Ask Karen answers increased from about 1.1 million in FY 2012 to approximately 2.4 million in FY 2013. Not only does the messaging reach more consumers; it requires fewer staff hours to operate than a hotline. This effort also supports the Administration's management agenda, particularly the goal of providing effective customer service by making it faster or easier to complete transactions with government.

Conclusion

We are continually looking at the FSIS organization and challenging ourselves to modernize the agency by taking advantage of current science and technology to create a food safety system geared for the 21st century.

Our inspection force works very hard, under difficult conditions, often for long hours and on the road away from their families. We take our mission seriously and understand the importance of our role in ensuring the safety of the nation's food supply. We are one team, with one purpose, working toward a common and extremely important goal. Thank you for the opportunity to report on the status of FSIS programs and the important work that our employees do every day to protect public health.

Mr. ADERHOLT. Before we start the round of questioning, I want to mention there is a markup this morning. And so we are going to have a little bit of a condensed hearing today.

So what I would like to do, instead of doing the 5-minute rule, is everyone ask one question so everybody can be sure to get a line of questioning in.

And, like I said, I know Mr. Farr is on the part of the markup that is going to be occurring at 11:00. This is the crazy time of the year when a lot of markups are going on and a lot of hearings are going on, but I think we can get quite a bit in.

So let me go ahead and start out, and then we will continue on.

POULTRY SLAUGHTER MODERNIZATION

We know one of the biggest issues for FSIS is the poultry modernization rule, which was already mentioned. And what I think we would like to do is clear the air as to the misinformation that has been put out there.

When Secretary Vilsack testified on March 14, he was a strong advocate of this rule, and he was very clear about that.

What would you say are the top three reasons to support the new system for poultry inspection?

Mr. RONHOLM. Well, I just want to amplify what the Secretary testified. And this proposal is strictly about public health and protecting consumers from food-borne illness.

I think the major components and the way that it does that is that it focuses inspection activities on those that are more related to food safety, sort of the off-line rules, like the testing and ensuring that a plant is meeting its sanitation requirements.

Another thing is the rule does require establishments to test for dangerous pathogens like Salmonella and Campylobacter at two points in the production process, and what we do is require, you know, plants to focus their food safety efforts on these dangerous pathogens.

So these are important public health, food-borne illness, prevention goals that are contained in the proposed rule. And that is why I think it would be very critical for those to be implemented in order to prevent Salmonella illnesses.

Mr. ADERHOLT. When do you think the final rule will be published and implementation will begin?

Mr. RONHOLM. It is still under review. We are still reviewing the comments that we received and putting together the draft final rule. And, hopefully, we can have something out very soon. I unfortunately do not have a specific timetable for you.

Mr. ADERHOLT. Do you see it by the end of the year?

Mr. RONHOLM. I think that is our goal, certainly. I think it would be fair to characterize our goal as to have it done by the end of the year.

Mr. ADERHOLT. The National Institute for Occupational Safety and Health, NIOSH, released an evaluation 2 weeks ago when they reviewed line speeds and employee safety of a poultry plant in South Carolina.

Has FSIS reviewed the evaluation? And how do the findings affect your plans to move forward with the poultry modernization rule?

Mr. RONHOLM. We have seen the report. We have reviewed it. And I will just say that, you know, worker safety is a very critical issue for us as well, even though it is not under our jurisdiction.

I think, when you visit a plant, one of the things that people are often struck by is just how extremely difficult the work can be for the workers, and certainly the NIOSH report confirms that.

What the NIOSH report also confirms, though, is that increasing line speed does not have a negative impact on worker injuries.

And that was the critical piece for us because, as a public health agency, it would be counterintuitive for us to move forward with a rule that would do any harm to worker safety.

Mr. ADERHOLT. Okay. Mr. Farr.

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

It is nice to see you on the other side of the aisle—other side of the dais, I guess.

Mr. RONHOLM. Thank you, sir.

DOWNER CALF PROPOSAL

Mr. FARR. I just have two quick questions.

One is that 71 of us sent letters to the Secretary regarding the downer calf rule, which the agency agreed in March of fiscal year 2013 to issue a proposed rule to close down the downer calf loophole. We haven't seen any progress on that as a proposed rule.

Can you get back to us the timeline for when you expect to get this rule out?

Mr. RONHOLM. Yes. Absolutely.

[The information follows:]

DOWNER CALF LOOPHOLE

FSIS anticipates publishing the proposed rule by the end of calendar year 2014.

WATER CONSERVATION

Mr. FARR. And then let me just share a California concern and something I have experienced, that when you are in a drought, you really begin realizing how much water is wasted.

And what we have done in California—and I think the military has put in waterless urinals—all of our sort of infrastructure of everything now has automatic shut-off for water.

You know, farm workers, when they go in the fields, they have to have limited—they have water, but it shuts off. You don't just wash your hands and have it running.

So the question is: Given all these severe drought issues in the West, do you think we could have the USDA-inspected facilities—have devices installed on their faucets and pipes to automatically shut off water when it is not needed? Because I understand they just allow it to run.

Mr. RONHOLM. I will allow my colleague, Mr. Derfler, to respond to that.

Mr. DERFLER. In the poultry slaughter proposal, we talk about the need to have automatic shut-offs available and so that it be operated either by a foot pedal or some other way to keep it from running all the time. So we are conscious of that, and we are trying to address it.

Mr. FARR. So just quickly, how does that get implemented? That is just on paper right now. Right?

Mr. DERFLER. It is in the proposal. If we get to publish the final rule, then it will become a requirement in the plant.

Mr. FARR. And then how long does it take to get implemented? Not the rule, but the actual people changing the structure.

Mr. DERFLER. They would need to have the measures in place by the effective date of the rule.

Mr. FARR. All right. Thank you.

I know that Mr. Bishop also is the ranking member on the MILCON.

Mr. ADERHOLT. I am aware of that, too.

Mr. Nunnelee.

CATFISH PROPOSAL

Mr. NUNNELEE. Thank you, Mr. Chairman.

I know you are aware last year's Farm Bill gave a definition for catfish. And it says that we have got to have rules finalized within 60 days after passage of that bill, which I understand is Monday.

And so I just need to know, where are we in terms of meeting that deadline?

Mr. RONHOLM. We are making very good progress on the rule. One of the first things that we had to do was enter into a memorandum of understanding—an MOU—with FDA to clarify the jurisdictional issues as it relates to catfish. That is about to be completed, and that will inform the drafting of the final rule.

I believe the Secretary testified here a few weeks ago that we are on schedule to publish the final rule by the end of the year, and we are still on schedule for that.

Mr. NUNNELEE. So you won't meet the statutory deadline?

Mr. RONHOLM. Correct.

Mr. NUNNELEE. But you will get it done by the end of this year?

Mr. RONHOLM. Correct.

Mr. NUNNELEE. What are you doing now to prepare the industry for inspections in terms of guidance? Are you meeting with producers to answer questions and to provide assistance?

Mr. RONHOLM. Yes. Since this provision originally took place—was enacted in 2008, we have spent that time doing a lot of that groundwork, you know, investing in the technologies, setting up the inspection regimen.

Because it is obviously not an expertise that we possessed prior to the 2008 Farm Bill. And so a lot of that work went into the last 4 years. And then, with the definition issue being settled, we are able to move forward now.

Mr. NUNNELEE. I understand you were hampered until the Congress gave you specific definitions. And now that we have done that, I look forward to having this hearing this time next year and having this issue behind us.

Mr. RONHOLM. Me too, sir.

Mr. NUNNELEE. All right. Thank you.

Thank you, Mr. Chairman. I yield back.

Mr. ADERHOLT. Ms. DeLauro.

Ms. DELAURO. Mr. Bishop has to go.

Mr. ADERHOLT. Go ahead. Sure. Go ahead.

Mr. BISHOP. Thank you very much.

SALMONELLA ACTION PLAN

Mr. Ronholm, in your testimony, you mentioned that, in 2013, "The agency developed a Salmonella Action Plan, which outlines the actions FSIS will take to lower Salmonella contamination rates on meat and poultry products. The plan includes developing a new performance standard for comminuted poultry, as well as new strategies for inspection to address potential sources of Salmonella contamination throughout the food production process."

You express that you share frustration expressed by many with the recent outbreaks of salmonellosis over the past year and you want to emphasize that combating Salmonella is the agency's top priority.

I believe that you are referring to the nationwide outbreak of Salmonella linked to the Foster Farms chicken parts. This outbreak sickened at least 481 people in 25 States since March 1, 2013. It was declared under control January 16, 2014.

But in accordance with the latest update, which was issued in March of this year, March 3, from the CDC, 51 new cases have been reported from five States: Arizona, California, Hawaii, Tennessee, and Utah.

What else needs to be done to end the outbreak? And it seems like you need to fix a major loophole in the Salmonella Action Plan. What is FSIS doing to address the growing concerns of consumers with the safety of poultry products?

Mr. RONHOLM. Sir, the Salmonella Action Plan is, I think, our blueprint to sort of express our frustration with the Salmonella rates. It is certainly not at a point where we would like them to be.

Certainly the past 10 years or so we have seen a reduction in contamination rates, but that hasn't translated into a reduction in illnesses. And, clearly, you see that playing out with some of these outbreaks.

What is important about the Salmonella Action Plan is the public health benefits that would be involved. First of all, you are talking about performance standards for the chicken parts, which was the focal point of the Foster Farms outbreak, as you pointed out. The performance standards should be—we should be able to establish those performance standards by the end of this fiscal year, so by the end of September.

A key second part to the Salmonella Action Plan is establishing of performance standards for the ground-comminuted poultry. That also is in line to be established by the end of the fiscal year. It may bleed into the next fiscal year, but we are certainly focused on completing that performance standard by the end of the fiscal year.

So I think—when you take the performance standards into account, as well as the other actions that we have listed in the plan, I think we can make real progress in reducing Salmonella rates.

Mr. BISHOP. That is my one question, Mr. Chairman.

Mr. ADERHOLT. Mr. Valadao.

FSIS WORKFORCE

Mr. VALADAO. Thank you, Mr. Chairman.

You have approximately 10,000 inspectors in the U.S. to ensure our Nation's meat, poultry, and egg supply.

How many employees work at FSIS that are not inspectors? Is this number rational, given the boots-on-the-ground inspectors are instrumental in negating food safety outbreaks?

Mr. RONHOLM. Sir, as the chairman indicated in his opening remarks, 80 percent of our project is allocated toward personnel salaries.

And at the end of fiscal year 2013, FSIS employed 8,824 permanent full-time employees, including 641 here in the D.C. area, and the rest are out in the field.

Mr. VALADAO. An OIG report indicated that, out of approximately 10,000, 400 worked more than 120 hours each pay period. OIG's report was published in July 2013.

Have you looked into this issue? Would hiring more relief or temporary inspectors make sense to alleviate those inspectors working overtime?

Mr. RONHOLM. I will let my colleague answer.

Mr. DERFLER. We believe that we have an adequate number of employees to provide full coverage, and we think that the number of employees that we have are about the correct number. None of the plants have been forced to slow down their operations or slow down their processing. We think that the number that we have is about right.

Mr. VALADAO. So that number of 120-hour work periods, that is not true or——

Mr. DERFLER. Our employees are able to work—I am sorry.

Mr. ADERHOLT. Mr. Derfler, if you could speak in the mike a little closer.

Mr. DERFLER. Our employees are able to work overtime. That is by our contract with our union.

Mr. VALADAO. All right. Perfect. Thank you.

Mr. ADERHOLT. Ms. DeLauro.

Ms. DELAURO. Yes. Thank you very much, Mr. Chairman.

And welcome to Under Secretary Ronholm. It is very, very nice to say that, my dear.

And as well to you, Deputy Administrator Derfler.

And, Mr. Young, it is always great to have you with us.

In full disclosure, the Under Secretary and I have had a very, very great working relationship. As a matter of fact, the Under Secretary staffed me when I was both ranking member and chair of this subcommittee. So he was usually back there that I could make reference to. But it is of great pride to me to see him in this position.

And I know you will do a great job. And just quickly, for familiar reasons, how is Nick?

Mr. RONHOLM. He is doing great. Hockey season is over; so, now he has turned to baseball. Thank you for asking.

POULTRY SLAUGHTER MODERNIZATION

Ms. DELAURO. Thank you.

I am deeply concerned about this agency's determination to implement the proposed and what I believe is a deeply flawed inspection system for broiler chicken and for young turkey slaughter es-

tablishments, known as the HACCP-based Inspection Models Project, or HIMP. In fact, I believe that the proposed rule may undermine FSIS's own food safety, worker safety, and humane slaughter policies.

The modernization of poultry slaughter, the rule misses the target. How can we implement a process based on faulty data? It defies reality to think that this will safeguard public health when you propose letting companies develop their own performance standards.

And we just heard that the Salmonella Action Plan—the performance standards there will be based on what is happening with HIMP. And where is the monitoring of all that? Who writes it? All those issues.

But you are going to propose letting companies develop their own performance standards. We are not going to prescribe requirements for microbial testing. You propose increasing the line speeds, and you remove U.S. Government inspectors from the process.

With regard to the GAO, let me just quote just the first sentence, "The U.S. Department of Agriculture has not thoroughly evaluated the performance of each of the pilot projects over the time, even though they said that they were going to do that."

It was in that spirit that prompted myself and 67 other Members of Congress in sending a letter to the Secretary asking him to withdraw the rule. And at this juncture, I ask unanimous consent to include that letter in the record, Mr. Chairman.

Mr. ADERHOLT. Without objection.

Ms. DELAURO. Thank you.

[The information follows:]

Congress of the United States
House of Representatives
Washington, DC 20515

March 17, 2014

The Honorable Tom Vilsack
Secretary, United States Department of Agriculture
1400 Independence Ave., SW
Washington, DC 20250

Dear Secretary Vilsack:

We write to urge you to suspend all action on the proposed Modernization of Poultry Slaughter Inspection rule (Docket No. FSIS-2011-0012, RIN 0583–AD32) until the agency has fully addressed concerns about the rule's impact on these overarching concerns: public health and food safety, worker safety, animal welfare and Poultry Products Inspection Act (PPIA) compliance.

While we strongly support modernizing our food safety system and making it more efficient, modernization should not occur at the expense of public health, worker safety, or animal welfare. We therefore harbor serious concerns over what we believe are the Food Safety Inspection Service's (FSIS) inadequate considerations to date of these issues in promulgating this rule.

According to the Centers for Disease Control and Prevention (CDC), approximately 42,000 cases of salmonellosis are reported in the United States each year and salmonellosis is the country's leading foodborne killer. *Campylobacter* is one of the most common causes of diarrheal illnesses in the United States, affecting over 2.4 million people every year, and it is associated with Guillain-Barré Syndrome, a condition that causes temporary or permanent paralysis. In addition, both *Salmonella* and *Campylobacter* are concerning for two other reasons: 1) these pathogens are developing multi-drug resistant strains that will make treating ill patients more difficult and 2) these pathogens are a major concern for children's health, since most of those sickened by *Salmonella* and *Campylobacter* are under 10 years of age.[1]

We must improve poultry inspection and reduce contamination from pathogens associated with poultry such as *Salmonella* and *Campylobacter*. However, it is unclear whether FSIS's poultry slaughter proposal will actually reduce illness rates; in fact, there is evidence that rates may *increase*. The lack of good data raises substantial uncertainty in the agency's assessment of how

[1] Shea KM et al. American Academy of Pediatrics Committee on Environmental Health and AAP Committee on Infectious Diseases. Non-therapeutic use of antimicrobial agents in animal agriculture: Implications for pediatrics. *Pediatrics*, Sept 2004; 118 (2): 195-200.

the proposal will impact *Salmonella* and *Campylobacter* illness rates. An August 2013 report by the U.S. Government Accountability Office (GAO) raised serious questions about whether the data being used by FSIS could support the Department's claims of improved food safety benefits. The agency's own *Risk Assessment* specifically states that "analysis suggests ambiguous effects of the proposed rule with respect to *Campylobacter* occurrence on chicken carcasses." Ambiguity in food safety is what we should be working toward eliminating, not increasing.

Unfortunately, the proposed rule appears poised to generate even more ambiguous data, since it does not prescribe requirements for microbial testing. The failure to require system-wide testing for *Salmonella* and *Campylobacter* throughout all plants, for example, means that the data gathered will not be comparable between plants and across the industry. FSIS's proposal thus hobbles what should be a fundamental goal of modernization—to create a system that tracks rates of contamination and facilitates continuous improvement in the poultry industry to decrease those rates throughout the system.

In addition to general public health considerations, the work environment in slaughterhouses poses "risks greater than those faced by workers in many other manufacturing operations," according to the U.S. Government Accountability Office (GAO). A 2005 GAO report acknowledges that underreporting in official records does not disguise the fact that "the meat and poultry industry still has one of the highest rates of injury and illness of any industry." Poultry slaughterhouse workers in particular perform one of the most dangerous jobs in the nation. Production line speed is a leading cause of unacceptably high levels of worker injuries in the poultry industry, since poultry processing requires workers to endure long intervals in which they repeat uniform forceful motions over 1,000 times per hour without pausing. According to the Southern Poverty Law Center, some workers report that keeping up with current line speeds requires them to perform more than 20,000 cutting, pulling, grabbing, or hanging motions per shift. The thousands of disabling injuries that result are well-documented.

According to the Occupational Safety and Health Administration (OSHA), over the past 30 years poultry slaughterhouse workers "have consistently suffered injuries and illnesses at a rate more than twice the national average." In 2004, nearly 20,000 poultry slaughterhouse workers reported occupational illnesses or injuries severe enough to warrant missing work or seeking medical care, resulting in the poultry processing industry having the sixth-highest rate of job-related illness and injury of any private industry that year. The proposed FSIS rule would exacerbate these unsafe conditions by allowing line speeds to increase by 25 percent, to 175 birds per minute.

It is also important to note that communities of color would bear a tremendous cost burden. At least 39 percent of all poultry slaughter and processing workers are Latino and 16.3 percent are African-Americans. These workers, their families, and their communities will directly bear the terrible cost of this new rule.

Additionally, it appears that the FSIS has not given adequate consideration to the proposed rule's potential impact on the welfare of billions of birds slaughtered annually. The proposed rule, which would allow the speed at which carcasses may be cleaned and inspected to increase by 25

percent – up to 175 chicken carcasses per minute – will lead plants to increase slaughter line speeds in order to increase production. Rapid line speeds present one of the greatest risks of inhumane treatment, as harried workers flip the birds upside down and force them into metal shackles. Less time for shackling birds will inevitably lead to more rough handling and increased incidence of fractures and other injuries.

We are concerned the proposed rule may undermine FSIS's own food safety and humane slaughter policies. In light of the connection between humane treatment and food safety, FSIS is required to consider any bird that dies from a cause other than humane slaughter to be adulterated and unfit for human consumption. Yet faster slaughter speeds also cause more birds to bypass backup slaughter devices and enter the scalding tank alive. As noted in an October 2013 *Washington Post* article[2], nearly 1 million chickens are unintentionally boiled alive each year because already fast-moving slaughter lines fail to kill the birds before they are dropped into scalding water to help defeather them. Killing birds this way is not only cruel; it is illegal under the agency's existing humane handling requirements, and it poses additional food safety risks as the stressed birds defecate in the scalding water shared by many other birds. Regulations state that "carcasses of poultry showing evidence of having died from causes other than slaughter shall be condemned." FSIS policy has long held that birds should be slaughtered in accordance with "good commercial practices," which consist of humane methods of handling and slaughter.

In addition to increasing line speeds, the rule would shift initial carcass inspection duties from FSIS inspectors to slaughter plant employees with no requirement that employees be adequately trained. While birds that are damaged or diseased should be removed from the line, requiring plant employees to sort out damaged carcasses before FSIS conducts online inspection means that employees will be removing the evidence (the carcasses themselves) that birds may have died from causes other than slaughter – thus directly eliminating one means by which FSIS can verify that good commercial practices are being employed. This undercuts humane handling enforcement while jeopardizing food safety and the integrity of FSIS inspection.

Moreover, as the rule will eliminate over 800 FSIS inspector positions, it will likely lead to less humane handling enforcement than the oversight provided now. With a single FSIS inspector responsible for monitoring up to 175 bird carcasses a minute on the processing lines, the rule may exacerbate the problem of agency inspectors having little to no ability to oversee the handling of live birds.

We question the degree to which FSIS has studied the impact of the proposed rule on the humane slaughter of chickens and poultry. We are also concerned that this rule will set the stage for an expansion of the controversial privatization of inspections into other types of slaughter plants, including those for cattle and hogs, as FSIS has indicated that it is considering similar regulations for beef and pork.

We also have concerns with the FSIS's process for crafting this rule. By law, FSIS is required to consult with members of the National Advisory Committee for Meat and Poultry Inspection (NACMPI) before proposing substantial changes to its meat and poultry inspection program. Our

[2] Kindy, K. USDA plan to speed up poultry-processing lines could increase risk of bird abuse. *The Washington Post*. October 29, 2013.

understanding, however, is that FSIS has not complied with this requirement, initiating a policy change through a proposed rule without fully consulting NACMPI. Furthermore, we understand FSIS did not fully consult stakeholders and did not hold public meetings on the proposal as the agency has done with other significant proposed changes to inspection.

Finally, the agency has proposed making these sweeping changes together, rather than introducing each element separately and gauging (through appropriate microbial testing) its impact on contamination rates. We believe that such an approach is misguided as a single element of the new system can cause rates of contamination to spike. For example, under FSIS's proposal, multiple changes occurring at the same time would prevent identification of the cause; it would simply be a guessing game as to which specific element may have caused the spike in contamination.

Due to these cumulative, overarching concerns, we urge FSIS to withdraw the proposed rule until the agency has thoroughly addressed its impact on the public, workers, and animals and adherence to good commercial practices. We look forward to working with you to ensure that the modernization of poultry inspection truly improves public health and the integrity of our food safety system.

Sincerely,

Rosa L. DeLauro
Member of Congress

James P. Moran
Member of Congress

Louise M. Slaughter
Member of Congress

Bennie G. Thompson
Member of Congress

John Conyers
Member of Congress

Charles B. Rangel
Member of Congress

Peter A. DeFazio
Member of Congress

John Lewis
Member of Congress

Eliot L. Engel
Member of Congress

Eleanor Norton Holmes
Member of Congress

Barbara Lee
Member of Congress

James P. McGovern
Member of Congress

Janice D. Schakowsky
Member of Congress

John B. Larson
Member of Congress

Rush Holt
Member of Congress

James R. Langevin
Member of Congress

Adam B. Schiff
Member of Congress

Raul M. Grijalva
Member of Congress

Marcia L. Fudge
Member of Congress

John A. Yarmuth
Member of Congress

Peter Welch
Member of Congress

Jackie Speier
Member of Congress

Yvette D. Clarke
Member of Congress

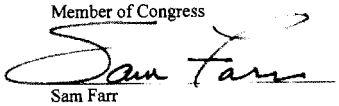
Paul Tonko
Member of Congress



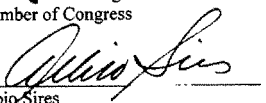
Michael F. Doyle
Member of Congress



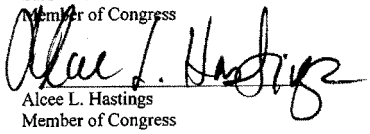
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Member of Congress



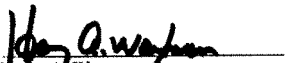
Sam Farr
Member of Congress



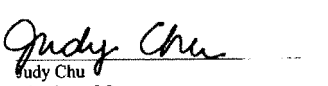
Albio Sires
Member of Congress



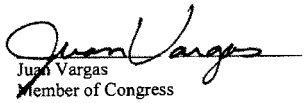
Alcee L. Hastings
Member of Congress



Henry A. Waxman
Member of Congress



Judy Chu
Member of Congress



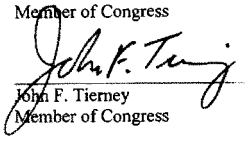
Juan Vargas
Member of Congress



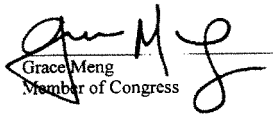
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Member of Congress



Lucille Roybal-Allard
Member of Congress



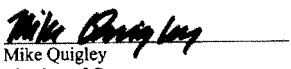
John F. Tierney
Member of Congress



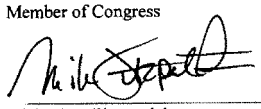
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Michael G. Fitzpatrick
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Gloria Negrete McLeod
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Mark Takano
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Lois Capps
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Jared Polis
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Chellie Pingree
Member of Congress

Terri A. Sewell
Member of Congress

Frederica S. Wilson
Member of Congress

Dina Titus
Member of Congress

Elizabeth H. Esty
Member of Congress

Ann McLane Kuster
Member of Congress

Julia Brownley
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Zoe Lofgren
Member of Congress

Tony Cárdenas
Member of Congress

Bill Pascrell, Jr.
Member of Congress

Mike Honda
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Jared Huffman
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Gerald E. Connolly
Member of Congress

Matt Cartwright
Member of Congress

Sheila Jackson Lee
Member of Congress

Earl Blumenauer
Member of Congress

Danny K. Davis
Member of Congress

Allyson Schwartz
Member of Congress

Steve Israel
Member of Congress

James A. Himes
Member of Congress

Alan S. Lowenthal
Member of Congress

Susan A. Davis
Member of Congress

Karen Bass
Member of Congress

George Miller
Member of Congress

Alan Grayson
Member of Congress

CC: Administrator Howard Shelanski
Office of Information and Regulatory Affairs Office of Management and Budget Executive
Office of the President Eisenhower Executive Office Building
1650 Pennsylvania Ave NW, Room 262
Washington, DC 20503

WORKER SAFETY

Ms. DELAURO. In the HIMP pilot plans, most FSIS inspectors are removed from the slaughter line and company employees are substituted.

The rule would shift initial carcass inspection duties from FSIS inspectors to slaughter plant employees with no requirement that employees will be adequately trained.

With a single FSIS inspector responsible for monitoring up to 175 bird carcasses a minute on the processing lines, the rule may exacerbate the problem of agency inspectors having little to no ability to oversee the handling of the live birds.

The line speeds are also increased in the pilot plants. A 2005 GAO report acknowledges the underreporting. And the official record does not disguise the fact that—and I quote—"The meat and poultry industry still has one of the highest rates of injury and illness of any industry."

The proposed FSIS rule would exacerbate these unsafe conditions by allowing line speeds to increase by 25 percent to 175 birds a minute.

I might also mention the NIOSH report, which says in one of its points, "For example, because they did not look at line speed, they also did their inspection at a non-HIMP plant. For example, increasing the number of birds processed per worker may result in an even higher prevalence of carpal tunnel syndrome than seen in the NIOSH evaluation."

With that in mind, who is going to train the company's line workers? How does increased line speed lead to increased worker safety?

PERFORMANCE STANDARDS

Mr. RONHOLM. Well, there is an important point in your question that I need to clarify regarding the performance standards.

The performance standards and the poultry slaughter rule are—they are a part of the Salmonella Action Plan, but they are separate efforts.

The industry would not be establishing the performance standards for chicken parts or ground poultry. That is something that FSIS will be doing.

We have already completed a baseline survey for both, and right now we are conducting the risk assessment. And we should be able to establish a performance standard for both chicken parts and ground-comminuted poultry by the end of the fiscal year, as I indicated.

I think what you may be referring to is there is an industry effort to look at this issue about performance standards.

And, you know, certainly they are welcome to take any measures for self-improvement, but we will not be factoring in their efforts as we establish the performance standards.

Ms. DELAURO. Will their performance standards be evaluated by USDA?

Mr. RONHOLM. I mean, we are happy to take a look at them, but we are focused on our own effort.

Ms. DELAURO. Is it "yes" or "no," Brian—Mr. Under Secretary? Yes or no? Are the performance standards going to be monitored by USDA?

Mr. RONHOLM. We have not received anything from them. So——

Ms. DELAURO. Quite frankly, that is not an answer.

Will the performance standards that the companies will come up with be evaluated, monitored, enforced, et cetera, by the USDA?

Mr. RONHOLM. We are going to enforce our own standards. I mean, the industry—we are happy that the industry is looking at ways to self-improve, but we are focused on our data and we are going to be enforcing our own standards.

Ms. DELAURO. But the GAO has said—and I will finish up with this, Mr. Chairman. I apologize.

The GAO said the performance of each of the pilot projects. So even though the agency said it would do so when it announced the pilot projects, in order to be able to deal with—you have to have a solid base of data on which to deal with risk assessments and—then moving from there to where you want to be and how you move forward.

It would seem, by GAO account, that you do not, in fact, have a solid base of data—it has real gaps in it—in order for you then to predicate what you want to do for the future.

You do not have any—at least there is not any mandatory requirement for microbial testing in this process, and the performance standards—I am confused as to why industry is doing what it is doing. What are they going to apply or not apply to what you are doing?

We also know that HACCP is an industry-based—they do the plans and, as far as I recall, there isn't a heck of a lot of oversight on the HACCP plans to make sure they are doing what they are doing.

So it gets very, very confusing as to where the performance standards lie, who is drawing them up, what is the accountability, and who is enforcing those performance standards.

And I don't believe that any of those questions have been answered to the satisfaction that would give us the mood to move forward on a process which fundamentally changes how we deal with the inspection of the slaughter process.

Mr. ADERHOLT. We can come back to that. Let's go ahead and finish our round.

Ms. Pingree.

SMALL PRODUCER/FARMER ASSISTANCE

Ms. PINGREE. Thank you very much, Mr. Chair.

And I just want to say I concur with many of the concerns that Congresswoman DeLauro has raised. But I want to take a slightly different tack, since I know you are exploring that in depth.

But it is also about poultry slaughter. And I will try to condense my question here and talk a little bit about some poultry slaughter opportunities that are coming up in the State of Maine.

I am going to describe two farmers, Aaron Bell and Carly DelSignore, who are a husband and wife team in Down East, Maine. They are on our northern Canadian border.

Aaron's family has been farming the particular land that they are on for eight generations and, like many farming families, they hope their four children will continue that legacy. They have dairy, mixed produce, and have expanded into the area of chicken.

When it comes to meeting the demand for sustainably raised organic meat, their farm, Tide Mill Farm, is one of the bigger producers in our State.

So right now, they operate under the growers/producers exemption that allows them to grow and process up to 20,000 of their own birds for sale within Maine.

But because of the growing demand for their product, they have decided to build their own federally inspected facility capable of handling a larger volume of their own poultry, as well as taking on poultry from larger farms, kind of the opposite of what we were discussing in the last question.

The fact is that—there is a growing interest in locally purchased and organically grown poultry, a huge market, good prices, but people have to travel an enormous distance to find a facility where they can do that.

So this particular farm—they have already invested their $5,000 to develop their HACCP plan. They are well on their way to acquiring the hundreds of thousands of dollars to build the facility through loans and grants.

But one of their big concerns is that, once they get this operating, FSIS will need to provide a Federal inspector to oversee the plant's operations twice a week, one day to inspect the slaughter, one day to inspect the processing.

Maine is served by the FSIS field office in Philadelphia. It takes 11 hours to drive from Philadelphia to Edmunds, Maine.

Will you be able to meet this demand? They are about to invest literally hundreds of thousands of dollars, and they consider this a very big question. How long will it take to supply that?

And just as a little part of the discussion, what kind of supports can FSIS offer farmers? And I think there are many around the country who are interested in being able to do this kind of expansion in setting up their own federally inspected plants.

Mr. DERFLER. We will provide an inspector when they are ready to operate. When they qualify for their grant of inspection, we will provide an inspector.

Our jurisdiction starts, you know, when the animals are brought to the plant. We do provide guidance material for farmers on how to avoid Salmonella, how to improve their birds.

We also provide guidance material to plants. We have a small plant help desk to try and help small plants, but, also, that would carry back. We have gotten over 10,000 inquiries from that since we established it.

Ms. PINGREE. Wow.

Mr. DERFLER. And there are other parts of USDA that obviously can provide help as well, and we would work with them to ensure that they get it.

Ms. PINGREE. Well, I know that will give them a great sense of comfort if I am able to say to them that you can assure them that, once this investment is made, even though the closest office is in Philadelphia, there will be an inspector there two days a week.

Mr. DERFLER. It is the district office in Philadelphia. We will find an inspector in the area.

Ms. PINGREE. Great. Thank you very much.

INDUSTRY INSPECTOR TRAINING

Mr. ADERHOLT. Okay. We moved right along. We will go through another round here.

Let me ask about—still staying on the poultry modernization rule, how does FSIS plan to train current and future poultry inspectors to ensure they are knowledgeable about this new program?

In other words, will FSIS use outside food safety experts from, say, higher education institutions or elsewhere to assist with the training or how do you expect to do that?

Mr. RONHOLM. Yeah. I mean, companies would have to train their employees to be able to meet our regulatory standards and expectations, and we would take action against a company who is sort of not performing their jobs satisfactorily.

So we are committed to making guidance available to industry to train the employees. But, ultimately, you know, we are not able to train company employees to perform sort of quality control-type duties.

FSIS FEDERAL INSPECTION DUTIES

Mr. ADERHOLT. And I think there is some general misconception out there that the Federal inspectors will no longer be present in poultry plants under this new system.

Explain to us how FSIS inspector duties will change from the current system.

Mr. RONHOLM. Yeah. I just want to clarify that the number of inspection duties that are being transferred to industry is zero. We are required to be in these plants under law each day under continuous inspection, and we will continue to do that under the poultry slaughter rule.

What this rule will focus on is realigning these inspection duties to better combat invisible pathogens, like Salmonella and Campylobacter, based on new science that has been around, actually, for a while. And it would update our current system that has been in place since 1957.

The best way I have heard it described is sort of like a car inspection. When you are inspecting the safety of a vehicle, you are looking at whether the brakes work, whether the engine works, and whether the air bags work. You are not looking at sort of dents on the door and the fenders.

Our current inspection system right now sort of looks at both. And so what we want to do is focus on the internal operations in order to make food safer.

Mr. ADERHOLT. Mr. Farr.

SMALL PRODUCER/FARMER ASSISTANCE

Mr. FARR. Well, thank you, Mr. Chairman.

In light of all the questions that people have been asking, I just want to sort of talk a little bit about sort of how the leadership process works within the department.

I think most of us who have been on this committee a long time find this department sort of still stuck. And Ms. Pingree brought out an issue that I have had for a long time about how do you stimulate the development of new slaughterhouses, meat, wrap and inspect—what do you call it?—facilities when you have a limited number of employees who can't ride circuit down to really small, little, rural areas. And, yet, these ranchers want to do grass-fed beef. They don't ship them around. They are born on the ranches. They are raised on the ranches. They would like to slaughter them and put their own name on them.

Next door, the person who grows grapes puts their name on it and sells it in a bottle. They would like to sell their meat to local restaurants and to farmers' markets and things like that. And, yes, they have to go through a very rigorous meat inspection process.

So the system leads up that they can't afford to do that because now they have to take their cattle hundreds and hundreds of miles to find a slaughter plant. And it is very expensive then to want to just I.D. that carcass all the way through the process, recover it, bring it all back under all the standards.

So my question to you is: In discussing these issues about, you know, employees and things, is there any thought about kind of realignment of responsibilities, of contracting with States?

I mean, we have in other kinds of inspections—for example, the other day we were talking here with the FDA about the leafy green marketing order, which California leafy greens—lettuce and spinach and all those folks—came up with because we didn't have any regulations. And their regulations, frankly, most people agree, are probably better than anything the Federal Government could have come up with.

We now are trying to hold the rest of the country accountable. Of course, growers in other States say, "Those things are too complicated, too expensive. We don't want to do it." But the point is that there is talent outside of the Federal family.

And is there anybody that looks at perhaps we ought to be contracting with California, a big ag state, has an ag commissioner in every single county?

And under California law, all the pesticide inspections, all of the setback requirements, all of the sort of farming practices, are in the responsibility of the county ag commissioner, right there on the ground with staff that can go out.

So they are looking at all this sort of animal husbandry as well. And not that they would be the organization. But do you contract with any States to do animal poultry inspection? Have you thought about that?

And I think Congresswoman DeLauro has—you have got to have some national standards. I was thinking: What are the analogies? You gave one on automobile inspections—safety inspections.

What about FAA? These airlines have to meet an FAA minimum inspection. Some of the airlines, you know, have even tougher requirements.

But is there thinking about, if we can't get this job done and if the economics of it don't make it affordable for people to do what is happening in the marketplace to have, you know, my local cattle

sold to my local restaurants with my brand name on it, meeting every standard—something is broken, and we need to fix it.

Mr. RONHOLM. I want to assure you, Mr. Farr, that, you know, we are very focused on how we can be helpful to small producers and to very small producers.

In fact, we regulate close to 6,700 facilities, and 90 percent of those can be characterized as small or very small. So it is not something that we dismiss.

That is why we have a lot of these resources that Mr. Derfler outlined to try and help them as much as possible. Perhaps, you know, we need to increase our outreach efforts to make these small producers aware of what is available for them to help them.

In terms of inspections, we have the Cooperative Interstate Shipment program that was in the Farm Bill. And that allowed—this allows sort of market opportunities for small and very small producers.

And if they are in a State that has standards that are identical to Federal standards, that would allow them to ship products out of State.

Mr. FARR. They are not interested in shipping out of State. We have got 35 million people in California. They just want them to eat California food.

Mr. RONHOLM. Another issue that is important for us, too, of course, is establishing more mobile slaughter units. And I think this is what would be important to small and very small producers.

Mr. FARR. If you would, that is the problem, is we have that mobile unit. We have had one of the first in the United States. The problem is it is way—you know, where it is. You have to get an inspector to get there. And they only slaughter four carcasses. That is all they can store.

There is all kinds of complexities, and it just becomes not cost-effective because you have to—then they have to pay the overtime cost to get this inspector from the San Francisco Bay area to move—drive 250 miles down to southern Monterey County, you know.

So I just—I think you have got answers for all these things, but I don't think you have solutions for the problems.

Mr. ADERHOLT. Mr. Bishop.

WORKER SAFETY

Mr. BISHOP. Thank you very much.

I want to go back to poultry for a moment. It is my understanding that USDA and the Department of Labor at OSHA have had ongoing discussions regarding the proposed slaughter inspection rule and, in particular, potential issues with respect to worker safety.

In the past, OSHA, the National Institute for Occupational Safety and Health, Government Accountability Office, and others have raised serious questions regarding working conditions for poultry plant employees.

Much of the official information regarding working conditions for poultry plant employees has been anecdotal and has not been based on reliable research or data.

One clear concern is whether the new rules may or may not expose workers to greater physical risk or harm. And there doesn't appear to be a process in place which provides more tangible and reliable evidence outside of the anecdotal evidence which we have all heard.

Can you share with the subcommittee any outcomes from the discussions with DOL and if the Department of Labor will play any role in the execution of the rule, should it move forward.

It appears that there needs to be some quantifiable and qualitative measures that are put in place to track the impact of the rule on every segment of the industry, including employees and their safety.

Mr. RONHOLM. Absolutely, sir. And it is an issue that we are focused on and will continue to be focused on. As I indicated, it is—I think what—the NIOSH report demonstrates that it is an extremely difficult work that they do and it is incumbent upon us to ensure that we don't make things worse.

The evidence that we have collected through the 14-, 15-year pilot program that we have had shows that this does not make conditions worse for the workers.

Mr. BISHOP. But didn't GAO say it wasn't reliable?

Mr. RONHOLM. The NIOSH report provides initial evidence, too, that supports that claim.

Mr. BISHOP. Isn't it true that NIOSH clearly states that the number of birds processed per minute by each worker did not change in the NIOSH study? And it didn't test the effects of an increase in work speed, did it?

Mr. DERFLER. The line speed increased. There were two lines of 90 birds per minute, and it was combined in one with 175 birds per minute.

In that plant, what we found was that increase in line speed did not have an effect in increased injury. It doesn't change the significance—or the difficulty of the work that the workers do, but that is what happened.

Mr. RONHOLM. And, also, under the final rule, we partnered with OSHA and NIOSH to——

Mr. BISHOP. I am looking at the report here. The NIOSH report says, "The results of this NIOSH evaluation may not reflect increased prevalence of adverse health effects that might be experienced by workers in other plants that use different methods of increasing line speed. For example, increasing the number of birds processed per worker may result in an even higher prevalence of carpal tunnel syndrome than seen in this NIOSH evaluation."

Isn't that a quote from the report?

Mr. DERFLER. That is true. But the point is there is only one plant involved. That is all the—the only plant that we have evidence from right now.

Ms. DELAURO. And there was not a non-HIMP.

Mr. DERFLER. But it was an increase in line speed to 175 birds a minute.

Mr. BISHOP. Okay. And I understand this was not a HIMP pilot project that was——

Mr. DERFLER. It is a plant under another program that we have called the Salmonella Incentive Program, SIP. They got a waiver

from our regulations. We added a fifth inspector to the line. And the line speed increased to 175 birds a minute.

Mr. BISHOP. So, basically, the GAO was right, then. And, of course, the NIOSH test really wasn't very well conducted either as far as line speed is concerned.

Mr. DERFLER. All we can say is that the evidence we have is the evidence that was produced so far from the one plant that so far has participated.

Mr. BISHOP. But you didn't test that.

Ms. DELAURO. That was not the test.

Mr. ADERHOLT. Ms. DeLauro.

INDUSTRY INSPECTOR TRAINING

Ms. DELAURO. Thank you very much, Mr. Chairman.

Just a couple of comments. First of all, it would appear that, in training these company inspectors, as your question, Mr. Chairman, that the companies will train the line workers.

The questions from there—and my time will be curtailed—who develops the training protocol? Because there is a training protocol for USDA inspectors. Who monitors that? Who will enforce it?

And the word "guidance" just makes me crazy because we deal with guidance and then they can do whatever they want. And this puts the industry in charge. And we then have no recourse, unless you tell me that we are developing the training protocol to mirror what we do for USDA inspectors. Who monitors that? And who enforces to make sure that they are carrying out the protocol?

Mr. RONHOLM. Well, ultimately, we would enforce it because, if the company employees aren't performing satisfactorily, we would take enforcement action against them.

Ms. DELAURO. How will you—I mean, what is——

Mr. DERFLER. We can slow down the line speed if the birds are not passing inspection. Our inspectors are informed. We put out a directive to our people making sure they are aware that they have the power to reduce, slow down the line speed.

Ms. DELAURO. Look, let me just tell you, I actually went to check on that this morning. We have no way in dealing with the aggregated information to know how many times the line has been shut down because an inspector has that.

If you have got the company that is in charge of all of this and they are going to—the inspector is going to shut down the line? I mean, let's be realistic about what is happening here. That is not going to happen.

PERFORMANCE STANDARDS

Let me move to performance standards. Performance standards? This is January 17, 2014. Dr. Daniel Engeljohn, assistant FSIS administrator for field operations, issued an email to FSIS district managers informing them of an effort by the National Chicken Council to collect samples of chicken parts so that the trade association could establish its own pathogen performance standards for chicken parts that it could enforce.

And he says here, "There is a potential that some in-plant inspectors and field supervisors may begin questioning this effort and take steps to force the establishments to turn over the results of

sampling. Please talk to your field staff to discourage them from interrupting an important industry effort."

I mean, we are turning over our responsibility. You know, again, how does the industry enforce performance? You know, they are going to be supplanted.

Our performance standards appear in a directive from FSIS that will supplant the performance standards that are being developed by, I say, our agency.

Who is going to validate and monitor those performance standards? And if the industry is going to enforce their standards, you know, how are they going to do it?

Mr. RONHOLM. Again, I will tell you that it will be FSIS that establishes the performance standards and monitors them. The industry—you know, we are happy to see them make efforts in self-improvement.

But, ultimately, it is us that is going to look at the data, it is going to be us that establishes that performance standards, and it is going to be FSIS that monitors and enforces them.

The number—the responsibility that industry would have in establishing performance standards is zero.

Ms. DELAURO. Well, let me just say that this is a directive that went out on Friday, January 17, to all of your folks.

And I don't know what they are doing now, but this was the directive that—it says, "Please talk to your in-plant team and your field supervisors."

I find this directly contradictory to what we think about in terms of our monitoring performance standards versus allowing the industry to set up the performance standards.

So my time is up.

Mr. RONHOLM. I just want to assure you that, if the industry wants to take their own samples, I mean, that is, I think—I believe that is what the directive was ultimately about, is sort of instructing our in-plant personnel, just allow them to take their own samples if they want.

However, ultimately, it is going to be FSIS that analyzes our own data and establishes our own performance standards that we will enforce. Industry would have no role.

Mr. ADERHOLT. Ms. Pingree.

ANTIBIOTICS IN ANIMAL FEED

Ms. PINGREE. Thank you, Mr. Chair.

I want to talk a little bit about antibiotics in animal feed. So I have heard from people in Maine for a very long time who are worried about the nontherapeutic use of antibiotics on livestock.

And now it has become, I think, a well-documented topic that antibiotic use in animals is tied to higher rates of infection in humans. It is considered a threat growing out of control, and we need to address it before it is too late.

On this front, I am very encouraged that the President's budget includes funding for AFRI to support research on minimizing the transmission of antibiotic resistance through the food chain. The budget request also includes $2.6 million for ARS research on food safety alternatives to antibiotics.

On the FDA side of things, there is support for the National Anti-Microbial Resistance Monitoring System, known as NARMS, which monitors changes in antibiotic resistance among people who eat meat from animals who are fed antibiotics.

While all of this work is important, I don't think it is enough. The CDC estimates that 23,000 people die in the U.S. every year from antibiotic-resistant infections.

The CDC acknowledges a link between the use of antibiotics in animal agriculture and the resistant infections seen in hospitals. So I consider this a public health crisis.

As the public health agency responsible for ensuring the Nation's supply of meat is safe, does FSIS take this threat of antibiotic resistance seriously? And are you coordinating with the work done by ARS, NIFA, and FDA to address this threat? And can you tell me a little bit more about what you have going on.

Mr. RONHOLM. Yeah. Absolutely. And it is an issue that we are focused on. And, you know, obviously, FDA has primary jurisdiction over the issue in terms of use of antibiotics. But certainly USDA has an active role in being part of the solution, and we certainly view ourselves as being part of the solution.

And, you know, within USDA, it is APHIS and ARS that are the primary leads with antibiotics, but certainly we provide—with our expertise and management practices at these facilities and our food safety practices, we certainly can contribute our input to their effort.

And I think—going forward, I think that is an issue that—you know, some of these efforts need to be intensified in order to fill knowledge gaps on this issue and sort of develop a strategy toward judicious use to ensure that these antibiotics remain effective when they are used.

Ms. PINGREE. Well, I would like the opportunity to stay a little bit better informed about your activities. So perhaps we can have a conversation just so I can get a better sense of how much of an impact you have had, how far you are taking it, and what the coordination with the other agencies looks like. I know I can't go through all that right now.

But I think there is an enormous amount of interest on this, obviously, outside of Congress. Inside Congress, many other Members are working on this issue as well. I just think we want to be able to talk about the progress that we are making and whether or not we are taking it seriously enough, which I often think people on the outside don't think.

Mr. RONHOLM. Absolutely.

Ms. PINGREE. Thank you, Mr. Chair.

WORKFORCE VACANCIES

Mr. ADERHOLT. Thank you.

There was an article in the New York Times that was written. And your testimony touched on the FSIS vacancy rate.

In this article published by the New York Times, it claims that FSIS job vacancies are leading to more food recalls.

Can you tell us a little bit about what is happening there.

Mr. RONHOLM. Yeah. Absolutely.

Again, I would just remind folks that, you know, we are legally required—our inspectors are legally required to be in these facilities every day and, when they are not, they cannot operate. They are not permitted to operate.

So if there truly was a shortage of inspectors, I think what you would see is plants would dramatically scale back production or shut down completely. And this would happen very suddenly, and, clearly, all of us would hear about it.

Like many organizations, we have vacancy rates due to retirements and resignations. Part of the way that we deal with that, we have a pool of 200 relief inspectors across the country that fill in these gaps when they occur, much like substitute teachers do for school districts.

And between our full-time force and this relief inspection force that are also trained, we are able to make sure that inspection goes and the plants remain operable.

Mr. ADERHOLT. So you don't really ever experience gaps in inspection for slaughter in processing facilities?

Mr. RONHOLM. Correct. Correct. We haven't.

PSR UNION NEGOTIATIONS

Mr. ADERHOLT. Let me follow up with one more question on the poultry slaughter.

FSIS has previously reported to the committee that you have negotiated with the unions to work with the industry to arrange conversion of the plants for these new systems.

Tell us about what—the status of those negotiations with the union and how that conversion is currently going.

Mr. RONHOLM. I believe that is not occurring until after we move forward to the final rule. I will let Mr. Derfler——

Mr. DERFLER. We wouldn't negotiate with the union until we give them notice of the right to bargain after the final rule publishes.

Mr. ADERHOLT. But once that happens, you will start negotiating with the union?

Mr. DERFLER. We will give them their opportunity, and then we will certainly negotiate with them.

Mr. ADERHOLT. Ms. DeLauro.

PSR AND HUMANE HANDLING

Ms. DELAURO. Thank you, Mr. Chairman. I just have just a couple. I want to get to meat recall, but let me proceed here.

Rapid line speeds present one of the greatest risks of inhumane treatment. Harried workers flip the birds upside down, force them into metal shackles. Less time for shackling birds will inevitably lead to more rough handling and increased incidence of fractures and other injuries.

Yet, faster slaughter speeds also cause more birds to bypass backup slaughter devices and enter the scalding tank alive. Killing birds this way is not only cruel, it is illegal under the agency's existing humane handling requirements, and it poses additional food safety risks as the stressed birds defecate in the scalding water shared by many other birds.

Also, it is my understanding that, at the end of this process, we just then bathe these chickens in a chemical cocktail that is primarily chlorine.

I don't understand how this contributes to increasing food safety. And how do we ensure that animal welfare laws are upheld when inspectors will no longer view the parts of the line where animals are slaughtered?

Mr. RONHOLM. This is an issue that is important to us. I mean, it is part of our responsibility to ensure that these animals are treated humanely.

In terms of, you know, the incidence of poultry falling under this category, I believe that the recent stats show that it is .008 percent of poultry that actually are affected by this. And certainly we want to get that number to zero.

Phil, do you have anything to add?

Mr. DERFLER. The other thing I would say is, under the poultry slaughter rule, we would have one inspector who worked on-line and one inspector off-line who would have the opportunity to move up and down the line, including to see the slaughter part of the line.

That would be available to us, and they would be there, and they would be there to observe if there are birds that are coming in.

So it is our belief that there will be less birds, not more birds, under the poultry slaughter rule that will have died other than by slaughter.

PSR AND FOOD SAFETY

Ms. DELAURO. That is a lot of birds to look at as they are moving up and down the lines here at 175. I don't know what kind of magical powers these folks have, but it defies imagination.

Also, in concert with something that the chairman was saying—and this comes from an IG report—"Inspectors we accompanied to establishments as well as several supervisors confirmed that inspections were missed on a regular basis. However, FSIS had no procedure for ensuring that products produced without inspection were safe" and, "The agency's information system did not track the number of missed inspections."

That was from an IG report, and that was done, I think, 2013. Is that correct? 2013. So there are real gaps in this process. I am sorry. It's April 30, 2012, that we dealt with that.

And there is also a point in this OIG report, and it is not—it concludes that, "USDA has found"—"The Inspector General has found serious deficiencies at FSIS."

And these problems predate the current administration. This goes back. And they found serious and, at times, inexplicable lapses by the agency.

The last—when I talked about the risk assessment, also, this IG reported that, "The FSIS could not determine whether the goals of the pilot program, HACCP-based Inspection Models Project, HIMP, were met because FSIS did not adequately oversee the program."

In the 15 years since the program's inception, FSIS did not critically assess whether the new inspection process had measurably improved food safety at each HIMP plant, which has been stated as the key goal of the program. This is the Inspector General.

We have the GAO. We have all of these people who have done these evaluations. And this potential rule comes—it just comes up short. And that is why 68 of us—67 of us, 68 with myself, asked to withdraw this rule, because we are not dealing with a robust database on which to try to move forward in terms of where risk is and how you determine where you go based on risk.

If the chairman would allow, a meat recall, there have been two major food-borne outbreaks in the past two years, and that is associated with poultry products produced by Foster Farms in Washington State and California, and they have sickened over 600 consumers.

No recalls were ever issued by the company. Can you explain why?

Mr. RONHOLM. First of all, to your question about the OIG report in reference to the HIMP pilot, the passage that you cited actually related to the pork pilot and not the poultry.

Ms. DELAURO. Well, but we are intending to move this process, as I understand it, from GAO as well. Not only is it chicken and turkeys, but we are looking at hogs, et cetera. So this is the camel's nose under the tent, and that is where we plan to go with this entire process.

Mr. RONHOLM. The OIG and GAO were absolutely correct as it relates to the pork pilot. And we are not moving forward with pork modernization unless we get data, which clearly we do not have according to the OIG.

Ms. DELAURO. But, also, I would reflect on the GAO report that really focused in on the chicken and the turkey piece and found that the data was wanting in that regard as well. And there was real clarity about that. They have mentioned it several times in there.

And I will submit that, the GAO report, for the record, Mr. Chair.

Mr. ADERHOLT. Without objection.

[The information follows:]

United States Government Accountability Office



Report to the Chairman, Subcommittee on Livestock, Dairy, Poultry, Marketing and Agriculture Security, Committee on Agriculture, Nutrition and Forestry, U.S. Senate

August 2013

FOOD SAFETY

More Disclosure and Data Needed to Clarify Impact of Changes to Poultry and Hog Inspections

GAO-13-775

GAO Highlights

Highlights of GAO-13-775, a report to the Chairman, Subcommittee on Livestock, Dairy, Poultry, Marketing and Agriculture Security, Committee on Agriculture, Nutrition and Forestry, U.S. Senate

August 2013

FOOD SAFETY

More Disclosure and Data Needed to Clarify Impact of Changes to Poultry and Hog Inspections

Why GAO Did This Study

USDA inspectors provide continuous inspection of each meat and poultry carcass and its parts that enter interstate commerce. In 1998, USDA began three pilot projects at slaughter plants for healthy young chickens, young turkeys, and young hogs, with a purpose to deploy inspection resources more effectively in accordance with food safety and other consumer protection requirements. Under the pilot projects, plant personnel sort carcasses before USDA's inspection. The pilot projects are to end when a final rule for each species is published. In January 2012, USDA published a proposed rule to modernize poultry slaughter inspections based, in part, on its pilot projects. GAO was asked to review these pilot projects. This report determines (1) the extent to which USDA has evaluated the three pilot projects, (2) strengths and weaknesses of the pilot projects based on the views of key stakeholder groups, and (3) the extent to which USDA disclosed limitations, if any, in sources of information it relied on to develop the proposed rule. GAO reviewed relevant laws and documents and interviewed USDA officials and 11 key industry, labor, consumer advocacy, and animal welfare groups familiar with the pilot projects.

What GAO Recommends

GAO recommends that USDA (1) collect and analyze information to determine if the young hog pilot project is meeting its purpose and (2) clearly disclose to the public limitations in the information it relied on for the proposed rule to modernize poultry slaughter inspections. USDA concurred with GAO's recommendations.

View GAO-13-775. For more information, contact J. Alfredo Gómez at (202) 512-3841 or gomezj@gao.gov.

What GAO Found

The U.S. Department of Agriculture (USDA) has not thoroughly evaluated the performance of each of the pilot projects over time even though the agency stated it would do so when it announced the pilot projects. For example, in 2011, USDA completed a report evaluating the pilot project at 20 young chicken plants concluding that an inspection system based on the pilot project would ensure equivalent, if not better, levels of food safety and quality than currently provided at plants not in the pilot project. However, among the limitations of its evaluation was the use of snapshots of data for two 2-year periods instead of data for the duration of the pilot project, which has been ongoing for more than a decade. In addition, USDA did not complete an evaluation on or prepare a report evaluating the pilot project at 5 young turkey plants and has no plans to do so because of the small sample size. Nevertheless, in publishing a proposed rule that includes an optional new poultry (chicken and turkey) inspection system, USDA stated that the new system was based on its experience with the pilot projects at young chicken and young turkey plants. As a result, USDA may not have assurance that its evaluation of the pilot project at young chicken plants provides the information necessary to support the proposed rule for both chickens and turkeys. However, the agency will not complete another evaluation before it issues a final rule. USDA has begun drafting a preliminary report evaluating the pilot project at young hog plants using analyses similar to those presented in the report evaluating young chicken plants, suggesting that similar limitations may apply. Agency officials stated that when USDA develops a proposed rulemaking to modify its slaughter inspection system for hogs, the agency will need to decide whether to collect additional data. Without collecting and analyzing additional data, it will be difficult for USDA to draw conclusions about whether the pilot project at young hog plants is meeting its purpose. While the pilot project is ongoing, USDA has the opportunity to collect and analyze additional information.

GAO identified strengths and weaknesses of the three pilot projects based on the views cited most frequently by 11 key stakeholder groups representing industry, labor, consumer advocacy, and animal welfare. On the basis of these views, GAO identified strengths including giving plants responsibility and flexibility for ensuring food safety and quality and allowing USDA inspectors to focus more on food safety activities. GAO identified weaknesses including that training of plant personnel assuming sorting responsibilities on the slaughter line is not required or standardized and that faster line speeds allowed under the pilot projects raise concerns about food safety and worker safety.

USDA did not disclose certain limitations in sources of information it relied on to develop the cost-benefit analysis supporting the proposed rule on modernizing poultry slaughter inspections. GAO identified three sources of information with certain limitations that were not disclosed. For example, USDA did not disclose that it gathered no cost information from young turkey plants in the pilot project. Furthermore, USDA generalized the results from 12 young chicken plants in the pilot project that responded to a 2001 cost survey to the universe of 335 young chicken and young turkey plants in the United States in 2012. As a result, stakeholders did not have complete and accurate information to inform their comments on the proposed rule and its potential impacts.

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Abbreviations

CDC	Centers for Disease Control and Prevention
FSIS	Food Safety and Inspection Service
HACCP	Hazard Analysis and Critical Control Point
HIMP	HACCP-based Inspection Models Project
OMB	Office of Management and Budget
USDA	U.S. Department of Agriculture

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GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

August 22, 2013

The Honorable Kirsten E. Gillibrand
Chairman
Subcommittee on Livestock, Dairy, Poultry, Marketing and Agriculture Security
Committee on Agriculture, Nutrition and Forestry
United States Senate

Dear Madam Chairman:

According to the Centers for Disease Control and Prevention (CDC), the U.S. food supply remains one of the safest in the world; nevertheless, CDC estimates that each year about 48 million Americans become sick from foodborne diseases. Meat and poultry products contaminated with pathogens such as Salmonella, Toxoplasma gondii, Campylobacter, and Lysteria monocytogenes cause many foodborne illnesses and deaths. To control the spread of such foodborne illnesses, over 3,700 U.S. Department of Agriculture (USDA) veterinarians and inspectors work at more than 900 slaughter plants. USDA inspectors provide continuous inspection of each meat and poultry carcass and its parts that enter interstate commerce. USDA inspectors positioned on slaughter lines in these plants are responsible for sorting carcasses to identify defects and directing plant personnel to remove unacceptable carcasses, among other things.[1] There may be multiple USDA inspectors positioned on each slaughter line, depending on the speed at which meat and poultry carcasses move down the line. For example, at plants that slaughter young chickens, there may be up to four inspectors on each line, and each inspector is responsible for inspecting up to 35 carcasses per minute. In addition, USDA inspectors positioned off the slaughter line move freely about the plant and collect samples of carcasses to test for microbial pathogens (e.g., Salmonella); perform food safety checks, such as verifying that carcasses are free of fecal material; and ensure that

[1]In slaughter plants that have received USDA approval to be inspected by USDA and thereby produce meat and poultry products to ship in interstate commerce (referred to as receiving a grant of inspection), there is a slaughter production line made up of multiple operations, beginning with the arrival of the animal in the receiving yard to the point where carcasses are chilled before they are further processed. In this report, we use the term "slaughter line" to refer to the entire slaughter production line that includes these multiple operations.

carcasses comply with the agency's food quality standards for things such as bruises on chickens, which does not affect food safety.

In 1997, USDA announced the need to modify its meat and poultry slaughter inspection program to, among other things, make industry more responsible for identifying carcass defects. In 1998, USDA began three pilot projects—one for each species—at slaughter plants to test changes to its inspection systems from having its inspectors provide continuous inspection of each and every carcass for healthy young chickens, young turkeys, and young hogs to a system that uses plant personnel to examine each carcass for safety and quality and USDA inspectors to verify that safety and quality standards are met.[2] According to a Federal Register notice announcing the pilot projects, the purpose was to deploy inspection resources more effectively in accordance with food safety and other consumer protection requirements.[3] In announcing the pilot projects, USDA stated that the agency would thoroughly evaluate the pilot projects and, at the time of its evaluation, determine whether further testing should be conducted or whether to initiate rulemakings to adopt and implement new inspection systems based on the pilot projects. As of July 2013, 29 plants were participating in the pilot projects—19 plants for slaughtering young chickens, 5 for young turkeys, and 5 for young hogs. At participating plants under the pilot projects, plant personnel have taken on the sorting responsibilities of USDA inspectors positioned on the slaughter line for identifying carcass defects and removing unacceptable carcasses. However, a USDA inspector remains at the end of each slaughter line at each young chicken and young turkey plant and at three fixed locations on the slaughter line at each young hog plant to conduct a carcass-by-carcass inspection after plant personnel have completed sorting activities so that only those carcasses deemed likely to pass

[2]USDA refers to young hogs as market hogs.

[3]62 Fed. Reg. 31553 (June 10, 1997). Other consumer protection requirements include activities related to nonfood safety concerns, such as the wholesomeness and food quality of meat and poultry products. According to this Federal Register notice, USDA intended to test these changes at slaughter plants for young chickens, market hogs, and cattle. USDA extended the pilot projects to slaughter plants for young turkeys at the request of the turkey industry. According to USDA documents, no slaughter plants for young cattle have volunteered for the pilot project. Plants that slaughter young animals were selected because most food animals are slaughtered at a young age and because young animals are generally free of diseases that are more common in older animals.

inspection remain on the line.[4] According to a Federal Register notice, removing USDA inspectors from slaughter lines is intended to free the inspectors to perform additional food safety and quality checks in the areas of greatest risk, as needed, throughout the plant.

In December 2001, we reported on the design and methodology of USDA's pilot projects and noted several limitations that do not allow results from plants participating in USDA's pilot projects to be generalized to the universe of plants.[5] For example, we reported that plants participating in the young chicken pilot project were not randomly selected and that they did not include plants from all chicken producing areas or plants of all sizes. Thus, the results cannot be generalized to the entire population of chicken slaughter plants in the United States.

In January 2012, USDA published in the Federal Register a proposed rule to modernize poultry slaughter inspections that affects all plants that slaughter poultry (chickens and turkeys) and that includes an optional new inspection system for all young chicken and turkey plants, which resembles some aspects of the inspection systems used in the pilot projects at young chicken and young turkey plants.[6] During the public comment phase of the proposed rule for modernizing poultry slaughter inspections, USDA received more than 175,000 comments from stakeholders, including industry and consumer advocacy groups, as well as individual members of the public. As of July 2013, USDA was working to complete its final rule for modernizing poultry slaughter inspections, according to agency officials.

[4]USDA's original design for the pilot projects involved assigning inspectors to the slaughter line, but not at fixed points; instead these inspectors positioned off the line (i.e., not at a specific point on the line) could move freely to observe different parts of the line. However, in 1998, the union representing USDA inspectors filed a lawsuit claiming that, under the pilot projects, USDA inspectors were not complying with the applicable laws and personally inspecting each carcass. Consequently, in 2000, USDA modified the design of the pilot projects to include at least one USDA inspector positioned at a fixed point on the slaughter line to perform a carcass-by-carcass inspection. The court concluded that, with this modification, the pilot projects did not violate the applicable laws.

[5]GAO, Food Safety: Weaknesses in Meat and Poultry Inspection Pilot Should Be Addressed before Implementation, GAO-02-59 (Washington, D.C.: Dec. 17, 2001).

[6]77 Fed. Reg. 4408 (Jan. 27, 2012).

This report responds to your request that we review USDA's pilot projects at slaughter plants for young chickens, young turkeys, and young hogs. Our objectives were to determine (1) the extent to which USDA has evaluated the three pilot projects, (2) strengths and weaknesses of the three pilot projects based on the views of key stakeholder groups, and (3) the extent to which USDA disclosed limitations, if any, in sources of information it relied on to develop the proposed rule to modernize poultry slaughter inspections.

To determine the extent to which USDA has evaluated the three pilot projects, we reviewed relevant USDA documents, Federal Register notices, and laws. We also compared USDA's efforts to evaluate the pilot projects with criteria based on social science and evaluation literature and published GAO guidance identified in our previous work on pilot program development and evaluation.[7] In addition, we interviewed several officials in various offices within USDA's Food Safety and Inspection Service (FSIS)—the agency responsible for USDA's meat and poultry inspection program. To determine the strengths and weaknesses of the three pilot projects based on the views of key stakeholder groups, we identified 11 key stakeholder groups representing industry, labor (including plant personnel and USDA inspectors and veterinarians), consumer advocacy, and animal welfare with sufficient knowledge about USDA's three pilot projects that submitted comments on USDA's proposed rule on modernizing poultry slaughter inspections.[8] We reviewed their comments to determine the extent to which the comments may apply to the pilot

[7]GAO, Catastrophic Planning: States Participating in FEMA's Pilot Program Made Progress, but Better Guidance Could Enhance Future Pilot Programs, GAO-11-383 (Washington, D.C.: Apr. 8, 2011); GAO, Tax Administration: IRS Needs to Strengthen Its Approach for Evaluating the SRFMI Data-Sharing Pilot Program, GAO-09-45 (Washington, D.C.: Nov. 7, 2008); and GAO, Equal Employment Opportunity: DOD's EEO Pilot Program Under Way, but Improvements Needed to DOD's Evaluation Plan, GAO-06-538 (Washington, D.C.: May 5, 2006).

[8]We developed an initial list of key stakeholder groups based on our prior experience and knowledge. To ensure that we included all of the relevant stakeholder groups, we asked these groups for suggestions on other stakeholders we should consider contacting and expanded the list, as needed. The 11 stakeholder groups were the American Federation of Government Employees/National Joint Council of Food Inspection Locals, the American Meat Institute, the Center for Foodborne Illness Research and Prevention, the Consumer Federation of America, Food and Water Watch, the Government Accountability Project, the Humane Society of the United States, the National Association of Federal Veterinarians, the National Chicken Council, the National Turkey Federation, and the North American Meat Association.

projects; interviewed representatives of these key stakeholder groups; and followed up with e-mailed questions to gauge their level of familiarity with each pilot project and then clarified responses, as needed. We developed categories of strengths and weaknesses identified most frequently by stakeholder groups and determined whether each stakeholder group had identified strengths or weaknesses that fit into these categories. To determine the extent to which USDA disclosed limitations, if any, in sources of information it relied on to develop the proposed rule, we reviewed the proposed rule and related Federal Register notices, as well as selected documents the agency relied on to develop the proposed rule. We also interviewed several officials in various offices within USDA's FSIS to clarify information, as needed. Appendix I provides more information on our objectives, scope, and methodology.

We conducted this performance audit from September 2012 to August 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence presented provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Federal Meat Inspection Act and the Poultry Products Inspection Act give USDA overall responsibility for ensuring the safety and wholesomeness of meat and poultry products that enter interstate commerce.[9] Acting under these legislative authorities, USDA inspectors provide continuous government inspection of each and every meat and poultry carcass and its parts at slaughter plants throughout the United States. Within USDA, FSIS is responsible for inspections at all meat and poultry slaughter and processing plants and has inspectors positioned both on and off the slaughter line. FSIS inspectors positioned on the line are to inspect every carcass and its parts, including the viscera (e.g., hearts and liver) organoleptically—by sight, touch, and smell—for defects, and direct plant personnel to take appropriate corrective action when

[9]21 U.S.C. §§ 601-683 and 21 U.S.C. 451-472. The Federal Meat Inspection Act was originally enacted in 1907 as part of the USDA appropriations act, and the Poultry Products Inspection Act was enacted in 1957. Both pieces of legislation have been amended a number of time throughout the years.

defects are found. According to a Federal Register notice, plants rely on FSIS inspectors to control and direct their production processes. For example, FSIS regulates the speed of the slaughter line based on its inspectors' ability to perform proper inspection procedures. FSIS inspectors positioned off the line move freely about the plant to focus on areas of greatest risk and to perform collection of carcass samples for testing of microbial pathogens. Among other activities, these inspectors review plant records and live animals presented for slaughter. These inspectors are also responsible for ensuring plants' compliance with regulatory requirements on a daily basis and for taking regulatory enforcement action when deficiencies are found.

In 1997, FSIS announced the need to modify its meat and poultry slaughter inspection program to, among other things, make industry more responsible for identifying carcass defects. This approach is consistent with the agency's previous adoption of the Pathogen Reduction: Hazard Analysis and Critical Control Point (HACCP) regulations. Under the risk-based HACCP approach, industry—rather than federal inspectors—is responsible for identifying steps in food production where food safety hazards, such as fecal material, are reasonably likely to occur and for establishing controls that prevent or reduce these hazards. As part of this approach, plants must identify the point (known as the critical control point) where they will establish control for a food safety hazard and take steps to prevent, eliminate, or control the hazard. FSIS had not extended the HACCP principles to slaughter inspections because the agency provides continuous inspection of each and every carcass. However, FSIS believed that changing its existing inspection systems would also reduce inspectors' reliance on organoleptic inspections, allow for a shift to prevention-oriented inspection systems based on risk, and permit redeployment of its resources to better protect the public from foodborne diseases. Before making a permanent change to its slaughter inspection systems, FSIS developed the pilot projects in 1998 at young chicken, young turkey, and young hog plants to test whether such a change would achieve its intended purpose of deploying inspection resources more effectively in accordance with food safety and other consumer protection requirements. FSIS' pilot projects at these plants are known as the HACCP-based Inspection Models Project (HIMP).

FSIS developed food safety and quality performance standards for plants in the pilot projects to meet.[10] FSIS set the performance standard for food safety defects at zero.[11] An example of a food safety defect is a carcass contaminated with fecal material because ingestion of meat and poultry contaminated with fecal material poses potential harm to humans. FSIS' performance standards for food quality defects vary, depending on the animal species and the type of defects. An example of a food quality defect is bruises on the carcass that, while not harmful if consumed, affects the wholesomeness of meat and poultry products. According to FSIS officials, the food quality performance standards are intended to be more stringent than the performance standards in place at plants that are not participating in the pilot projects.

In May 1999, FSIS negotiated an agreement with the union representing its inspectors that limited the number of plants participating in the pilot projects to 20 young chicken plants, 5 young turkey plants, and 5 young hog plants. According to the agreement, the pilot projects for each species are to end when a final rule is published for that species. Before converting to the inspection systems under the pilot projects, participating plants modified their operations to meet certain requirements, such as installing a new workstation at the end of the slaughter line and before the chiller for the FSIS inspector positioned on the slaughter line at poultry plants.[12] Over the course of the pilot projects, some plants have dropped out, and others have joined. As of July 2013, 29 plants were participating in the pilot projects in 18 states. Appendix II provides additional information on the location of plants in the pilot projects and the volume of poultry and hog slaughter in the United States.

In 2006, FSIS announced a voluntary initiative—known as the Salmonella Initiative Program—to make improvements to control for Salmonella at

[10]FSIS took a statistically based number of samples to develop these performance standards. In 2002, an external review concluded that the agency's approach for comparing food safety and quality data to assess the performance of chicken plants in the pilot project against the performance standards was valid.

[11]The agency has a performance standard of zero for food safety defects (i.e., septicemia/toxemia and visible fecal material) in plants participating and not participating in the pilot projects.

[12]The chiller is the point when eviscerated carcasses—carcasses that have had internal organs and any processing defects removed—are chilled in order to inhibit microbial growth and meet the regulatory requirements of 9 C.F.R. § 381.66(b)(1).

young chicken and turkey plants. Plants participating in FSIS' pilot projects are required to participate in this program. The Salmonella Initiative Program permits plants to operate with an exemption (known as a waiver) from complying with certain regulatory requirements. For example, young chicken plants in the pilot project are exempt from meeting FSIS' regulatory requirement that limits the slaughter line speed at young chicken plants and can operate the slaughter line at a faster line speed. Plants in the Salmonella Initiative Program must demonstrate to FSIS that results from their Salmonella testing consistently demonstrate that they maintain control over production processes. The goal of the Salmonella Initiative Program is to reduce and eliminate Salmonella before products reach consumers.

In January 2012, FSIS published in the Federal Register a proposed rule to modernize poultry slaughter inspections based, in part, on the agency's experience with the pilot projects at young chicken and young turkey plants. FSIS developed the proposed rule in response to an executive order directing agencies to review existing regulations that may have been outdated and modify them accordingly.[13] According to the proposed rule, the modernization is intended to improve food safety and the effectiveness of poultry slaughter inspection systems, remove unnecessary regulatory obstacles to innovation, and make better use of the agency's resources. The proposed rule further states that inspection systems currently in place at chicken and turkey plants (not in the pilot projects) are lacking in two important respects. First, the proper role of industry and FSIS is obscured. Specifically, FSIS inspectors are currently responsible for sorting acceptable carcasses from unacceptable carcasses, finding defects, identifying corrective actions, and solving problems in production control processes, but these are roles more appropriately the responsibility of the slaughter plants. Second, a significant amount of FSIS' inspection program personnel resources are allocated toward inspection activities to detect defects and conditions that present minimal food safety risks. According to the proposed rule, this allocation limits the agency resources available for food safety-related inspection activities. Moreover, FSIS developed an economic cost and benefit analysis to demonstrate the merits of the proposed rule, which,

[13]As part of Executive Order 13563, federal agencies were asked to review existing rules that may be outmoded, ineffective, insufficient, or excessively burdensome and to modify, streamline, expand, or repeal them accordingly.

according to USDA, is expected to have an annual impact on the economy of more than $100 million.

FSIS' proposed rule affects all poultry slaughter plants and includes mandatory regulatory changes. For example, the proposed rule requires all poultry plants to maintain written procedures to prevent contamination of carcasses and parts by fecal material and pathogens (e.g., Salmonella and Campylobacter) and to test for organisms (e.g., Salmonella) to demonstrate control over their production processes at a point before the carcass enters the chiller and at a point after the carcass exits the chiller. In addition, the proposed rule includes the optional new poultry inspection system for young chicken and turkey plants.[14] According to the proposed rule, FSIS expects that the majority of young chicken and turkey plants will convert to the optional new poultry inspection system. The new poultry inspection system resembles the inspection systems at young chicken and young turkey plants in the pilot projects but also has some differences. Similarities between the pilot projects and optional new poultry inspection system include, among others:

- For each slaughter line, there would be one FSIS inspector positioned at the end of the line to perform a carcass-by-carcass inspection and one FSIS inspector positioned off the line to perform, among other things, food safety and quality checks on carcasses to verify that plant personnel (known as sorters) have effectively performed their duties, such as removing fecal material on carcasses.
- The FSIS inspector positioned on the slaughter line would visually inspect (observe) each carcass after the viscera are separated from it and after plant personnel have sorted carcasses, at a point near the end of the slaughter line.

A difference between the pilot projects and the optional new poultry inspection system is that the new system would eliminate FSIS' performance standards for food quality defects and replace them with a requirement that plants maintain records documenting that their products meet the regulatory definition of "ready-to-cook." Ready-to-cook means that the products are free of such defects as feathers, oil glands, and

[14]The proposed rule will also include updates to the traditional inspection system typically in place at smaller, lower volume producing plants that eviscerate carcasses by hand. According to the proposed rule, a plant can choose to operate under the optional new poultry inspection system or the updated traditional inspection system.

diseases and are thus suitable for cooking without any further preparation. According to FSIS officials, plants could use the existing food quality standards—known as Finished Product Standards—to meet the regulatory definition of ready-to-cook.

FSIS Has Not Thoroughly Evaluated the Three Pilot Projects

FSIS has not thoroughly evaluated the performance of each of the three pilot projects over time even though the agency stated that it would do so when it announced the pilot projects. Specifically, FSIS completed a report evaluating the pilot project at young chicken plants, but its data analyses have limitations. FSIS did not prepare a report evaluating the pilot project at young turkey plants and has no plans to do so because data from the five young turkey plants in the pilot project provide limited information due to the small sample size. While FSIS has begun drafting a preliminary report evaluating the pilot project at young hog plants, it used analyses similar to those presented in the report evaluating the pilot project at young chicken plants, suggesting similar limitations may apply.

FSIS Has Completed a Report Evaluating Some Data from the Chicken Pilot Project, but Its Data Analyses Have Limitations

In 2011, FSIS completed a report evaluating the pilot project at young chicken plants;[15] according to agency officials, the agency's evaluation efforts focused on this pilot project, in part, because it has the largest number of plants participating. FSIS' evaluation compared the performance of the 20 young chicken plants in the pilot project (1) with a similar group of 64 plants not participating in the pilot project,[16] using routinely collected data, and (2) against the performance standards developed for the pilot project using data collected specifically for the pilot project. FSIS' evaluation concludes that an inspection system based on the pilot project would ensure equivalent, if not better, levels of food safety and quality than currently provided at plants not in the pilot project. FSIS used this evaluation to support its January 2012 proposed rule modernizing poultry slaughter inspections that includes the optional new poultry inspection system.

[15]USDA, Food Safety and Inspection Service, Evaluation of HACCP Inspection Models Project (HIMP), August 2011. FSIS' evaluation included 20 young chicken plants participating in the pilot project; however, one plant dropped out of the pilot project in 2011 and closed its operations after the evaluation had been completed.

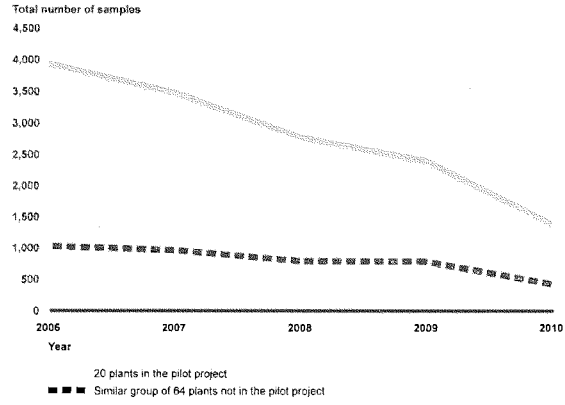
[16]For the similar group of plants, FSIS selected plants that had similar slaughter volumes and line speeds and that were located in similar geographic areas in the United States.



We identified two limitations of FSIS' evaluation that raise questions about the validity of FSIS' conclusion that an inspection system based on the pilot project would ensure equivalent, if not better, levels of food safety and quality than currently provided at plants not in the pilot project. First, FSIS' conclusion about the pilot project was based, in part, on comparisons of data that were not designed to be comparable. For example, FSIS concluded that the prevalence of Salmonella at the 20 plants participating in the pilot project was significantly lower than in the similar group of 64 plants that were not participating in the pilot project from 2006 to 2008. However, it based its conclusion on data that were collected as a part of its microbial sampling program, rather than collecting samples from the same plants for each year. The total number of samples collected in each year declined from one year to the next—indicating that the total number of plants from which samples was collected varied from year to year (see fig. 1).[17] FSIS officials confirmed that the total number of plants from which samples were collected varied from year to year, and these officials were unable to tell us how many plants were included in each year of the analysis. In addition, the possibility that lower prevalence of Salmonella was caused by something other than the pilot project cannot be ruled out.

[17]FSIS' performance standards call for a series of samples be collected over 51 consecutive days at each plant selected to be part of the annual sampling schedule. Plants included in the annual schedule are selected on risk-based criteria designed to focus FSIS resources on plants with the most samples positive for Salmonella.

Figure 1: Total Number of Samples Collected at the 20 Young Chicken Plants in the Pilot Project and the Similar Group of 64 Young Chicken Plants Not in the Pilot Project, 2006-2010



Source: GAO analysis of FSIS data.

Moreover, data from the last 2 years analyzed did not show a significantly lower prevalence of Salmonella for plants participating in the pilot project. According to FSIS officials, FSIS did not collect data to demonstrate the relative effectiveness of plants participating and not participating in any of the pilot projects. Instead, the agency analyzed data for a variety of inspection activities performed in all plants (regardless of a plant's inspection system) to ensure their compliance with regulatory requirements.

The second limitation that we identified in FSIS' evaluation is that the agency collected more than a decade's worth of data on the extent to which young chicken plants in the pilot project were meeting the food safety and quality performance standards developed for the pilot project, but it based its conclusion about the performance of the pilot project on the use of snapshots of data from the pilot project for two 2-year periods. Moreover, the time frames for the snapshots differed depending on whether the categories related to food safety or food quality defects. More

specifically, the agency included snapshots of food safety data from 2000 to 2002—when the project first began—and food safety data from April 2009 to March 2011, and snapshots of food quality data from 2000 to 2002 with food quality data from 2009 to 2010—the most recent data available at that time. Consequently, the results from the years that FSIS selected for analysis may not be indicative of plants' performance over time. According to FSIS officials, the agency did not analyze the data for the majority of the years because the data were recorded on paper forms stored at individual plants and compiling the data for analysis was labor intensive.[18] According to the Standards for Internal Control in the Federal Government,[19] federal agencies are to employ internal control activities, such as top-level review, to help ensure that management's directives are carried out and to determine if agencies are effectively and efficiently using resources. Without analyzing data for the majority of the years of the pilot project in its evaluation, FSIS could not determine whether an inspection system based on the pilot project would ensure equivalent, if not better, levels of food safety and quality than currently provided at plants not in the pilot project over time. In addition, according to the Federal Register notice announcing the pilot projects, FSIS stated that the agency would thoroughly evaluate them; however, using snapshots of data rather than data for the majority of the years of the pilot project, the agency did not conduct a thorough evaluation. Instead, FSIS veterinarians and inspectors evaluated the performance of their individual plants against regulatory performance standards on a daily basis, as they routinely do for all plants regardless of whether they are in the pilot project or not, as well as the performance standards for the pilot project. However, the agency has not aggregated and analyzed these daily results to determine how the plants participating in the pilot project have performed over time.

Notwithstanding these limitations, FSIS used its evaluation of the pilot project at young chicken plants to support the proposed rule on modernizing poultry slaughter inspections. Moreover, the design and methodology limitations we identified in our 2001 report (e.g., young chicken plants participating in the pilot project constituted a small,

[18]FSIS has been collecting similar data in a similar format at the young turkey and young hog plants participating in the pilot projects.

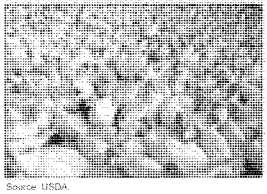
[19]GAO, Standards for Internal Control in the Federal Government, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999).

nonrandom sample) continue to prevent the results obtained from the 20 participating young chicken plants from being generalized to the 239 young chicken plants and 96 young turkey plants in the United States in 2012. As a result, FSIS may not have assurance that its evaluation of the pilot project at young chicken plants provides the information necessary to support the proposed rule for poultry—both chickens and turkeys. However, according to the Federal Register notice supporting the proposed rule on modernizing poultry slaughter inspections, the agency conducted a comprehensive evaluation; thus, the agency will not complete another evaluation before it issues a final rule.

FSIS Did Not Prepare a Report Evaluating the Turkey Pilot Project

Turkey Production, Slaughter, and Export

The United States is the world's largest turkey producer, followed by the European Union, according to the U.S. Department of Agriculture (USDA). In 2012, about 240 million young turkeys were slaughtered at 96 plants, primarily in the Midwestern and Eastern United States. According to the National Turkey Federation, Americans consumed about 16 pounds of turkey per person in 2011. Also, most turkey companies are vertically integrated, meaning they control or contract for all phases of production and processing. According to USDA, in 2012, the United States exported 830 million pounds of turkey meat, over half of which was destined for Mexico, and about 167 million pounds of turkey variety meat, largely feet and liver, with the largest amount (about 49 million pounds) going to China including Hong Kong.



Source: USDA.

Unlike what FSIS did for the pilot project at young chicken plants, it did not complete an evaluation on or prepare a report evaluating the pilot project at young turkey plants. In publishing the proposed rule modernizing poultry slaughter inspections that included an optional new poultry inspection system, the agency stated that the new system was based on its experience with the pilot projects at young chicken and young turkey plants. According to FSIS officials, the agency did not prepare a report evaluating the pilot project at young turkey plants and has no plans to do so because data from five young turkey plants in the pilot project provide limited information due to the small sample size.

Instead, as part of a quantitative microbial risk assessment to estimate the public health impact of the proposed rule, the agency analyzed the relationship between the presence or absence of pathogens and the frequency with which FSIS inspectors positioned off the slaughter line carried out specific inspection activities at young turkey plants.[20] According to FSIS' analysis, there is a suggested relationship between young turkey plants' participation in the pilot project and a lower prevalence of Salmonella and Campylobacter.

In addition, FSIS officials stated that, for the optional new poultry inspection system, they generalized information and data from young chicken plants in the pilot project to the young turkey plants in the pilot project because the processes to slaughter chickens and turkeys are

[20]USDA/FSIS, FSIS Risk Assessment for Guiding Public Health-Based Poultry Slaughter Inspection, Updated November 2011. In this assessment, FSIS evaluated inspection data and Salmonella and Campylobacter data from young turkey slaughter plants as a part of its peer reviewed risk assessment.

similar. However, we identified differences in the food quality performance standards and FSIS' testing protocol for pathogens. FSIS acknowledged that the food quality performance standards are not the same. We determined that the five food quality performance standards developed for the young chicken and for the young turkey pilot project can differ by 0.5 percent to almost 16 percent. For example, the performance standard for the food quality defect category that includes animal diseases (such as arthritis) is 1.7 percent for young chickens and 1.2 percent for young turkeys—a difference of 0.5 percent. In another example, the performance standard for the food quality defect that includes other defects such as feathers is 80.0 percent for young chickens and 95.9 percent for young turkeys—a difference of 15.9 percent.

Furthermore, FSIS' protocols differ for testing chicken and turkey carcasses for Salmonella and Campylobacter. For example, for chickens, FSIS inspectors rinse an entire chicken carcass in a bag filled with a sterile water solution that is poured off and tested for these pathogens. In contrast, for turkeys, FSIS inspectors use a sponge—containing the same sterile water solution as that used to rinse chicken carcasses—to swab certain areas of the turkey carcass and then test the sponge for pathogens. According to a March 2011 Federal Register notice,[21] FSIS acknowledged that the method used to sample carcasses affects the results and stated that they are not proposing to compare microbial data from these two species. However, even with these differences in sampling protocols, FSIS officials stated that the results for young chickens could be generalized to young turkeys. These differences raise questions about the extent to which FSIS can generalize results for food quality defects and microbial testing results from one species to the other, but, as we previously mentioned, the agency has no plans to do an evaluation of the pilot project at young turkey plants before it issues a final rule.

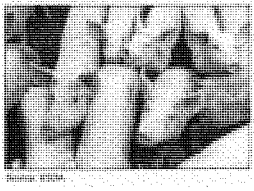
FSIS Has Not Completed Its Report Evaluating the Hog Pilot Project

In 2011, FSIS began drafting a preliminary report evaluating the pilot project at young hog plants. The preliminary report uses analyses similar to those presented in the report evaluating the pilot project at young chicken plants, suggesting that similar limitations may apply. In particular, FSIS did not collect comparable data from plants participating and not

[21]76 Fed. Reg. 15,282 (Mar. 21, 2011).

Hog Production, Slaughter, and Export

The United States is the world's third-largest producer and consumer of pork and pork products, according to the U.S. Department of Agriculture (USDA). In 2012, about 111 million hogs were slaughtered commercially in 608 plants located primarily in the Midwestern United States. According to USDA, the U.S. hog industry has experienced a rapid shift to fewer and larger operations as technology has changed and the structure of the industry has evolved. The National Pork Producers Council reports that today there are about 67,000 pork producers compared with nearly 3 million in the 1950s. Producers' operations have grown. According to USDA, the share of U.S. hog operations that produce over 2,000 hogs increased from about 30 percent in 1992, to nearly 80 percent in 2004. According to USDA, the United States is the world's largest exporter of pork and pork products. In 2012, the United States exported about 5.4 billion pounds of commercially slaughtered hogs, over half of which went to Japan, Mexico, and Canada; about 778 million pounds of hog carcass (e.g., head and feet), with the largest amount (about 648 million pounds) going to Mexico; and about 577 million pounds of hog fat, with the majority (about 562 million) going to China (including Hong Kong).



participating in the pilot project. In addition, like the turkey pilot project, information collected from the five young hog plants in the pilot project would not provide reasonable assurance that any conclusions can apply more broadly to the universe of 608 hog plants in the United States in 2012 because of the small sample size. FSIS officials agreed that there would be concerns regarding the strength of any conclusions based on five plants. These officials stated that, when the agency develops a proposed rulemaking to modify its slaughter inspection system for hogs, it will need to decide whether to collect additional data. Furthermore, a May 2013 USDA Office of Inspector General report identified areas of risk in FSIS' inspection of hog plants, including those participating in the pilot project.[22] The report found that FSIS did not critically assess whether the pilot project had measurably improved food safety at each participating plant because the agency did not adequately oversee the program.[23] In response, FSIS stated that it would complete an evaluation that would include an analysis of plants participating and not participating in the pilot project. However, as we previously stated, the analyses that the agency plans to use in this evaluation are similar to those presented in the report evaluating the pilot project at young chicken plants, suggesting that similar limitations may apply. According to FSIS officials, the agency intends to complete this evaluation by March 31, 2014. The officials said that the agency could use its final report evaluating the pilot project at young hog plants to support a rulemaking but currently has no time frame for doing so. FSIS' pilot project at young hog plants will end when a final rule for hog slaughter is published.

As FSIS officials stated, when the agency develops a proposed rulemaking to modify its slaughter inspection system for hogs, it will need to decide whether to collect additional data. However, while the pilot project is ongoing, FSIS has the opportunity to follow sound management practices by planning for and collecting key information needed to

[22]USDA, Office of Inspector General, Food Safety and Inspection Service—Inspection and Enforcement Activities at Swine Slaughter Plants, Audit Report 24601-0001-41, May 9, 2013.

[23]Although the pilot project was intended to improve food safety, the Office of Inspector General report found that 3 of the 10 plants cited with the most noncompliance with regulations from fiscal years 2008 to 2011 were plants in the pilot project. In fact, the hog plant with the most noncompliance during this time frame was a plant in the pilot project—with nearly 50 percent more noncompliance citations than the plant with the next highest number.

determine whether the pilot project is meeting its purpose. We have previously reported that pilot programs can more effectively inform future program rollout when sound management practices are followed.[24] Consistent with best practices in program management,[25] our guide for designing evaluations,[26] and our prior work, we identified sound management practices to design a pilot to guide consistent implementation, including the type and source of data needed to evaluate the pilot, and to conduct analysis of the results.

However, FSIS has not collected key information needed to determine whether the pilot project is meeting its purpose of deploying inspection resources more effectively in accordance with food safety and other consumer protection requirements. For example, FSIS has not collected information on the total costs of the pilot project to the agency or on any changes in the number of FSIS inspectors at the plants participating in the pilot project. Thus far, at young hog plants, FSIS veterinarians and inspectors have evaluated the performance of their individual plants against regulatory performance standards on a daily basis, as they routinely do for all plants regardless of whether they are in the pilot project or not, as well as the performance standards for the pilot project. However, the agency has not aggregated and analyzed these daily results to determine how the plants participating in the pilot project have performed over time. Without collecting and analyzing additional data, it

[24]See GAO-11-383, GAO-09-45, and GAO-06-538. Specifically, in GAO-11-383, GAO-09-45, and GAO-06-538, we reported that a sound, well-developed and documented evaluation plan includes, at a minimum: (1) well-defined, clear, and measurable objectives; (2) criteria or standards for determining pilot-program performance; (3) clearly articulated methodology, including sound sampling methods, determination of appropriate sample size for the evaluation design, and a strategy for comparing the pilot results with other efforts; (4) a clear plan that details the type and source of data necessary to evaluate the pilot, methods for data collection, and the timing and frequency of data collection; and (5) a data analysis plan to track the program's performance and evaluate the final results of the project.

[25]See, for example, P.H. Rossi, M.W. Lipsey, and H.E. Freeman, Evaluation: A Systematic Approach (Thousand Oaks, Calif.: 2004); and the Project Management Institute. The Standard for Program Management® (Newton Square, Pa.: 2006). Specifically, Evaluation: A Systematic Approach covers evaluation research activities used in appraising the design, implementation, effectiveness, and efficiency of social programs. Also, The Standard for Program Management describes program phases to facilitate program governance, enhanced control, and coordination of program and project resources and overall risk management.

[26]See, GAO, Designing Evaluations, GAO/PEMD-10.1.4 (Washington, D.C.: March 1991).

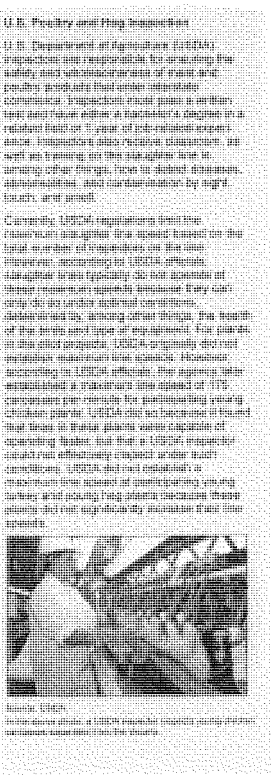
will be difficult for FSIS to draw conclusions about whether the pilot project at young hog plants is meeting its purpose of deploying inspection resources more effectively in accordance with food safety and other consumer protection requirements.

Views of Key Stakeholder Groups on Strengths and Weaknesses in the Pilot Projects

We identified strengths and weaknesses of the three pilot projects based on the views of 11 key stakeholder groups representing industry, labor, consumer advocacy, and animal welfare.[27] Strengths we identified in the pilot projects based on the views cited most frequently by stakeholder groups included the following:

- Responsibility and flexibility. Representatives of 7 stakeholder groups stated that the pilot projects give plants responsibility and flexibility for ensuring food safety and quality. For example, representatives of 1 stakeholder group stated that, under the pilot projects, plants had greater flexibility to place plant personnel where they were skilled, while a representative of another stakeholder group stated that the pilot projects gave plants responsibility for producing safe food and allowed plants the latitude to incorporate new methods to ensure food safety.
- More focus on food safety. Representatives of 5 stakeholder groups stated that the pilot projects allow FSIS to focus more on food safety activities. For example, a representative of 1 stakeholder group stated that, in the pilot projects, FSIS inspectors focused on carcass and verification activities designed to reduce the incidence of foodborne pathogens.
- Potential job creation and increased production. Representatives of 3 stakeholder groups stated that the pilot projects may result in potential job creation and increased production at plants. For example, a representative of 1 stakeholder group stated some plants that joined the pilot projects hired new workers, purchased additional equipment, and expanded their facilities. A representative of another stakeholder group stated that the pilot projects allowed plants to increase line speeds to process and sell a larger quantity of products.

[27]Representatives from stakeholder groups stated that they were most familiar with the pilot project at young chicken plants and generally were not as familiar with the pilot projects at young turkey or young hog plants. However, representatives stated that their comments generally applied across the three pilot projects, which were all designed to have plant personnel assume the sorting responsibilities of FSIS inspectors positioned on the line for identifying carcass defects and removing unacceptable carcasses.



U.S. Poultry and Hog Inspection

U.S. Department of Agriculture (USDA) inspectors are responsible for ensuring the safety and wholesomeness of meat and poultry products that enter interstate commerce. Inspectors must pass written tests and have either a bachelor's degree in a related field or 3 years of job-related experience. Inspectors also receive classroom, as well as training on the slaughter line in, among other things, how to detect carcasses, adulterated, and contaminated by sight, touch, and smell.

Currently, USDA regulations limit how many per minute slaughter line speed based on the total number of inspectors on the line. However, according to USDA officials, slaughter lines typically do not operate at these maximum currently allowed. They can only do so under optimal conditions, determined by, among other things, the health of the birds and type of equipment. For plants in the pilot projects, USDA originally did not establish maximum line speeds. However, according to USDA officials, the agency later established a maximum line speed of 175 carcasses per minute for participating young chicken plants. USDA did so because it found that lines in these plants were capable of operating faster, but that a USDA inspector could not effectively inspect under such conditions. USDA did not establish a maximum line speed at participating young turkey and young hog plants because these plants did not significantly increase their line speeds.

Source: GAO.

Line speed, a USDA-mandated speed limit for carcasses, essentially the faster

Weaknesses we identified in the pilot projects based on the views cited most frequently by stakeholder groups included the following:

- Training. Representatives from all 11 stakeholder groups stated that training for plant personnel that assume sorting responsibilities on the slaughter line is not required or standardized. For example, a representative of 1 stakeholder group stated that training of plant personnel was not required. Representatives of another stakeholder group stated that plants' training programs varied based on individual plant standards, and a representative of another stakeholder group recommended that FSIS provide detailed training and guidance on, among other things, conditions that require carcasses to be condemned to ensure that uniform standards are consistently used across industry in training plant personnel. According to FSIS officials, training of plant personnel was not required for plants participating in the pilot projects because, among other things, FSIS inspectors observed the line and made the plant take corrective actions, if necessary. Representatives of 3 stakeholder groups further noted that FSIS required that some countries, which exported to the United States and have similar inspection programs to the pilot projects, must train and certify their plant personnel. However, according to FSIS officials, the agency has no such requirement. Rather, FSIS officials stated that FSIS requires that foreign governments achieve an equivalent level of food safety protection as the U.S. inspection system, and that the countries, which stakeholders groups identified, chose to include training and certification requirements for their plant personnel to demonstrate this equivalence.
- Line speed. Representatives of 7 stakeholder groups stated that faster line speed creates food safety and worker safety concerns. For example, a representative of 1 stakeholder group stated that, at young chicken plants participating in the pilot project, the FSIS inspector on the line had about one second to inspect three carcasses, which was not enough time, especially if a bird was contaminated with a small amount of fecal material—posing a food safety concern. A representative of another stakeholder group stated that increased line speeds contributed to higher rates of carpal tunnel syndrome and other injuries in poultry plant personnel. According to FSIS' 2011 report evaluating the pilot project at young chicken plants, not all slaughter lines at the plants in the pilot project are running at their maximum speed. FSIS also noted in its report that young chicken plants operating under the pilot project demonstrated that they are capable of consistently producing safe poultry products and of consistently meeting pathogen reduction and other performance standards operating at these higher line speeds. However, as

previously noted in this report, we identified limitations in FSIS' evaluation. FSIS officials also told us that the agency is collaborating with the CDC's National Institute for Occupational Safety and Health to obtain data on the effects of increased line speed by collecting data at one young chicken plant, which is not participating in the pilot project, that has been granted a waiver from the line speed restriction under the Salmonella Initiative Program.[28]

- Reduced ability to see potential defects. Representatives of 5 stakeholder groups stated that FSIS inspectors' ability to see potential defects in young chicken carcasses is reduced because inspectors positioned on the slaughter line are observing the back of the carcass without the viscera. At young chicken plants not in the pilot project, FSIS inspectors examine the exterior, interior cavity, and viscera of each carcass. A representative of 1 stakeholder group noted that, at young chicken plants in the pilot project, inspectors positioned on the slaughter line can no longer see into the carcass' cavity, where fecal contamination was most likely to be located.[29] FSIS officials stated that inspectors observing the backs of chickens are able to identify fecal contamination, and they can require plant personnel to trim and reprocess contaminated carcasses. According to agency documents, observing the carcass without the viscera is sufficient for identifying all poultry diseases and conditions except for avian visceral leukosis, a viral disease that affects chickens. Because avian visceral leukosis is a condition that, if present, will be present throughout the entire flock, the agency has established a procedure at young chicken plants participating in the pilot project to observe the viscera of the first 300 birds of a flock near the beginning of the slaughter line to determine the presence of this condition.
- Noncompliance with zero-tolerance standard for fecal material more difficult to cite. Representatives of 5 stakeholder groups stated that it is harder for FSIS inspectors to cite plants for not complying with FSIS' zero-tolerance standard for fecal material because plants in the

[28]According to the CDC's website, the mission of the National Institute for Occupational Safety and Health is to generate new knowledge in the field of occupational safety and health and to transfer that knowledge into practice for the betterment of workers by conducting scientific research, developing guidance and authoritative recommendations, disseminating information, and responding to requests for workplace health hazard evaluations.

[29]In young chicken plants participating in the pilot project, inspectors view the backs of the carcasses after the birds have been sorted and cleaned and generally do not touch the carcasses.

pilot projects may decide to address a food safety hazard—such as fecal material—at a point on the slaughter line after the FSIS inspector.[30] For example, a representative of 1 stakeholder group raised a concern that by allowing plants in the pilot project to move the critical control point for preventing, eliminating, and controlling fecal material to a location on the slaughter line after the FSIS inspector, the FSIS inspector no longer had the ability to ensure that the plant complied with the standard to control for that hazard.[31] More specifically, the FSIS inspector positioned on the line could no longer cite the plant for noncompliance with FSIS' zero-tolerance standard for fecal material because the plant would not yet have had an opportunity to control for this hazard. In response, FSIS officials stated that there were more opportunities for identifying noncompliance with fecal standards for young poultry plants in the pilot projects because FSIS inspectors positioned off the slaughter line perform more food safety activities than at plants not participating in the pilot projects.

- Conflict of interest of plant personnel sorting carcasses. Representatives from 4 stakeholder groups stated that plants' responsibility for sorting carcasses presents a conflict of interest. For example, a representative of 1 stakeholder group expressed concern that a plant's financial incentive to process the maximum number of birds conflicted with its responsibility to regulate itself and stated that if plant personnel continually removed birds from the line, those personnel might be taken off the line. FSIS officials stated that plants' responsibility for sorting carcasses did not present a conflict of interest because FSIS inspectors performed food safety activities, inspected each carcass, and verified the effectiveness of plant personnel's sorting activities.

[30]At plants not participating in the pilot projects, FSIS inspectors positioned on the slaughter line sort carcasses and direct plant personnel to reprocess (remove) visible fecal material from the carcasses. These FSIS inspectors positioned on the slaughter line do not cite the plants for noncompliance with FSIS' zero-tolerance standard for fecal material.

[31]As previously stated, under the risk-based HACCP approach, plants must identify the point where they will control for food safety hazards, such as fecal material. Young chicken plants in the pilot project have discretion to establish the critical control point at a fixed location on the slaughter line either before or after the FSIS inspector's position on the slaughter line. If the critical control point is located before the FSIS inspector, then the inspector can cite the plant if the hazard is found. In contrast, if the critical control point is located after the FSIS inspector, then the inspector cannot cite the plant if the hazard is found.

- Insufficient evidence of success of the pilot projects. Representatives of 3 stakeholder groups stated that FSIS does not have sufficient evidence to demonstrate the success of the pilot projects. For example, a representative of 1 stakeholder group stated that FSIS' data from the pilot project at young chicken plants demonstrated that FSIS inspectors on the slaughter lines missed food safety defects on carcasses, such as fecal material. In particular, the stakeholder group representative cited FSIS data showing that FSIS inspectors positioned off the slaughter line who are responsible for, among other things, verifying the food safety of a sample of carcasses, found food safety defects at a much higher rate than FSIS inspectors positioned on the slaughter line. According to FSIS officials, the rate at which FSIS inspectors positioned on the slaughter line detected food safety defects was not directly comparable to the rate at which FSIS inspectors positioned off the slaughter line detected food safety defects because the inspectors positioned on the line and off the line had different but complementary roles. FSIS officials maintained, in its 2011 report evaluating the pilot project at young chicken plants, that the pilot project improved the safety of chicken products at participating plants. However, as previously noted in this report, we identified limitations in FSIS' evaluation.
- Increased costs to industry. Representatives of 2 stakeholder groups stated that the pilot projects can result in increased costs to industry for additional capital investment, training, and staff. For example, a representative of 1 stakeholder group stated that plants participating in the pilot projects may need substantial capital for redesigning equipment and adding personnel, and a representative of another stakeholder group noted that plants participating in the pilot projects needed to add plant personnel to replace FSIS inspectors. FSIS officials stated that participation in the pilot projects was voluntary and that plants could choose whether to invest capital when participating.

FSIS officials stated that they recognized there were similarities between the pilot projects and the optional new poultry inspection system included in the proposed rule, and they are working to address concerns identified by stakeholder groups in the final rule on modernizing poultry slaughter inspections.

FSIS Did Not Disclose Certain Limitations in the Cost-Benefit Analysis It Developed to Support the Proposed Rule

FSIS did not disclose certain limitations in sources of information it relied on to develop the cost-benefit analysis supporting the proposed rule on modernizing poultry slaughter inspections. As a result, the public, including stakeholders, did not have complete and accurate information to inform their comments on the proposed rule, including the uncertainty behind selected estimates. According to the Office of Management and Budget (OMB) Circular A-4,[32] which provides guidance to federal agencies on the development of regulatory analysis, and USDA's departmental regulation that details the process for developing regulations,[33] a good cost-benefit analysis is transparent and a qualified third party reading the analysis should be able to understand the basic elements.

We identified three sources of information FSIS used that contained certain limitations that were not disclosed in the cost-benefit analysis. First, in the 2012 proposed rule, FSIS did not disclose that it used a 2001 survey of plants' costs of converting to the pilot projects to estimate certain costs for a plant that slaughters young chickens or turkeys to operate under the optional new poultry inspection system. According to USDA's departmental regulation, the quality of the data used in cost-benefit analyses should be discussed in the proposed rule. However, our review of the proposed rule found the following limitations in the survey data that FSIS did not disclose:

- Estimated costs included in the January 2012 proposed rule were based on cost information gathered in 2001. FSIS officials told us that they did not attempt to obtain more recent information because it was challenging to collect this type of information from plants, which consider such information proprietary. FSIS officials stated that there has been little or no change in the cost information but did not provide any documentation to support this statement.
- FSIS generalized the results from the 12 young chicken plants that responded to the 2001 cost survey to the universe of 335 young chicken and young turkey plants in the United States in 2012 to estimate certain costs for poultry plants to operate under the optional new poultry inspection system. However, results obtained from the 12

[32]OMB, Circular A-4, Sept. 17, 2003.

[33]USDA, Departmental Regulation, No. 1512, Regulatory Decision Making Requirements, Dec. 24, 2008.

young chicken plants that responded to the survey are not representative of the universe of young poultry plants.

- For the young turkey plants participating in the pilot project, FSIS did not obtain any cost data. According to FSIS officials, the agency did not attempt to obtain cost information from participating young turkey plants because, at the time of the 2001 survey, there were only two such plants. These officials further stated that the process to slaughter chickens is sufficiently similar to that for turkeys so costs can be generalized. However, these officials acknowledged there are differences between chickens and turkeys, such as carcass size, that can affect costs, including chilling costs.

As a result of these limitations, the costs for a plant to convert to the optional new poultry inspection system in today's economy may be unclear to the public, including stakeholders.

Second, to estimate selected benefits of the proposed rule, FSIS assumed a single value for certain economic parameters, rather than following USDA's departmental regulation and OMB's Circular A-4 and using a sensitivity analysis to provide for a range of uncertainty in the results.[34] For example, to estimate the expected annual cost savings to plants in the proposed rule, FSIS assumed that plants participating in the optional new poultry inspection system would increase their slaughter line speeds by an average of 6 percent. However, the agency noted in a footnote in the proposed rule that line speeds could potentially increase by up to 25 percent (from 140 carcasses per minute to 175 carcasses per minute) at young chicken plants or by up to 22 percent (from 45 carcasses per minute to 55 carcasses per minute) at turkey plants. These ranges in line speed are key parameters for estimating benefits to plants and would affect the labor costs of processing each carcass, as well as the number of carcasses processed and overall profits. Although FSIS noted a range in line speed exists, it did not use a sensitivity analysis to calculate a range of annual net benefits to plants resulting from uncertainties in line speed. As a result, the public, including stakeholders, did not have complete and accurate information to inform their comments on the proposed rule and provide them with a clearer understanding of

[34]According to USDA's departmental regulation, it may be necessary to provide a sensitivity analysis to reveal whether, and to what extent, the results are sensitive to plausible changes in the main assumptions and numeric inputs. A sensitivity analysis is an analysis of the change in major assumptions to determine uncertainty.

the potential impacts of the final rule, including uncertainty behind selected estimates.

According to USDA's departmental regulation, uncertainty is inherent in a cost-benefit analysis, and the uncertainties that are important to regulatory decisions should be identified and presented as part of the overall regulatory analysis. According to FSIS officials, the only uncertainties that are important to this regulation are related to public health, and the agency included a range in its estimation of the public health benefits of the proposed rule. However, we believe that there are other uncertainties in the proposed rule that are important to the cost-benefit analysis, such as the expected benefit to industry from lifting the current restriction on line speed.

Third, FSIS used a variety of economic studies to assess the economic conditions in the poultry industry under the proposed rule but did not identify certain limitations of these studies, including that data in at least one of the studies were more than 20 years old. Specifically, FSIS did not disclose that these studies may not reflect current market conditions. FSIS stated that it used the best available information when it drafted the proposed rule and cited the studies in footnotes throughout the proposed rule. However, FSIS did not identify how limitations in the studies could potentially affect the overall cost-benefit analysis. For example, FSIS stated in the proposed rule that it assumed the total labor-related cost to process a bird was 15 percent on the basis of a study published in 2000, but the agency did not disclose that the study was based on data from 1972 to 1992 for chickens and from 1967 to 1992 for turkeys. As another example, FSIS estimated the mark-up price of poultry to be 10 percent more than wholesale prices based on a study published in 2000, which was based on information on the price of poultry from 1996. As a result, the public, including stakeholders, may not know if the economic conditions in the poultry industry presented in the proposed rule accurately reflect current market conditions.

According to FSIS officials, the agency plans to address some of the limitations in its revised cost-benefit analysis to support the final rule. For example, the agency plans to include a range for annual production cost savings in the revised cost-benefit analysis, which is part of the draft final rule. However, according to FSIS officials, the draft final rule is undergoing departmental review and was not made available to us, as it is subject to additional changes. It is unclear whether all of the limitations that we identified will be disclosed in the final rule.

Moreover, to estimate the public health impact of the proposed rule, FSIS developed a risk assessment that contributes to its cost-benefit analysis. FSIS' risk assessment model examined how pathogen levels in poultry products could be affected, depending on the frequency and scheduling of activities performed by FSIS inspectors positioned off the slaughter line. We were unable to determine if the results of FSIS' risk assessment accurately stated the public health benefits in the proposed rule because the risk assessment did not include sufficient detail about its methodology. According to USDA's departmental regulation and OMB Circular A-4, a good analysis is transparent, and a qualified third party reading the regulatory analysis should be able to see what data, methods, models, and assumptions were used to arrive at the agency's estimates. However, in its risk assessment, FSIS did not disclose its rationale for numerous, complex key assumptions critical to the analyses it used to calculate public health benefits for the proposed rule.[35] In addition, in the proposed rule, FSIS identified a range of 1,540 to 10,547 potential illnesses averted by increasing the number of unscheduled inspection activities off the slaughter line. However, this only covered 80 percent of the estimated range of potential illnesses averted, and it is unclear why FSIS did not disclose a wider range of potential benefits.[36] Had a wider range been used, FSIS would have increased the statistical confidence of its estimate in the number of illnesses averted by increasing unscheduled activities off the slaughter line. FSIS officials acknowledged the importance of disclosing sufficient details about the methodology and stated that the risk assessment represents a snapshot in time; they also said that a revised risk assessment supporting the final rule—an assessment that is not yet available to the public—includes more of this critical information. The revised risk assessment is part of the draft final rule that is undergoing departmental review and was not made available to us.

[35]For example, the basis for using certain statistical analyses (e.g., distribution of unscheduled inspection activities off the slaughter line) were not disclosed or explained.

[36]FSIS estimated that the illnesses averted would be 1,540 for the 10th percentile of the range of potential illnesses averted and 10,547 for the 90th percentile of the range of potential illnesses averted. By covering 80 percent of the possible estimated range in potential illnesses avoided, differences for results in this range could happen by chance 20 percent of the time.

Conclusions

In an effort to deploy inspection resources more effectively in accordance with food safety and other consumer protection requirements, FSIS has been conducting pilot projects at slaughter plants for young chickens, young turkeys, and young hogs since 1998. These pilot projects are in keeping with FSIS' broader effort to move toward a risk-based inspection system, which we believe is a positive step. However, we found that FSIS has not thoroughly evaluated how the three pilot projects have performed over time. Specifically, there are limitations in the agency's data analyses in its report evaluating the pilot project at young chicken plants, and there is no report evaluating the pilot project at young turkey plants. Nonetheless, the agency moved forward with a proposed rule in January 2012 on modernizing poultry slaughter inspections that included an optional new poultry inspection system, based, in part, on its experience with the pilot projects at young chicken and young turkey plants. As a result, FSIS may not have assurance that its evaluation of the pilot project at young chicken plants provides the information necessary to support the proposed rule for both chickens and turkeys. However, the agency will not complete another evaluation before it issues a final rule. To support the proposed rule, the agency developed a cost-benefit analysis but did not disclose certain limitations in sources of information—including that data in at least one study was more than 20 years old—it relied on to develop this analysis, which is not consistent with USDA regulation and OMB Circular A-4 stating that a good analysis for rulemaking is transparent. As of July 2013, FSIS officials stated that the agency plans to address some of these limitations as it works to complete the final rule. Without complete disclosure from FSIS, the public, including stakeholders, did not have complete and accurate information to inform their comments on the proposed rule and provide them with a clearer understanding of the potential impacts of the final rule, including the uncertainty behind selected estimates. By addressing these limitations moving forward in its rulemaking for modernizing poultry slaughter inspections, FSIS can prepare for more transparency in the development of a future proposed rule to modify slaughter inspection for hogs based on the pilot project at young hog plants.

In 2011, FSIS began drafting a preliminary report evaluating the pilot project at young hog plants, which uses analyses similar to those presented in the report evaluating the pilot project at young chicken plants, suggesting that similar limitations may apply. FSIS officials stated that the agency intends to complete its evaluation of the pilot project at young hog plants by March 31, 2014. They also stated that the agency would need to decide if additional data would be collected when it proceeded forward with a rulemaking effort for hogs. Without collecting

and analyzing additional data, it will be difficult for FSIS to draw conclusions about whether the pilot project at young hog plants is meeting its purpose of deploying inspection resources more effectively in accordance with food safety and other consumer protection requirements. Because the pilot project at young hog plants is ongoing, FSIS has the opportunity to follow sound management practices by planning for and collecting key information needed to determine whether the pilot project is meeting its purpose. As we have previously reported, pilot programs can more effectively inform future program rollout when sound management practices are followed.

Recommendations for Executive Action

We recommend that the Secretary of Agriculture direct the Administrator of the Food Safety and Inspection Service to take the following two actions:

- Clearly disclose to the public limitations in the information—including the cost-benefit analysis—the agency relied on for the rulemaking to modernize poultry slaughter inspections.
- As FSIS continues its evaluation of its pilot project for young hogs, collect and analyze the information necessary to determine whether the pilot project is meeting its purpose.

Agency Comments and Our Evaluation

We provided a draft of this report to USDA for its review and comment. USDA's written comments and our detailed response to them are reproduced in appendix III. In its written comments, USDA concurred with both of our recommendations. More specifically, USDA concurred with our recommendation that it clearly disclose to the public limitations in the information—including the cost-benefit analysis—it relied on for the rulemaking to modernize poultry slaughter inspections. According to USDA, when it issues the final rule, it will present the updated analyses in a manner that will facilitate the public's understanding of the information used to support its rulemaking. USDA also concurred with our recommendation to collect and analyze the information necessary to determine whether the pilot project for young hogs is meeting its purpose, while continuing its evaluation of this pilot project. According to USDA, it plans to complete such an evaluation by March 31, 2014, at which time it will determine whether a permanent program is warranted.

USDA also made several general comments. For example, USDA commented that, throughout our report, we state that the purpose of the pilot projects was to "...deploy inspection resources more effectively...".

USDA further commented that, while this might have been true when the pilot projects were initiated in 1997, the agency's thinking has evolved over the years to focus less on efficiencies and more on public health and food safety. We recognize that USDA's descriptions of the pilot projects, as stated in the Federal Register notices, have evolved over the years. However, we believe that the purpose stated in our report—deploying inspection resources more effectively in accordance with food safety and other consumer protection requirements—remains valid because the Federal Register notices cited by USDA continue to mention effective use of resources as a component of its pilot projects. Moreover, agency officials directed us to the Federal Register notices because the agency could not provide us with documents defining the pilot projects' purpose. As our report states, pilot programs can more effectively inform future program rollout when sound management practices are followed, including the development of an evaluation plan with well-defined, clear, and measurable objectives.

Furthermore, USDA provided technical comments in its written response, which we have incorporated, as appropriate, in the report.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the Secretary of Agriculture, the appropriate congressional committees, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff members have any questions regarding this report, please contact me at (202) 512-3841 or gomezj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.

Sincerely yours,



J. Alfredo Gómez
Director, Natural Resources and Environment

Appendix I: Objectives, Scope, and Methodology

This report responds to your request that we review U.S. Department of Agriculture's (USDA) pilot projects at slaughter plants for young chickens, young turkeys, and young hogs. Our objectives were to determine (1) the extent to which USDA has evaluated the three pilot projects, (2) strengths and weaknesses of the three pilot projects based on the views of key stakeholder groups, and (3) the extent to which USDA disclosed limitations, if any, in sources of information it relied on to develop the proposed rule to modernize poultry slaughter inspections.

To determine the extent to which USDA has evaluated the three pilot projects, we reviewed relevant USDA documents, Federal Register notices, and laws. We also compared USDA's efforts to evaluate the pilot projects with criteria based on social science and evaluation literature and published GAO guidance that were identified in our previous work on pilot program development and evaluation. Our previous work dealt with pilot projects at the Federal Emergency Management Agency, the Internal Revenue Service, and the Department of Defense where we identified key features of a well-developed evaluation plan that increases the likelihood that evaluations would yield methodologically sound results and support effective program and policy decisions.[1] We believe that the key features identified in those reports are applicable to pilot projects, in general, including USDA's three pilot projects. In addition, we interviewed several officials in various offices within USDA's Food Safety and Inspection Service—the agency responsible for USDA's meat and poultry inspection program.

To determine the strengths and weaknesses of the three pilot projects based on the views of key stakeholder groups, we identified key stakeholder groups representing industry, labor (including plant personnel and USDA inspectors and veterinarians), consumer advocacy, and animal welfare that submitted comments on USDA's proposed rule on

[1]GAO-11-383, GAO-09-45, and GAO-06-538. Specifically, in GAO-11-383, GAO-09-45, and GAO-06-538, we reported that a sound, well-developed and documented evaluation plan includes, at a minimum: (1) well-defined, clear, and measurable objectives; (2) criteria or standards for determining pilot-program performance; (3) clearly articulated methodology, including sound sampling methods, determination of appropriate sample size for the evaluation design, and a strategy for comparing the pilot results with other efforts; (4) a clear plan that details the type and source of data necessary to evaluate the pilot, methods for data collection, and the timing and frequency of data collection; and (5) a data analysis plan to track the program's performance and evaluate the final results of the project.

modernizing poultry slaughter inspections. We identified 11 key stakeholder groups with sufficient knowledge about USDA's pilot projects at young chicken, young turkey, and young hog plants to identify strengths and weaknesses for these pilot projects.[2] These stakeholder groups were the American Federation of Government Employees/National Joint Council of Food Inspection Locals, the American Meat Institute, the Center for Foodborne Illness Research and Prevention, the Consumer Federation of America, Food and Water Watch, the Government Accountability Project, the Humane Society of the United States, the National Association of Federal Veterinarians, the National Chicken Council, the National Turkey Federation, and the North American Meat Association.[3] We reviewed their comments to USDA's proposed rule to determine the extent to which the comments may apply to the pilot projects; interviewed representatives of these key stakeholder groups; and followed up with e-mailed questions to gauge their level of familiarity with each pilot project and then clarified responses, as needed. Three of our analysts worked together to develop categories of strengths and weaknesses identified most frequently by stakeholder groups, and two analysts independently determined whether each stakeholder group had identified strengths or weaknesses that fit into these categories. Any discrepancies in coding were discussed, and agreement was reached between the analysts, or resolved through a third analyst's review. We also visited 10 slaughter plants for young chickens, young turkeys, and young hogs to learn about the variations in slaughter inspection systems between plants participating and not participating in the pilot projects. In selecting these plants, we chose plants in states that are the top producers of young chickens, young turkeys, and young hogs and that have at least one plant that is participating in a pilot project and at least one plant that is not participating in a pilot project for one of those species. On the basis of these selection criteria, we visited plants in Georgia for young chickens, Indiana for young turkeys, and Minnesota for

[2]We developed an initial list of key stakeholder groups based on our prior experience and knowledge. To ensure that we included all of the relevant stakeholder groups, we asked these groups for suggestions on other stakeholders we should consider contacting and expanded the list, as needed.

[3]The Center for Science in the Public Interest was also included in our methodology but we were unsuccessful in obtaining an interview. We also contacted People for the Ethical Treatment of Animals and the United Food and Commercial Workers International Union, but these stakeholder groups did not respond to our e-mail questions specific to strengths and weaknesses of USDA's pilot projects.

young hogs. For each species, we visited at least one plant participating and one plant not participating in the pilot projects. We interviewed plant management and USDA veterinarians and inspectors working at these plants, and we toured the plants.

To determine the extent to which USDA disclosed limitations, if any, in sources of information it relied on to develop the proposed rule, we reviewed the proposed rule and related Federal Register notices, as well as selected documents the agency relied on to develop the proposed rule. We also reviewed relevant guidance such as the Office of Management and Budget Circular A-4,[4] which provides guidance to federal agencies on the development of regulatory analysis, and the USDA departmental regulation that details the process for developing regulations.[5] We also interviewed several officials in various offices within USDA's Food Safety and Inspection Service to clarify information, as needed.

We conducted this performance audit from September 2012 to August 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence presented provides a reasonable basis for our findings and conclusions based on our audit objectives.

[4]OMB, Circular A-4, Sept. 17, 2003.

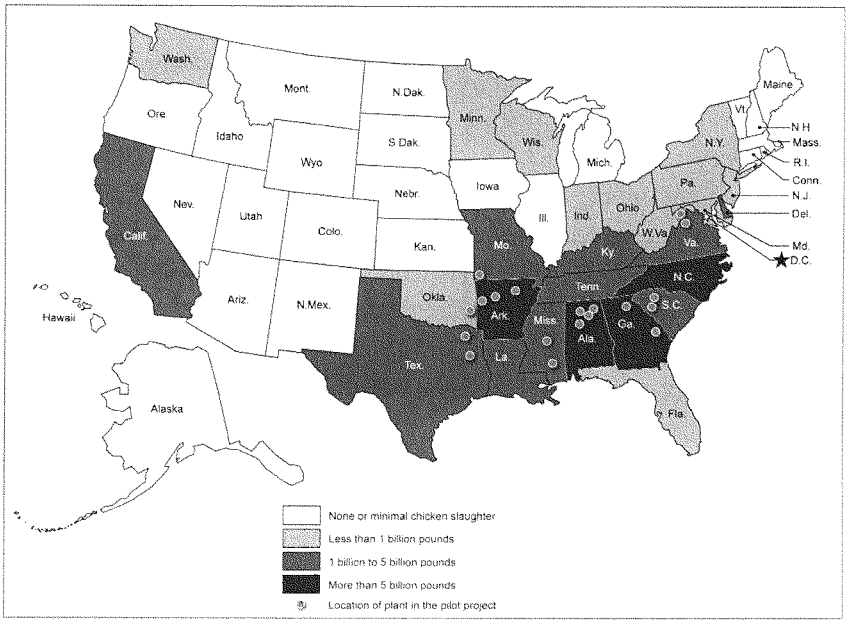
[5]USDA, Departmental Regulation, No. 1512, Regulatory Decision Making Requirements, Dec. 24, 2008.

Appendix II: Additional Information on the Young Chicken, Young Turkey, and Young Hog Plants in the Pilot Projects

As of July 2013, 29 plants were participating in the pilot projects in 18 states. More specifically, there were 19 participating young chicken plants located in 10 states. These 10 states accounted for almost 66 percent of the more than 49.3 billion pounds of young chickens slaughtered in 2012.[1] (See fig. 2.)

[1]We used 2012 data on the annual volume of chickens slaughtered, by state, because those are the most recent data available. The states with plants that were participating in the pilot project, as of July 2013, were the same states as in 2012. In 2011, one plant dropped out of the pilot project for young chickens and closed its operations. If this plant is included, then the 20 young chicken plants in the pilot project were located in 11 states. Because this plant closed its operations in 2011, it did not contribute to the total volume of young chickens slaughtered in 2012.

Figure 2: Location of Young Chicken Plants in the Pilot Project and the Volume of Young Chickens Slaughtered, by State, in 2012



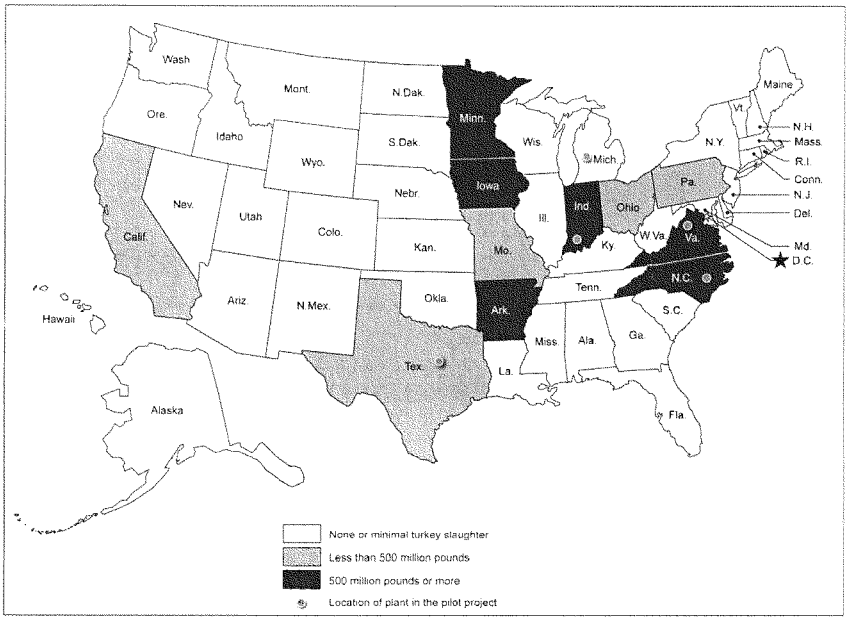
Sources: GAO presentation of U.S. Department of Agriculture information; Map Resources (map).

Note: Information on volumes was for the total live weight of young chickens slaughtered. According to USDA, the agency did not publish all of the data by individual states to avoid disclosure in states with low slaughter volumes. These states were included in the "None or minimal slaughter" category and collectively slaughtered about 140 million pounds of young chickens. In 2012, in the 26 states where young chickens were slaughtered and for which data were reported, the volumes slaughtered ranged from about 8.2 million to almost 6.8 billion pounds per state.

In terms of the pilot project at young turkey plants, four of the five young turkey plants in the pilot project were located in states that accounted for about 33 percent of the more than 7.4 billion pounds of young turkeys slaughtered in 2012; one young turkey plant was located in Michigan—a state with a lower volume of young turkeys slaughtered—and data were not available on the volume of young turkeys slaughtered in this state.[2] (See fig. 3.)

[2]We used 2012 data on the annual volume of turkeys slaughtered, by state, because those are the most recent data available. The states with plants that were participating in the pilot project, as of July 2013, were the same states as in 2012.

Figure 3: Location of Young Turkey Plants in the Pilot Project and the Volume of Young Turkeys Slaughtered, by State, in 2012



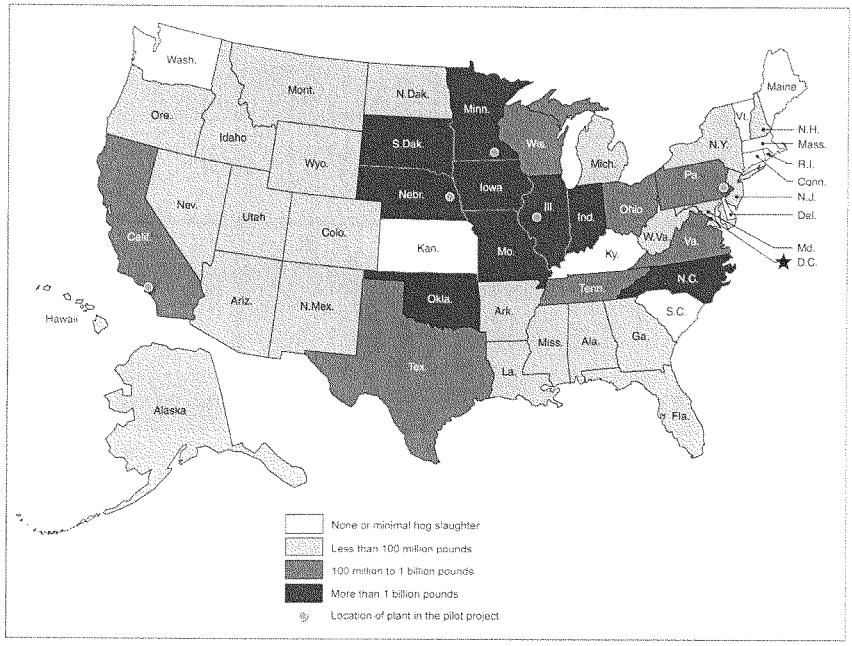
Sources: GAO presentation of U.S. Department of Agriculture information; Map Resources (map).

Note: Information on volumes was for the total live weight of young turkeys slaughtered. According to USDA, the agency did not publish all of the data by individual states to avoid disclosure in states with low slaughter volumes. These states were included in the "None or minimal slaughter" category and collectively slaughtered about 1.2 billion pounds of young turkeys. In 2012, in the 11 states where young turkeys were slaughtered and for which data were reported, the volumes slaughtered ranged from about 111 million pounds to more than 1.1 billion pounds per state.

In terms of the pilot project at young hog plants, the five hog plants in the pilot project were located in five states that accounted for about 30 percent of the more than 31 billion pounds of hogs slaughtered in 2012.[3] (See fig. 4.)

[3]We used 2012 data on the annual volume of hogs slaughtered, by state, because those are the most recent data available. The states with plants that were participating in the pilot project, as of July 2013, were the same states as in 2012.

Figure 4: Location of Young Hog Plants in the Pilot Project and the Volume of Hogs Slaughtered, by State, in 2012



Sources: GAO presentation of U.S. Department of Agriculture information; Map Resources (map).

Note: Information on volumes was for the total live weight of hogs slaughtered commercially, which includes hogs slaughtered in federally inspected plants and other plants but excludes animals slaughtered on farms. USDA's slaughter statistics did not distinguish between young and mature hogs. According to USDA, the agency did not publish all of the data by individual states to avoid disclosure in states with low slaughter volumes. These states were included in the "None or minimal slaughter" category and collectively slaughtered about 1 billion pounds of young hogs. The volume for Maryland included the slaughter information from Delaware, and the volume for New Hampshire included the slaughter information from other New England states—Connecticut, Maine, Massachusetts, Rhode Island, and Vermont. In 2012, in the 40 states where hogs were slaughtered and for which data were reported, the volumes slaughtered ranged from about 151,000 pounds to over 8.2 billion pounds per state.

Appendix III: Comments from the U.S. Department of Agriculture

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

AUG 15 2013

J. Alfredo Gómez
Director
Natural Resources and Environment
United States Government Accountability Office
441 G. Street, N.W.
Washington, D.C., 20508

Dear Mr. Gómez,

The United States Department of Agriculture (USDA) appreciates the opportunity to review the U.S. Government Accountability Office's (GAO) draft report entitled *Food Safety: More Disclosure and Data Needed to Clarify Impact of Changes to Poultry and Hog Inspections* (GAO-13-775). USDA appreciates GAO's work in planning, conducting and issuing this report.

See comment 1.

We would like to make a few general comments. While the GAO report highlights some of the objectives of the Proposed Poultry Slaughter Rule (PSR), it does not highlight what FSIS considers the main objectives of this rule. GAO has emphasized the need to reduce overlap of food safety duties "...to ensure the effective use of scarce government resources."[1] The PSR will reduce overlap of duties between plant employees and FSIS inspection program personnel (IPP) by focusing IPP on areas of greatest risk. As stated by Secretary Vilsack, "The new inspection system will reduce the risk of foodborne illness by focusing FSIS inspection activities on those tasks that advance our core mission of food safety. By revising current procedures and removing outdated regulatory requirements that do not help combat foodborne illness, the result will be a more efficient and effective use of taxpayer dollars." In addition, the proposed requirements which will apply to all plants that slaughter poultry, except for ratites, represent significant advances over the pilot project and current poultry slaughter inspection. For example, the proposed requirements will require poultry slaughter plants to develop written procedures to prevent contamination of carcasses and parts that must include, at a minimum, sampling and analysis for microbial organisms at the pre-chill and post-chill points in the process to monitor process control for enteric pathogens.

See comment 2.

We also noted that, throughout this report, GAO states that the purpose of HIMP was to "...deploy inspection resources more effectively...." While this might have been

[1] GAO, *Oversight of Food Safety Activities: Federal Agencies Should Pursue Opportunities to Reduce Overlap and Better Leverage Resources*, GAO-05-213 (Washington, D.C.: March 2005)

true when the HIMP project was initiated in July 10, 1997, FSIS' thinking with respect to HIMP has evolved over the years to focus less on efficiencies and more on public health and food safety. In an FR Notice dated July 29, 1998 (Volume 63, Number 145)], FSIS states that "[t]he HACCP-Based Inspection Models project is intended to produce a more flexible, efficient, and fully integrated system of oversight and controls. FSIS expects this system of establishment controls and Agency oversight and verification to yield increased food-safety and other benefits to consumers." In November 2, 2000, FSIS issued another FR Notice (Volume 65, Number 213) which states that "FSIS began HIMP in 1998 to determine whether new government slaughter inspection procedures, along with new plant responsibilities, can improve food safety and increase consumer protection." This evolution is also mentioned in an FR Notice dated July 31, 2007 (Volume 72, Number 146) which states "[t]he Agency's thinking has evolved and benefited from its experience with the Hazard Analysis and Critical Control Point (HACCP)-based Inspection Models Project (HIMP). The new system will be designed to provide more time and more flexibility than the current systems for FSIS personnel to conduct focused, off-line verification activities according to risk factors at each establishment and at points in slaughter and processing where food safety hazards and associated risks may be introduced." Further, in FSIS' report, *Evaluation of HACCP Inspection Models Project (HIMP)*, dated August 2011, the purpose of the evaluation was not to determine whether inspection efficiencies were realized but "….to determine whether the HIMP inspection system results in improved safety of poultry products and increased overall consumer protection, while ensuring carcass-by-carcass inspection of each eviscerated carcass." Based on the results of our evaluation, FSIS determined that an inspection system based on the HIMP system "… will ensure an equivalent, if not better, level of food safety and other consumer protection than that provided by the existing poultry slaughter inspection systems."

See comment 3.

We would also like to note that the external review[2] found that FSIS' approach for comparing food quality data, and more importantly, its approach for comparing food safety data, is valid and supported the HIMP study design. While the GAO draft report indicates that the approach for comparing food quality data is valid, the GAO draft report fails to mention that the review found FSIS' approach for comparing food safety data valid as well. In addition, the GAO draft report also fails to include a number of the conclusions from the external review that supported the HIMP study design.

See comment 4.

FSIS would also like to clarify and correct statements made in the report. On page 7 related to the discussion of performance standards, the report states that "FSIS set performance standards for food safety defects at zero…," and footnote 11 states that "[t]he Agency developed the performance standard of zero to allow it to compare performance between plants participating and not participating in the pilot projects."

[2] B.M. Hargis, P.A. Curtis, M.G. Johnson and J.D. Williams, *Review of the HACCP-Based Inspection Models Project by the National Alliance for Food Safety Technical Team*, (2002)

This is not quite accurate. The Agency has a zero tolerance for food safety defects, i.e. septicemia/toxemia and visible fecal, in both HIMP and non-HIMP plants. On page 22 of FSIS' August 2011 report, *Evaluation of the HACCP Inspection Models Project (HIMP)*, it explains that, for comparison purposes, FSIS developed food safety performance standards for septicemia/toxemia and visible fecal set at the 75th percentile of what was achieved under the RTI baseline study. The HIMP report compares young chicken HIMP plants' performance with the HIMP food safety performance standards.

See comment 5.

On page 14, the report states that "....the agency analyzed the relationship between the frequency with which FSIS inspectors positioned off the slaughter line at five young turkey plants...." FSIS would like to emphasize that the Agency analyzed the relationship between pathogen presence/absence and the frequency with which FSIS inspectors carried out specific off-line inspection activities in more than just five young turkey establishments. Specifically, FSIS did evaluate inspection data and *Salmonella* and *Campylobacter* data from turkey slaughter establishments in the conduct of its peer reviewed quantitative microbial risk assessment. This risk assessment was based on available paired data for *Salmonella* occurrence data in 65 turkey establishments. Similarly *Campylobacter* data represented 58 turkey establishments. This data represented more than 90% of turkey slaughter annually.

See comment 6.

On page 20 of the report in which training is discussed, it states that "[a]ccording to FSIS officials, training of plant personnel was not required or necessary because..." We did not say that training was not necessary. In the proposed rule, we said that proper training of plant employees was important to plant sorter's ability to make accurate decisions, and that if sorters do not make appropriate decisions, inspectors will be required to take actions such as stopping the line, issuing NRs, and directing plants to reduce line speeds. (77 FR 4419.) Thus, establishments will have a significant incentive to properly train their employees. We also said that under the proposed rule, establishments would have the flexibility to select the training program that will best assist them to meet the requirements of the proposed rule, and that we would issue compliance guidance for how to train establishment sorters.

See comment 7.

The second bullet point on page 22 includes the following statement: "More specifically, the FSIS inspector positioned on the line could no longer cite the plant for non-compliances with FSIS' zero tolerance standard for visible fecal material, because the plant would not yet have an opportunity to control this hazard." This statement is misleading because it implies that FSIS online inspectors in non-HIMP plants currently issue NRs for non-compliance with the zero tolerance for visible fecal material. This is not the case. Online inspectors in non-HIMP plants do not issue NRs if they observe visible fecal material. Carcasses with visible fecal are permitted to proceed down the line and be re-processed to remove the visible fecal. There is no additional online inspection after the plant reprocesses carcasses to verify that the visible fecal contamination has been removed.

GAO states on page 25 of its report that "FSIS did not include a sensitivity analysis or range for the potential increase in line speed, which would affect the labor costs of processing each carcass as well as the number of carcasses processed and overall process," even though it acknowledges earlier in the paragraph that "the agency noted in a footnote to the proposed rule that line speeds could potentially increase by up to 25 percent . . . at young chicken plants or by up to 22 percent . . . at young turkey plants." It should state "at turkey plants," not "young" turkey plants. In addition, the paragraph is misleading because it implies that FSIS did not present a range for the line speed, which it did, in the footnote, as indicated in the report. It is also misleading because it implies that a higher line speed than the average used in the analysis, would lead to additional costs of processing that were not mentioned in the analysis. The FSIS treatment of these costs was to offset them against the reduced costs per bird from the increased line speed. Therefore, any increase in line speed above the average used in the analysis (6 %) would result in a net reduction in per unit costs for processing birds to these establishments, which will result in higher benefits. This description is spelled out in the proposed rule and makes the treatment of line speed costs and benefits transparent to the public.

See comment 8.

On page 26 of the report, GAO states that: "the agency plans to address some of these limitations in its cost-benefit analysis to support the final rule, including a range for annual production cost savings to industry, based on a range of line speeds." This is not completely accurate. The following clarifies how we plan to address some of the limitations in the cost-benefit analysis:

See comment 9.

- The draft Final Regulatory Impact Analysis (FRIA) now has a range for annual production cost savings. The Proposed Regulatory Impact Analysis (PRIA) did not provide a range for annual cost savings.
- The draft FRIA does not provide a range for the 6 percent since this number is supported by the HIMP pilot project data. The resulting annual production savings are presented with a range, though, in the draft FRIA, as mentioned in the previous bullet.

We would also suggest deleting in the second full paragraph on page 26 the phrase "....based on a range of line speeds."

On pages 26-27, GAO discusses the limitations of the risk assessment; however, FSIS has revised this risk assessment, and it now addresses these limitations. The last paragraph before the conclusion accurately summarizes the conversation that FSIS had with GAO concerning updates to the risk assessment that were unavailable to GAO but will be part of the final rule.

Recommendation 1:
Clearly disclose to the public limitations in the information—including the cost-benefit analysis—the agency relied on for the rulemaking to modernize poultry slaughter inspections.

J. Alfredo Gómez
Page 5

USDA Response:
FSIS concurs with this recommendation. FSIS has updated the analyses used to support the proposed rule, and the results continue to support moving forward with a final rule to modernize poultry slaughter inspection. When it issues the final rule, FSIS will present the updated analyses, including the cost-benefit analysis, in a manner that will facilitate public understanding of the information used to support the rulemaking.

Recommendation 2:
As USDA continues its evaluation of its pilot project for [market] hogs, collect and analyze the information necessary to determine whether the pilot project is meeting its purpose.

USDA Response:
FSIS concurs with this recommendation. FSIS will complete an evaluation of HIMP market hog establishments to determine whether the pilot project is meeting its purpose. The report will include an analysis of market hog HIMP establishments' performance compared to non-HIMP market hog establishments as well as their performance with respect to performance standards established by an independent consulting firm contractor. Such an evaluation may support rule-making to amend regulations to make an inspection system informed by the market hog HIMP pilot permanent. FSIS will complete this evaluation and determine if a permanent program is warranted by March 31, 2014.

Again, thank you for the opportunity to review and comment on this draft report. We look forward to working with you on future Department of Agriculture engagements.

Sincerely,

Elisabeth A. Hagen, M.D.
Under Secretary
Food Safety

GAO Comments

The following are GAO's comments on the U.S. Department of Agriculture's letter dated August 15, 2013.

1. USDA commented that our report does not highlight what the agency considers to be the main objectives of the proposed rule to modernize poultry slaughter inspections—to reduce the risk of foodborne illnesses by focusing FSIS inspection activities on those tasks that advance the agency's core mission of food safety. However, our report includes this information. For example, our report states, "according to the proposed rule, the modernization is intended to improve food safety and the effectiveness of poultry slaughter inspection systems, remove unnecessary regulatory obstacles to innovation, and make better use of the agency's resources," among other things.

2. USDA commented that throughout our report we state that the purpose of the pilot projects was to "...deploy inspection resources more effectively...". USDA further commented that, while this might have been true when the pilot projects were initiated in 1997, the agency's thinking has evolved over the years to focus less on efficiencies and more on public health and food safety. We recognize that USDA's descriptions of the pilot projects, as stated in the Federal Register notices, have evolved over the years. However, we believe that the purpose stated in our report—deploying inspection resources more effectively in accordance with food safety and other consumer protection requirements—remains valid because the Federal Register notices cited by USDA continue to mention the effective use of resources as a component of its pilot projects. Moreover, agency officials directed us to Federal Register notices because USDA could not provide us with documents defining the pilot projects' purpose. As our report states, pilot programs can more effectively inform future program rollout when sound management practices are followed, including the development of an evaluation plan with well-defined, clear, and measurable objectives.

3. USDA commented that we did not mention the validity of the agency's approach for comparing food safety data. We modified our report to include this information. USDA also commented that we did not include a number of conclusions from a 2002 external review, which focused on the validity of using food safety, microbial, and other consumer protection (food quality) data to assess the accomplishments of young chicken plants participating in and those not participating in the pilot project. Our report acknowledges this external review, but looking at the validity of the performance measures the agency developed for the pilot project was beyond the scope of our review.

4. We modified our report to clarify the footnote about the food safety performance standard.

5. We modified our report to clarify the description of how the data from young turkey plants were used in USDA's risk assessment.

6. We modified our report to clarify USDA's perspective on training and that this training discussion is specific to those plants participating in the pilot projects.

7. We modified our report to include a statement about USDA inspectors' abilities to cite plants for noncompliance at plants not participating in the pilot project.

8. USDA commented that our discussion of line speed is misleading because, among other things, it implies that a higher line speed than the average used in the analysis would lead to additional costs of processing. We recognize that higher line speeds lead to lower per unit labor costs and have not made statements to the contrary. However, we note that USDA did not incorporate the impact of a range in line speeds in its estimates of benefits to plants. These ranges in line speed are key parameters for estimating benefits to plants and would affect the labor costs of processing each carcass, as well as the number of carcasses processed and overall profits. We modified our report to clarify that although FSIS noted a range in line speed exists, it did not use a sensitivity analysis to calculate a range of annual net benefits to plants resulting from uncertainties in line speed.

9. USDA commented that our statement about how the agency plans to address some of the limitations in the cost-benefit analysis is not completely accurate. We modified our report to state that the agency plans to include a range for annual production cost savings in the revised cost-benefit analysis, which is part of the draft final rule. However, USDA also stated that the final rule will not provide a range of benefits to plants based on uncertainties in line speed. As explained above in comment 8, we believe line speed is a key parameter in the estimation of benefits to plants.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact	J. Alfredo Gómez, (202) 512-3841 or gomezj@gao.gov.
Staff Acknowledgments	In addition to the contact named above, Mary Denigan-Macauley (Assistant Director), Marie Bancroft, Kevin Bray, Stephen Carter, Barbara El Osta, Michele Fejfar, Diana C. Goody, Armetha Liles, Cynthia Norris, and Dae Park made key contributions to this report.

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PSR AND FOOD SAFETY

Ms. DELAURO. Okay. If you can move to the meat recall piece.

Mr. RONHOLM. Yeah. I mean, that assessment by GAO was also correct in that it was the data analysis issues, which they put in their report that we intend to address on the final rule.

On the Foster Farms recall, there was no——

Ms. DELAURO. If you can then get back to me on—if you are thinking about a final rule at the end of this year, potentially—or that is what you said, you believed it would be that way.

So when you are dealing with a final rule, how do you go back in terms of this database in 15 years where there has been inadequate, if you will, data that we can build on to move in the future and do that?

If it hasn't been done over the last 15 years in taking a look at that, how do we pretend that we are going to be able to accomplish this effort by the end of this year?

If you don't have a substantial database at the moment where you have done this, how do you go and make up that difference?

Mr. RONHOLM. We are happy to outline that for you.

[The information follows:]

COST BENEFIT ANALYSIS

In its report on the HACCP-based Inspection Models Project, GAO directed the Food Safety and Inspection Service to "Clearly disclose to the public limitations in the information-including the cost-benefit analysis—the agency relied on for the rulemaking to modernize poultry slaughter inspections." This recommendation was limited to the information used to develop the cost benefit analysis, and was not related to the estimated public health benefits of the rule. Specifically, GAO recommended that FSIS acknowledge that some of the data used to develop the cost benefit analysis is more than 20 years old.

USDA concurred with GAO's recommendation and FSIS committed to disclosing any limitations in the data used in the final rule. This information will be found in the final rule when it is published.

GAO accepted the agency's response.

FOSTER FARMS

Ms. DELAURO. If you do that for me, it would be great. Let's ask the Foster Farms. Because I know the chairman has to leave.

Mr. RONHOLM. So on the Foster Farms situation, what we found was there was a likely association between the illnesses and three Foster Farms' establishments.

However, there was no scientific information available that would connect these illnesses to a specific production lot within Foster Farms; so, therefore, it did not reach a recall threshold.

So instead of that, because of that, we acted aggressively in issuing a public health alert. We intensified testing for those three establishments to ensure that they were working on this issue.

They initiated a corrective action plan, which they continued to implement, which we continue to monitor. And so we are continuing to monitor their interventions and actions to ensure that they are compliant.

Do you have anything to add, Phil?

Mr. DERFLER. We issued a notice of intended enforcement action in response to which they issued a corrective action, and those corrective actions Mr. Ronholm referred to when he said we continue

to monitor what they do. We continue to test intensively in the plants, including parts which we think is significant in that plant.

Ms. DELAURO. My recollection is—and I could be wrong—that it was almost within a nanosecond, 24 hours, 48 hours, in which we said that everything had been corrected and you continued to monitor.

Mr. DERFLER. We said they had a plan.

Ms. DELAURO. You said they had a plan. That is right. You said they had a plan.

The issue is that, in the midst of reviewing that plan and seeing about whether or not it was enacted and implemented, et cetera, where was the time frame to say, "Okay." We immediately said, "Reopen. Do what you are doing and continue on."

I mean, it just seems that there is a—you know, I just say this. The industry is allowed to do what it does, and we say, "Thank you. You have a plan. Stay open. We will continue to watch what you are doing." And it just seems to be not rigorous, rigorous.

Mr. ADERHOLT. Okay. Ms. Pingree is willing to——

Ms. PINGREE. I am yielding my time to Congresswoman DeLauro. I may be retroactively yielding my time, but I think she probably has a few more questions.

MANDATORY RECALL AUTHORITY

Ms. DELAURO. Thank you.

I know you do not have mandatory recall powers. Let me ask you if you will submit legislation for authority to issue mandatory recall.

Mr. RONHOLM. We are always happy to have a conversation about what could be different with the agency, but the strength of FSIS is working with the tools and the measures that we do possess in order to protect public health and prevent food-borne illness.

Ms. DELAURO. I guess you are not submitting legislation for authority to issue mandatory recall. That may be something that we need to do.

Final report on June 2012, May 2013 outbreaks. The Centers for Disease Control made the following statement: "USDA FSIS has conducted an investigation to determine the source of infections in this outbreak. As part of this investigation, USDA FSIS sent an incident investigation team to one Foster Farms slaughter establishment. The results of the investigation are being finalized."

Are you doing a report on this?

Mr. DERFLER. We are working on a report. The findings of that Incident Investigation Team,—IIT,—was that investigation was key in driving us to focus on parts and is key in helping us address the issue as we go forward.

Ms. DELAURO. Do you have the authority to declare Salmonella and Campylobacter adulterants?

Mr. DERFLER. There is case law that says that Salmonella is not an adulterant.

Ms. DELAURO. Campylobacter?

Mr. DERFLER. We haven't looked at that question.

Ms. DELAURO. You have not looked at whether or not——

Mr. DERFLER. Salmonella and Campylobacter—addressing Salmonella is effective in addressing Campylobacter. And what we have found is that our methods have been very effective in driving down Salmonella.

In 1996, when we started, the positive rate for poultry was 20 percent. In 2011, the last time we did a study, it was down at 7.5 percent positives in our testing. For turkeys, it was 19.6 percent in 1996. It was 1.7 percent when we looked in 2011.

Ms. DELAURO. But what is the rate of illness? Actually, the Secretary said that data would suggest that we have seen an 11 percent decrease in the number of illnesses attributed to the products that FSIS is responsible for inspecting year to year. That's 52,000 fewer illnesses.

I don't know how the data was generated or how each of the policy changes you note contributed to the illnesses reductions that he has cited. If you have data on that and you can get that to us, that would be enormously helpful.

RANCHO FEEDING CORPORATION

Status of the investigation into the 8.7 million pounds of uninspected meat processed and put into commerce by Rancho Feeding Company in California.

Mr. RONHOLM. As you know, that is subject to a Federal investigation. So we are kind of forced to limit our comments on that.

But I think it has involved an issue where the company allegedly circumvented the inspection process, and that is kind of the extent of what we are able to discuss regarding that particular recall.

Ms. DELAURO. Is there anything that you can demonstrate to us to tell us how does that happen, that they bypass the inspection process?

Mr. RONHOLM. I mean, who knows what can happen when an inspector has his back turned, whether the company tries to operate after hours without an inspector's knowing?

Mr. DERFLER. That is part of what is being investigated.

Ms. DELAURO. The report—Mr. Derfler, you talked about before this report of Foster Farms.

That report you expect will be finalized?

Mr. DERFLER. We are working on putting together a report.

Ms. DELAURO. When will it be finalized?

Mr. DERFLER. I can't tell you. I am sorry.

Ms. DELAURO. Can you please submit the final report for the record?

And I thank the chairman for his indulgence and my colleague, Ms. Pingree. Thank you very much.

[The information follows:]

SALMONELLA HEIDELBERG

Beginning in 2012, FSIS and CDC became aware of a multi-state outbreak of Salmonella Heidelberg that was eventually linked to Foster Farms. On November 8, 2012, the FSIS Emergency Management Committee formed an Incident Investigation Team (IIT) to determine the cause of the illness outbreak. Between December 11, 2012 and December 20, 2012, the IIT conducted an onsite investigation. The IIT closed out the investigation on June 13, 2013 and FSIS issued a final report in September 2013.

The final report follows:

FDIB #2012-23; Investigation
FIMS # 20121012-01

Food Safety and Inspection Service
Office of Public Health Science

Foodborne Investigations Final Report

Information contained herein may be considered proprietary and is not for public release

Multistate *Salmonella* Heidelberg Cluster Associated with Chicken, August 2012 – May 2013

Background

On August 2, 2012, CDC PulseNet assigned an outbreak code to a cluster of *Salmonella* Heidelberg infections with PFGE pattern JF6X01.0122. In 2004, an investigation by the Washington State Department of Health (WA DOH) linked exposure to Foster Farms chicken as the source of illness.

Epidemiology and Laboratory Findings

A case was defined as illness in a person with the outbreak strain (JF6X01.0122) of *Salmonella* Heidelberg and illness onset on or after June 1, 2012. PFGE pattern JF6X01.0122 is a common pattern; the first enzyme comprises 4.8% of *Salmonella* Heidelberg isolates in the CDC PulseNet database. This is the third most common *Salmonella* Heidelberg pattern in PulseNet and the third most common *Salmonella* Heidelberg pattern in VetNet.

On August 15, 2012, this cluster was discussed at the weekly CDC-FDA-FSIS tri-agency call; at that time, there were 44 case-patients from 11 states (3-AK, 4-CA, 1-CO, 1-FL, 2-ID, 1-NY, 14-OR, 1-TX, 1-UT, 15-WA, 1-WV). Historically, this PFGE pattern is reported primarily from the Pacific Northwest (OR and WA). FSIS met with public health partners from CDC, OR, and WA to discuss the importance of interviewing case-patients and gathering specific product information to assist with traceback.

CDC posted a final web update for the cluster on July 10, 2013. There were 134 case-patients from 13 states (13-AK, 1-AL, 11-CA, 1-HI, 2-ID, 1-MA, 2-MT, 1-NY, 40-OR, 3-UT, 1-VA, 57-WA, 1-WV). Illness onset dates ranged from June 4, 2012 to April 16, 2013; case-patients' ages ranged from < 1 to 94 years, with a median age of 22 years; 55% were female. Among the 105 case-patients with available information, 33 (31%) were hospitalized, and no deaths were reported.

Of the 70 case-patients with available information, 55 (79%) consumed chicken the week prior to illness onset. An additional eight case-patients reported that chicken was prepared in the home, but they either did not consume it or did not specify that it was consumed. Among those case-patients who had brand information available, 36/51 (71%) reported exposure to Foster Farms brand chicken or another brand likely produced by Foster Farms; this information, however, was based on case-patient interviews.

WA DOH Public Health Laboratories collected four intact samples of chicken from three case-patients' homes for testing; all of the samples tested positive for the outbreak strain of

Salmonella Heidelberg.

Antimicrobial susceptibility results were available on 14 clinical isolates and the chicken samples from the case-patients'; 12/14 (86%) isolates were susceptible to all antibiotics tested and 2/14 (14%) were resistant to multiple antibiotics, including amoxicillin/clavulanic acid, ampicillin, and ceftriaxone. Among the chicken sample isolates, 3/4 (75%) were susceptible to all antibiotics tested; 1/4 (25%) was resistant to gentamicin, streptomycin, and sulfisoxazole.

Between 2002 and 2011, *Salmonella* was isolated from 1,503/11,417 (13%) retail chicken samples tested by NARMS (National Antimicrobial Resistance Monitoring System); 233/1,503 (16%) were *Salmonella* Heidelberg and 48/233 (21%) matched the outbreak strain; 47/48 (98%) were isolates from Foster Farms retail chicken samples.

Between 2001 and 2012, there were 128 *Salmonella* Heidelberg PFGE pattern JF6X01.0122 isolates in VetNet; the samples included poultry, ground beef, and ready-to-eat products. These samples were collected from over 30 different FSIS-regulated establishments, encompassing almost 20 corporate structures, 1 of which is Foster Farms.

Environmental Health and Traceback Investigation

OR and WA provided 12 Costco and Safeway shopper cards for traceback; products were produced at multiple Foster Farms establishments (Est. P6164A, Foster Farms, Kelso, WA; Est. P6137A, Foster Farms, Fresno, CA; and Est. P6137, Livingston, CA) with sell/use-by dates ranging from February to September 2012. Leftover chicken collected from three WA case-patients' home that tested positive for the outbreak strain were produced at Est. P6164A (tenderloins) and Est. P6137A (chicken breasts).

On November 8, 2012, the Emergency Management Committee formed an Incident Investigation Team (IIT) to determine the cause of the illness outbreak. Between December 11, 2012 and December 20, 2012, the IIT conducted an onsite investigation at Est. P6164A. Although several potential vulnerabilities were identified, the team, however, was not able to determine the root cause.

A Food Safety Assessment (FSA) was conducted at Est. 6137A between February 25, 2013 and April 4, 2013; 3 noncompliance records (NRs) were issued identifying 12 regulatory non-compliances. The establishment made changes to its processing operations and responded to design and implementation issues that were identified on NRs.

Conclusion

On May 8, 2013, CDC closed the investigation; the Investigations Team closed the investigation on June 13, 2013. Although this investigation did not lead to recall of products, the Agency conducted in-depth assessments at two of the establishments identified by traceback. In December 2012, FSIS issued a Federal Register Notice (FRN) to inform establishments producing not-ready-to-eat (NRTE) ground or comminuted chicken and turkey products to reassess their Hazard Analysis and Critical Control Points plans. The notice also described how the Agency will determine product adulteration when an illness outbreak is associated with NRTE meat or poultry products that are not considered adulterants. During future foodborne illness investigations associated with NRTE meat or poultry products that are not considered adulterants, the Agency may pursue further actions as described in the FRN.

Mr. ADERHOLT. Thank you. Thank you all.

And we apologize. This is a very—a lot of questions that could be asked here. The full committee chairman has us on a regular schedule and a lot of hearings are going on at one time, and I think this is the earliest we have had a markup. I think usually they are about a month later. So the chairman wants to get back to regular order, which all of us want to get back to. So we are trying to make sure that we get the bills marked in order to be able—we are able to go to the floor.

So I want to try to make one of my other committees so they will know that I am a member of that other subcommittee that I am on.

But, anyway, thank you both for being here, for your testimony this morning, and we look forward to working with you as we continue on with fiscal year 2015 budget.

And, again, I will look forward to our discussions and look forward to hearing from your agency and your department as we move forward. So thank you.

And the hearing is adjourned.

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND INSPECTION SERVICE
QUESTIONS FOR THE RECORD
HOUSE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE HEARING
APRIL 3, 2014

QUESTIONS SUBMITTED BY CHAIRMAN ROBERT ADERHOLT

Poultry Slaughter Modernization Proposed Rule

Mr. Aderholt: On January 20, 2012, the FSIS proposed a rule for modernizing young chicken and turkey slaughter inspection that would focus FSIS inspection resources on areas of the poultry production system that pose the greatest risk to food safety. What is the status of the rule?

Response: The revised rule is currently under review. The rule has been significantly informed by feedback from stakeholders and our partners in the federal government to address concerns raised during the public comment period.

Mr. Aderholt: The National Institute for Occupational Safety and Health - NIOSH - released an evaluation where they reviewed line speeds and employee safety at a poultry plant in South Carolina. Has FSIS reviewed this evaluation and how do the findings affect your plans to move forward with the poultry modernization rule?

Response: The NIOSH report shows that worker safety and food safety are not competing efforts. USDA will continue to do everything possible within our authority to encourage safer working conditions, and we should proceed with the important food safety improvements that would be made under FSIS' proposed rule.

Mr. Aderholt: Can you explain how FSIS inspector duties will change from the current system?

Response: The proposed rule allows FSIS inspectors to focus on more tasks directly related to food safety. These tasks include: verifying that the plant has removed all defects with food safety significance; testing for pathogens; and ensuring that food safety hazards are being addressed effectively. The result will be greater assurance of the safety of the products.

Mr. Aderholt: How does FSIS plan to train current and future poultry inspectors to ensure they are knowledgeable about the new program? Will FSIS use outside food safety experts from higher education institutions or elsewhere to assist with training?

Response: Under the proposal, the inspectors who receive upgraded positions as they take on new offline duties would need to take and pass a training program. The details of this process would be further described in a final rule. At this time, the agency plans to conduct this training based on the training that HIMP inspectors currently receive, so there is no need to use outside trainers or institutions.

Mr. Aderholt: FSIS has previously reported to the Committee that you would have to negotiate with the unions and work with industry to arrange the conversion of plants to the new system. Has FSIS started negotiating with unions and working with industry to arrange conversion of plants to the new system?

Response: This part of the process would not begin until a rule is finalized.

Mr. Aderholt: Does FSIS have data from the pilot (HIMP) that shows that implementation of the proposed rule will improve food safety?

Response: FSIS does have data that shows that implementation of the proposed rule will improve food safety. FSIS' peer-reviewed risk assessment shows that the increased focus on offline food safety tasks could prevent at least 5,000 illnesses due to *Salmonella* and *Campylobacter* annually.

Mr. Aderholt: Does that data show that salmonella and campylobacter are reduced in products that are produced under the pilot inspection system?

Response: Yes, our 2011 HIMP Evaluation shows that *Salmonella* positive rates in HIMP establishments averaged about 80 percent of those in non-HIMP establishments. *Campylobacter* was not considered in the evaluation, but our findings suggest that the positive *Salmonella* implications also apply to *Campylobacter*. Furthermore, non-compliance rates for visible fecal material at HIMP establishments are about half of those rates experienced in non-HIMP establishments. This is important, because in slaughter establishments, fecal contamination of carcasses is the primary avenue for contamination by pathogens.

Thus, this reduction in fecal contamination should result in a reduction of contamination by enteric pathogens (e.g., *Salmonella* and *Campylobacter*), and therefore have a positive effect on public health.

Mr. Aderholt: How will food safety improve under the rule?

Response: The proposed rule would improve food safety in poultry slaughter establishments through an increased emphasis on science-based inspection. The agency would achieve this through a two-pronged approach, both components of which represent a shift in the focus of inspection from detecting visual, quality-related defects to ensuring microbiological safety. First, the agency would create an optional poultry inspection system, based on our 15-year pilot project, that would allow companies to perform quality-control, sorting activities and free up federal inspectors to focus more heavily on those activities that are proven to better ensure food safety. Second, the agency would put in place new requirements for all poultry establishments, in which they would be required to address contamination by enteric pathogens and fecal material as a hazard reasonably likely to occur. Plants no longer would simply remove visible contamination after it occurs, but would also prevent contamination throughout the entire process such as by conducting microbial testing at the pre- and post-chill points in the process to monitor the effectiveness of their written process control procedures, with some adjustments for small and very small establishments.

Mr. Aderholt: What are the food safety benefits of requiring establishment personnel to conduct carcass sorting activities before FSIS conducts online carcass inspection so that only carcasses that the

establishment deems likely to pass inspection are presented to the carcass inspector?

Response: FSIS inspectors are able to conduct more food safety inspections offline when they are only presented with those carcasses that are expected to pass inspection, rather than visually inspecting all carcasses. Carcass sorting is a quality control activity that is more appropriate for the establishments to conduct. Allowing the industry to do its own quality control allows FSIS inspectors to spend more time on those tasks that are proven to improve food safety.

Mr. Aderholt: In what way does reducing the number of online FSIS carcass inspectors to one per line increase effectiveness over the current system?

Response: When FSIS first began inspecting poultry in 1957, the understanding was that visual inspection of carcasses could detect food safety concerns. While our understanding of what causes foodborne illness has changed since 1957, our inspection system has not. As such, our inspection model remains heavily weighted towards online, visual inspection duties. Today, we know that illness-causing bacteria cannot be seen with the naked eye, and that our offline inspection duties - fecal material checks, sanitation checks, microbial sampling, and other science-based activities - are more effective in preventing pathogenic contamination of food. We are proposing to allow companies to perform visual inspections of carcasses, so that our inspectors can perform more offline activities and therefore inspect poultry processing in a more modern, scientific and effective manner.

Mr. Aderholt: How does removing the existing Finished Product Standards and replacing them with a requirement that establishments operating under the new inspection system maintain records to demonstrate that the products resulting from their slaughter operations meet the regulatory definition of "ready-to-cook poultry" improve food safety?

Response: Poultry products that comply with the Finished Product Standards (FPS) meet the definition of ready-to-cook (RTC) poultry under the existing regulations; i.e., they are suitable for cooking without the need for further processing. The FPS have been in place for many years and were used to inform the Other Consumer Protection (OCP) standards in the HIMP pilot. These OCP standards reflect OCP performance in establishments before HIMP. Establishments operating under HIMP maintained OCP defect levels that average about half the corresponding OCP performance standards. Therefore, FSIS has determined that it is not necessary to require that establishments operating under the proposed new inspection system meet prescriptive OCP performance standards in order to produce RTC poultry. Under the proposed rule, establishments operating under the proposed new inspection system would have the flexibility to implement process controls that they have determined would best allow them to produce RTC poultry.

Mr. Aderholt: Has FSIS worked with NIOSH and OSHA through this process? Explain.

Response: While FSIS does not have legal authority in the area of worker health, we recognize that the federal government has an obligation to ensure that any action the agency takes does not negatively impact worker safety. That is why we have been working closely with our federal partners, OSHA and NIOSH, who do have authority to oversee worker health. As a result

of these efforts - and the discussion started by this proposed rule - we are talking about worker health in the poultry industry in a way that we never have before. To obtain data on this matter, as outlined in the proposed rule, FSIS asked NIOSH to evaluate the effects of increased production volume on employee health, with a focus on musculoskeletal disorders and acute traumatic injuries. NIOSH has now released a report on the effects of the increased line speed in one plant and NIOSH made a number of recommendations to improve safety for workers, which FSIS fully supports and has called on the industry to adopt. Additionally, through this rulemaking process, FSIS has frequently met with OSHA to determine ways that the two agencies can give full force to our existing MOU. A final rule will further describe the results of these collaborations.

Mr. Aderholt: Will pathogen testing increase, decrease, or stay the same under the modernization rule?

Response: Pathogen testing would increase under the modernization proposal. The proposal does not change verification testing for *Salmonella* and *Campylobacter* performed by FSIS inspectors, though FSIS is planning some changes to that verification testing separately from this rule. However, the rule would require, for the first time ever, that establishments conduct testing at two points in their production to demonstrate control over enteric pathogens (e.g., *Salmonella* and *Campylobacter*), and make the results of those tests available to FSIS. The proposal would remove a requirement that establishments test for generic *E. coli*, which has no impact on food safety, so that they can focus their tests on organisms that more accurately show control over enteric pathogens of public health concern.

Mr. Aderholt: Please provide an update regarding GAO's audit work on USDA's Pilot Inspection System?

Response: GAO concluded its audit and released a report in September 2013. The report recommended that USDA a) collect and analyze information to determine if the young hog pilot project is meeting its purpose; and b) provide further information about the data it relied on for the proposed rule to modernize poultry slaughter inspections. USDA concurred with GAO's recommendations.

Mr. Aderholt: Has USDA's Office of General Counsel reviewed the rule and whether or not the proposed rule is on sound legal footing?

Response: USDA's Office of the General Counsel has been involved throughout the rulemaking process.

Reductions in Food-Borne Illnesses

Mr. Aderholt: The testimony stated that the All-Illness Measure shows a reduction of about 52,000 illnesses between FY 2012 and FY 2013. What practices are proving most effective in reducing the number of food-borne illnesses?

Response: As stated in FSIS' performance report for FY 2013, the Agency's All-Illness Measure improved due to improvements in *Salmonella* illness metrics. We believe one of our greatest successes has been to reduce the national average of *Salmonella* on young chickens during the past decade

by establishing performance standards. Thus, we are now in the process of expanding that successful model by developing performance standards for *Salmonella* on chicken parts and for *Salmonella* and *Campylobacter* in not-ready-eat comminuted poultry. We are also developing a sampling program that would lead to a *Salmonella* verification program for pork products.

Mr. Aderholt: Do you expect the data to show that this reduction will continue between FY 2013 and FY 2014?

Response: It is certainly the Agency's goal to continue to drive down pathogen numbers through science-based performance goals at the establishments we regulate.

Salmonella

Mr. Aderholt: You mentioned that Salmonella is one of the most challenging issues for FSIS in keeping the food supply safe. In 2013, FSIS developed the Salmonella Action Plan. Can you provide us with more details about FSIS's efforts to focus on Salmonella and have you seen progress in reducing Salmonella outbreaks?

Response: The *Salmonella* Action Plan outlines the actions FSIS will take to lower *Salmonella* contamination rates on meat and poultry products. The plan includes developing a new performance standard for comminuted poultry, as well as new strategies for inspection to address potential sources of *Salmonella* contamination throughout the food production process. It also realigns the agency's education and outreach tools to raise public awareness of ways to limit cross contamination with *Salmonella* at home. Finally, a key part of the *Salmonella* Action Plan is our poultry slaughter modernization rule, which will move our inspection personnel away from sorting functions in the establishments in order to focus on more science-based food safety tasks. We have been moving on all fronts to implement this plan.

While *Salmonella* is one of the most challenging issues FSIS faces in keeping America's food supply safe, we have also seen success. Specifically, in FY 2013, the total number of *Salmonella* illnesses in the population declined, with 16.42 cases/100,000 persons recorded in Q1, FY 2013 and 15.17 cases/100,000 persons recorded in Q4, FY 2013. This represents a 7.6 percent decline over the fiscal year. Further, the historic number of *Salmonella* outbreaks associated with FSIS-regulated product (FSIS' attribution fraction for *Salmonella*) decreased from 33.1 percent in the 2008-2010 period to 31.7 percent in the 2009-2011 period. (As reported in the FSIS FY 2013 Year in Review, published online at http://www.fsis.usda.gov/wps/wcm/connect/34ba22e9-8c1e-4b2a-8474-d1b869d1140c/FY-2013-Year-In-Review.pdf?MOD=AJPERES)

South Korea

Mr. Aderholt: I understand that FSIS is going to allow for the importation of poultry products from South Korea. APHIS, however, has restrictions on poultry imports from South Korea since that country has highly pathogenic avian influenza. Can you explain how your agency would

allow for the importation of poultry products from South Korea, while APHIS has restrictions in place due to avian influenza?

Response: USDA restrictions do not allow the importation of raw poultry imports from any nation or region with highly-pathogenic avian influenza. Thus, poultry products imported from South Korea are currently required to be fully cooked.

China

Mr. Aderholt: Please provide a status update on the importation of chicken processed in China.

Response: FSIS reaffirmed in August 2013 that China's poultry processing inspection system is equivalent to that in the United States, which means that poultry slaughtered here in the United States or in another country whose poultry slaughter system is equivalent to that in the United States could be sent to China for processing and then re-exported to the United States. China has provided a list of four plants it has certified as eligible to export processed chicken to the United States, and has provided a draft export certificate intended to demonstrate that the poultry is sourced from an approved nation and is cooked to a proper temperature, among other things, in accordance with USDA regulations. If this certificate is approved, China will then be able to determine when to begin shipping products from plants certified to export processed poultry to the United States.

FSIS Laboratories

Mr. Aderholt: What are the total annual costs to operate the three FSIS laboratories?

Response: The estimated FY 2014 cost to operate the three FSIS laboratories is approximately $41.5 million.

Mr. Aderholt: What are the total annual costs by location?

Response: The information is provided below.

FSIS Laboratories	Eastern Lab* (Athens, GA)	Midwestern Lab (St. Louis, MO)	Western (Alameda, CA)
Total	$23,566,050	$10,162,316	$7,776,637

* The Eastern Laboratory includes frontline laboratory and employees who support Quality Assurance operations, Food Emergency Response Network, outbreak response staff responsible for genetic/molecular activities such as Pulsed-Field Gel Electrophoresis and antimicrobial sensitivity testing.

Mr. Aderholt: How many FTE are assigned to each laboratory?

Response: The FTE assignment for each laboratory is as follows:

FSIS Laboratories	Eastern Lab (Athens, GA)	Midwestern Lab (St. Louis, MO)	Western (Alameda, CA)
Number of Full-time Equivalents (FTEs)	124	76	47

Mr. Aderholt: Provide an object class breakout for each of the laboratories.

Response: The information is provided below.

	Eastern Lab** (Athens, GA)	Midwestern Lab (St. Louis, MO)	Western (Alameda, CA)
Number of Personnel Slots	124	76	47
Salaries & Benefits (11xx & 12xx)	$12,315,260	$6,669,316	$5,071,637
Personnel Travel (21xx)	112,801	$15,000	$5,000
Transportation of Things (22xx)	7,287	$3,050	$5,000
Rents & Communications (23xx)	45,500	$33,000	$25,000
Printing (24xx)	28	$0	$0
Training (2523)	11,815	$595	$5,000
All Other Services (25xx)*	6,015,039	$658,503	$500,000
Supplies (26xx)	1,813,295	$1,637,155	$1,015,000
Equipment (31xx)	3,245,025	$1,145,695	$1,150,000
Interest, Insurance, Refunds (4xxx)	0	2	0
Total Costs	23,566,050	10,162,316	7,776,637

*Includes rental fees paid to Agricultural Research Service via interagency agreement for Athens facility

** The Eastern Laboratory includes frontline laboratory and employees who support Quality Assurance operations, Food Emergency Response Network, outbreak response staff responsible for genetic/molecular activities such as Pulsed-Field Gel Electrophoresis and antimicrobial sensitivity testing.

Mr. Aderholt: What percentage of baseline testing is being conducted by FSIS laboratories and what percentage of baseline studies does FSIS contract out?

Response: The FY 2014 current baseline study is being conducted in-house. Studies before FY 2014 were outsourced. FSIS did not initiate any new baseline studies during 2013.

Mr. Aderholt: What is the annual cost of contracting out FSIS baseline studies?

Response: The current costs for baseline studies are as follows:

Baseline Study	Timeframe	Costs/Expenses
Raw Ground Beef Component Trim	FY 2004 - 2005	$208,000
Young Chicken	FY 2005 - 2009	2,500,000
Young Turkey	FY 2006 - 2008	930,000
Raw Chicken Parts	FY 2008 - 2012	1,900,000
Market Hogs	FY 2009 - 2012	804,000
Liquid Egg	FY 2010 - 2012	1,530,000

Mr. Aderholt: Last year FSIS said it would conduct the next baseline study in house. Where is FSIS in this process?

Response: FSIS as successful in internalizing the beef/veal carcass baseline survey. All sample collection supplies and analysis for this survey, starting with pilot will be performed in FSIS Food Safety Laboratories (specifically, the Midwestern Laboratory). FSIS laboratories will begin conducting the year-long beef/veal carcass baseline study starting in August.

Object Class Breakout/Project Statement

Mr. Aderholt: On page 23-16, the line for benefits for former personnel shows a significant increase from an estimate in 2014 of $1.186 million to $6.208 million in 2015. Please explain the basis for this significant increase from 2014 to 2015.

Response: The increase is due in part to the Poultry Slaughter Rule (PSR) Modernization effort. The majority of the savings from PSR are linked to staff reductions; however, along with those reductions are one-time increases in costs for former employees. These costs include items such as buyout incentives to encourage employees to volunteer for early retirement separation or increases in unemployment payments that will decrease in future years.

Mr. Aderholt: Also on page 23-16, the line for travel and transportation of persons shows an increase from 2014 estimates of $38.688 million to $39.104 million in 2015. However, your justifications estimate a decrease of $7.574 million in operating and travel costs for fiscal year 2015. Please explain this discrepancy.

Response: The $0.416 million increase in travel is due to a combination of factors primarily because the travel savings were offset by larger increases due to PSR implementation. Although we identified a savings of $7.574 million for operations and travel, only $4.36 million of those savings were in travel. The remaining $3.214 was in operating reductions. Secondly, those travel savings are offset by an increase of $5.18 million in travel costs mainly for training as a part of initial PSR implementation costs. In

addition, FSIS also has $0.404 million in other minor adjustments such as state efficiencies impacting the final figure which is a net increase in travel.

Mr. Aderholt: In the fiscal year 2014 budget request, FSIS requested an increase of $2.353 million for the Cooperative Interstate Shipment (CIS) program in anticipation of adding more states to the program. Why does the budget not request an increase for CIS in the fiscal year 2015 budget? Do you not anticipate other states applying for the program?

Response: Currently four states (Ohio, Wisconsin, North Dakota, and Indiana) have been approved to participate in this new program. FSIS provided guidance about the CIS program to other states with Meat and Poultry Inspection (MPI) programs and anticipates other states to follow the lead of the first adopters. However, FSIS is not aware of any states that are working on an application at this time.

Catfish Inspection

Mr. Aderholt: When will the final rule on catfish inspection be issued?

Response: FSIS estimates that the Final Rule will be published in late 2014.

Mr. Aderholt: There have been concerns that the catfish inspection program could have trade implications. Has FSIS worked with or heard from USTR regarding this program?

Response: FSIS is working with our sister agencies, including the USDA's Foreign Agricultural Service (FAS) and the US Trade Representative (USTR), to ensure that interested foreign trading partners are adequately aware of the status of the catfish inspection rulemaking process.

Mr. Aderholt: If the final rule is issued by the end of FY 2014, what might be the implementation schedule for such a program?

Response: The final rule provides an effective date of 90 days after its publication. The Agency will implement the regulatory requirements during an 18-month timeframe, during which we will begin training our inspectors, conducting outreach to catfish establishments and import countries on the new inspection processes and conducting transitional inspection programs. At the end of the 18 month period we will begin full FSIS inspections.

Mr. Aderholt: What is FSIS currently spending on the catfish inspection program?

Response: FSIS is not currently spending anything specifically on the catfish program. Catfish spending as a stand-alone mission was effectively terminated in FY 2012 as all staff was redistributed to other missions. Continued work on producing the catfish rule was performed by the regulations development staff, the same as any other rule.

Mr. Aderholt: What will be the major cost drivers of a new catfish inspection program under FSIS? When will FSIS begin to implement the catfish

program and will the agency cover the costs of the program within its base for the first year?

Response: The major cost drivers of a new catfish inspection program are inspection requirements and the number of personnel required to perform those inspections. For at least the first year, FSIS expects to be able to redirect personnel and dollar savings from poultry modernization inspection to cover new inspection assignments at catfish establishments. However, because this is a new area of inspection for FSIS, there is a potential for the Agency's projected future costs to change during implementation. While the Agency believes that it can initially absorb this cost within the base, FSIS will not be able to completely validate this until inspectors begin performing the inspections, and the Agency is able to evaluate the resulting workload. The Agency will not be able to make this final assessment until completion of the implementation phase.

Mr. Aderholt: Will a catfish inspection program mandate a foreign equivalence process for imports in the same practices and procedures as is the case for meat and poultry?

Response: As is the case for any country exporting products which fall under FSIS regulatory authority, any nations wishing to export fish of the order *Suliformes* to the United States will be expected to meet the Agency's foreign equivalence requirements once the final rule is implemented.

Public Health Information System

Mr. Aderholt: Please provide a full summary of the PHIS project with dates, milestones and full costs for each year beginning with fiscal year 2009.

Response: FSIS is conducting a phased implementation of a dynamic, comprehensive data analytics system called the Public Health Inspection System (PHIS) in domestic and import meat and poultry establishments enabling FSIS to protect public health more efficiently, effectively, and rapidly than under previous data systems. Below are the milestones and costs associated with this system:

Date	Release Milestone
10/1/2008-04/10/2011	Design and planning
04/11/2011	Initial PHIS release (Domestic and Lab Sampling)
05/29/2012	Import module deployment Established automated data transfer connection between PHIS and Custom and Border Patrol's Automated Commercial Environment (ACE)/International Trade Data System (ITDS)
09/11/2012	PHIS Disconnected State (DCU) deployment
01/27/2013	Industry deployment
04/22/2013	PHIS State deployment
08/04/2013	Enhancements and Fixes for Import module, introduction of electronic certification (eCert) with foreign countries
09/04/2013	Questionnaire Redesign deployment
03/09/2014	Lab Capacity Redesign deployment
06/29/2014	Enhancements and fixes Food Safety Assessment (FSA) and deployment of Compliance Investigator Sampling Tool
06/29/2014	Self Reporting Tool (SRT) Online and Foreign Country Enrollment deployment
07/20/2014	Component Analysis Verification Form (CALV) implementation
09/07/2014	Export module deployment

Table 1

Table 2, Shows full cost associated with PHIS since FY 2007

Fiscal Year		Total
2007-2010	$	37,849,040
2011	$	7,335,628
2012	$	7,394,480
2013	$	7,589,797
FY 2014	$	4,930,574
Total	$	65,099,519

Table 2

Mr. Aderholt: What are the current benefits of PHIS?

Response: PHIS offers FSIS a number of important benefits, including:

- Strengthening FSIS' data infrastructure by arming and empowering FSIS inspectors with the tools needed on the ground to carry out FSIS' food safety mission more effectively.
- Proactively staying ahead of food safety threats by more rapidly and accurately identifying emerging trends, patterns, and anomalies in data.
- Improving access to data and efficiency in using information/analysis by focusing on the needs of frontline operations, including information related to on-the-spot decisions, pathogen-sampling tasks, trends in Noncompliance Records, and humane handling practices.
- When used in conjunction with other public health information,

targeting inspection activities and improving inspection personnel's ability to quickly and accurately identify trends and vulnerabilities so that FSIS can rapidly respond to hazards and head off problems.

- Through an innovative data sharing agreement with the CDC, exchanging FSIS data between CDC's PulseNet and FSIS' PHIS systems, leading to better risk management and improved public health.
- Enabling greater exchange of information between FSIS and other federal agencies involved in tracking cross-border movement of import and export shipments of meat, poultry and processed egg products because PHIS will establish an electronic interface with U.S. Customs and Border Protection's (CBP) Automated Commercial Environment (ACE), once ACE is compatible.
- Benefits industry by providing establishments access to certain data and enabling industry to request FSIS reports electronically.

Mr. Aderholt: How many locations (plants) is PHIS available?

Response: PHIS was developed as an information tool primarily to help FSIS personnel perform their food safety missions and is not technically located in establishments. However, the following establishments regulated by FSIS are identified in PHIS:

- 5,400 Active Domestic Establishments
- 738 Voluntary Establishments *
- 155 Active Import Establishments
- 1,300 Active Foreign Establishments

* Voluntary establishments are those where FSIS is not mandated by FMIA, PPIA or EPIA to provide inspection but does so at the request of producers seeking the USDA mark of inspection.

IT Security

Mr. Aderholt: What is the current cost of IT security for the entire agency? Please provide a breakout by field and headquarters?

Response: The total cost of cyber security in FY 2015 is $6,793,374. Below is a breakdown of the cost. FSIS systems are integrated single systems so FSIS cannot separate security costs between field and headquarters.

FSIS IT Security Costs	
Security Operations	$ 5,000,000
Security Tools	$ 550,374
FTE	$ 1,243,000
Total	$ 6,793,374

Table 3

Mr. Aderholt: Has FSIS experienced any breaches of security in the past three years? If so, please provide general details of the events.

Response: No, FSIS has not had any security breaches in the past three years.

Pathogens

Mr. Aderholt: Please provide a status of FSIS's work with non-O157 Shiga Toxin-Producing Escherichia coli (STEC), including number of samples and results?

Response: FSIS performs verification testing of beef manufacturing trimmings from slaughter establishments for STECs through the MT60 sampling project (2,565 tests in FY 2013; .82 percent positive). FSIS also performs verification testing of imported raw beef component samples for STECs in its MT51 sampling project (408 tests in FY 2013; 0% positive). Follow-up testing for STECs are also performed by FSIS in the following sampling projects: MT53, which are follow-up sampling of beef manufacturing trimmings or components for use in raw ground beef at the establishment of interest (857 tests in FY 2013; 1.4 percent positive); MT52, which are follow-up sampling of suppliers of beef manufacturing trimmings or components (266 tests in FY 2013, .38 percent positive); Finally, the FMT51 sampling project is employed for follow-up testing of imported raw beef component samples (84 tests in FY 2013; 0 percent positive).

Inspections by Foreign Countries

Mr. Aderholt: Please provide a list of countries, dates, and plants visited by representatives of foreign countries in fiscal years 2012, 2013, and 2014 to date.

Response: Foreign audits from FY 2012 to 2014 to date include the following:

- European Union Beef and Casings Audit, July 19-28, 2011 (Smithfield Packing Co., Tar Heel, NC; J.F. O'Neill Packing Co., Omaha, NE; Tyson Processing Service, Inc., Omaha, NE; JBS SA, Marshalltown, IA; Greater Omaha Packing Co., Omaha, NE (Ests. 960 and 960A); International Casing Group, Chicago, IL; Tyson Fresh Meats, Lexington, NE; World Casing Corp., Maspeth, NY; Wolfson Casing Corp., Mt. Vernon, NY).
- Taiwan Beef Audit, November 28-December 2, 2011 (Tyson Fresh Meats, Holcomb, KS; Swift Beef Co., Grand Island, NE;Tyson Fresh Meats, Inc., Dakota City, NE).
- Vietnam Poultry Audit, December 12-16, 2011 (Pilgrims Pride Inc., Sanford, NC; Tyson Foods, Monroe, NC).
- European Union Egg Product Audit, June 4-June 15, 2012 (Rembrandt Foods, Rembrandt, IA; Sparboe Foods, LLC, New Hampton, IA; Primera Foods, Altura, MN; Michael Foods Egg Producers Co., Gaylord, MN; Deb-El Foods, Corp., Elizabeth, NJ).
- Korea Beef Audit, June 18-July 2, 2012 (Unibright Foods, Bell Gardens, CA; Manning Beef, Pico River, CA; Harris Ranch Beef, Selma, CA; MacDonald Meat Co., Seattle, WA; Tyson Fresh Meats, Wallula, WA; Swift Beef Co., Hyrum, UT; Tyson Fresh Meats, Holcomb, KS; J. F. O'Neill Packing, Omaha, NE; Greater Omaha Packing, Omaha, NE; Swift Beef Co., Grand Island, NE; Crystal Lake Foods, York, NE; Nebraska Prime Group, Hastings, NE; Aurora Packing Co., Aurora, IL; Meats by Linz, Inc., Calumet City, IL; JBS Swift Beef, Souderton, PA; Creekstone Farms, Arkansas City, KS; Elkhorn Valley Packing, Wellington, KS; Cargill Meat Solutions, Dodge City, KS; Sam Kane Beef Processors, Corpus Christi, TX; DOS Project, Saginaw, TX;

Standard Meat Co., Dallas, TX; Caviness Beef Packers, Hereford, TX; Tyson Fresh Meats, Dakota City, NE).

- Mexico Beef Audit, August 26-August 31, 2012 (Skylark Meats, Inc. , Omaha, NE; National Beef Packing Co., LLC , Dodge City, KS; Cargill Meat Solutions Corp., Plainview, TX; Swift Beef Co., Cactus, TX; Tyson Fresh Meats, Inc., Amarillo, TX).
- Malaysia, Poultry, Other Audit, September 17-28, 2012 (International Dehydrated Foods, Monett, MO; Mountaire Farms, Millsboro, DE; Simmons Foods, Inc., Southwest City, MO; Perdue Farms, Inc. Dillon, SC; Turkey Valley Farms, Marshall, MN; Perdue Farms, Perry GA).
- China, technical review export certification process, May 7-12, 2012 (Indiana Packers, Delphi, IN; Tyson Fresh Meats, Logansport, IN; Hanson Cold Storage, Logansport, IN).
- Japan Beef Audit, December 17-20, 2012 (Greater Omaha Packing Co., Omaha, NE; Swift Beef Co., Greeley, CO; Cargill Meat Solutions Corp., Ft. Morgan, CO).
- Canada Beef, Pork, Poultry Audit, February 5-22, 2013 (OSI Industries, Oakland, IA; John Volpi and Co., St. Louis, MO; ConAgra Foods, Milton, PA; Clemons Food Group, Hatfield, PA; Cargill Meat Solutions, Dodge City, KS; Tip Top Poultry, Inc., Marietta, GA; National Beef Packing Co., Dodge City, KS; Swift Beef Co., Grand Island, NE; SK Food Group, Reno, NV; Swift Pork Co., Marshalltown, IA; Cargill Meat Solutions Corp., Ottumwa, IA).
- Thailand Beef Audit, July 22-August 1, 2013 (Greater Omaha Packing Co., Omaha, NE; Cargill Meat Solutions Corp., Schuyler, NE; Superior Farms, Dixon, CA; Richmond Wholesale Meat, Richmond, CA).
- European Union Beef Audit, April 9-22, 2013 (Creekstone Farms, Arkansas City, KS; J.F. O'Neill Packing, Omaha, NE).
- Uruguay Poultry Audit, September 9-13, 2013 (Pilgrim's Pride, Canton, GA; Fieldale Farms, Murrayville, GA).
- Mexico Beef and Pork Audit, November 7- November 22, 2013 (Cargill Meat Solutions, Friona, TX; Swift Beef Co., Cactus, TX; Farmland Foods, Milan, MO; Triumph Foods, LLC, St. Joseph, MO; Swift Pork Co., Marshalltown, IA; Tyson Fresh Meats, Storm Lake, IA; Preferred Beef Group, Booker, TX; Emmpak Foods, Inc., Milwaukee, WI; Tyson Fresh Meats, Inc., West Logansport, IN; Indiana Packers Corp., Delphi, IN; Cargill Meat Solutions, Beardstown, IL; Cargill Meat Solutions, Ottumwa, IA).
- Russia Poultry Audit, December 9-19, 2013 (Peco Food, Inc., Canton, MS; Jennie-O Turkey Store, Barron, WI; Sanderson Farms, Inc., Collins, MS; Jennie-O Turkey Store, Faribault, MN; Peco Foods, Inc., Bay Springs, MS;Tyson Valley Distribution Center, Russellville, AR; Koch Foods of Ashland, Ashland, KY; Tyson Foods, Inc. Hope, AR; Tyson Foods, Inc., Albertville, AL; Koch Foods, LLC, Morristown, TN; Koch Foods, LLC, Chattanooga, TN; Nordic Logistics and Warehousing, Charlotte, NC; JCG Foods of Georgia, Pine Mountain, GA; Mountaire Farms, Lumber Bridge, NC; Pilgrim's Pride, Douglas, GA; Butterball, LLC, Mt. Olive, NC).
- Korean Pork and Poultry Audit, November 10-22, 2013 (Hormel Foods Corp, Fremont, NE; Amick Farms, LLC, Hurlock, MD; Case Farms, Dudley, NC; Swift Pork Co., Marshalltown, IA; Mountaire Farms of NC, Lumber Bridge, NC; Cargill Meat Solutions Corp., Ottumwa, IA; Smithfield Packing, Clinton, NC; Quality Pork Processors, Austin, MN; Tyson Foods, Union City, TN; Peco Foods of Mississippi, Sebastopol, MS).

- Japan Beef Audit, December 3-13, 2013 (National Beef Packing Co., Dodge City, KS; Tyson Fresh Meats, Lexington, KS; Swift Beef Co., Grand Island, NE; Cargill Meat Solutions Corp., Schuyler, NE; More Than Gourmet, Akron, OH).
- Hong Kong Beef Audit, January 6-10, 2014 (Cargill Meat Solutions, Schuyler, NE).
- Taiwan Beef Audit, March 3-14, 2014 (Tyson Fresh Meats, Inc., Holcomb, KS; Cargill Meat Solutions, Dodge City, KS; National Beef Packing Co., Dodge City, KS; Tyson Fresh Meats, Inc., Amarillo, TX; Swift Beef Co., Greeley, CO).

User Fees

Mr. Aderholt: Please provide a list of user fees currently charged by FSIS. Specifically, list type, rates, billings and collections for each.

Response: FY 2014 collections to date, as of April 3, 2014, are listed below:
Note - Difference between billed and collected is due to billing cycles.

User Fee Type	Rate Identifier	Total Billed	Total Collected
Egg Reimbursable	Base	$923.93	$877.73
Egg Reimbursable	Overtime	$4,389,002.23	$4,169,552.12
Egg Reimbursable	Holiday	$307,270.20	$291,906.69
Voluntary	Base	$5,637,564.80	$5,355,686.56
Voluntary	Overtime	$2,980,699.64	$2,831,664.66
Voluntary	Holiday	$221,984.88	$210,885.64
Meat and Poultry Reimbursable	Base	$95,426.80	$90,655.46
Meat and Poultry Reimbursable	Overtime	$107,558,078.25	$102,180,174.34
Meat and Poultry Reimbursable	Holiday	$14,953,785.36	$14,206,096.09
	Total	$136,144,736.09	$129,337,499.29

Mr. Aderholt: Describe the current billing process for collecting user fees, including the range of times between when work is performed, work is billed by the agency and when the fee is collected by the agency.

Response: On a bi-weekly basis, FSIS field inspectors record reimbursable activities on Form 5110-1, Reimbursable Services Rendered, in 15 minute increments. Based on the Form 5110-1, billing documents are loaded into the financial system and establishments are billed on a monthly basis. Approximately, ninety-five percent (95%) of the user fees are collected within 30 days after the bill is issued to the establishment. On average, fees are collected within 45 days after the services are performed.

QUESTIONS SUBMITTED BY CONGRESSWOMAN ROSE L. DELAURO

HACCP-based Inspections Models Project (HIMP) for Swine Slaughter

Ms. DeLauro: Both the USDA OIG and the GAO issued audit reports in 2013 that were critical of the HIMP pilot in swine slaughter because FSIS had not conducted an evaluation of the pilot to determine whether food safety objectives were being met. Yet, FSIS has granted equivalency status to Canada, Australia, and New Zealand's alternate meat inspection system based on the Hog HIMP pilot. All of those countries export meat to the U.S. and there have been reports that all of those countries have experienced problems with these new inspection systems. Australia had the highest number of import rejections in FY 2013.

How do you justify giving equivalency for doing HIMP for hog processing abroad, when it is based on pilot that hasn't been evaluated? Is USDA considering re-evaluating the equivalency determinations made to these countries using these new inspection systems in light of these recent developments? Have the Australian food safety officials approached FSIS yet about recognizing a new inspection system that would turn over meat inspection to private third party entities?

Response: Australia, Canada, and New Zealand are among the countries that have slaughter inspections systems for cattle and hogs that FSIS has found to be equivalent to the U.S. inspection system. While their inspection programs may resemble FSIS' Hazard Analysis and Control Point (HAACP)-based inspection models project (HIMP) in some ways, their overall systems were found to be equivalent to the U.S. system, not to HIMP. To maintain equivalence, the inspection systems of these countries must perform as well or better than the U.S. inspection system.

China Equivalency Verification

Ms. DeLauro: I continue to be concerned about the process used to announce changes to the equivalency verification process. What is the status of the importation of processed poultry products from the People's Republic of China? Have any Chinese poultry processing plants been certified? What is the status of the equivalency determination for Chinese slaughter facilities?

Response: FSIS reaffirmed in August 2013 that China's poultry processing inspection system is equivalent to that in the United States, which means that poultry slaughter here in the United States or in another country whose poultry slaughter system is equivalent to that in the United States could be sent to China for processing and then re-exported to the United States. China has provided a list of four plants it has certified as eligible to export processed chicken to the United States and has provided a draft export certificate intended to demonstrate that the poultry is sourced from an approved country and is cooked to a proper temperature, among other things, in accordance with USDA regulations. If this certificate is approved, China will then be able to determine when to begin shipping products from plants certified to export processed poultry to the United States. Regarding China's poultry slaughter system, a March 2013 audit by FSIS found that system to be not equivalent to that of the United States, and China has not yet requested that we return for another audit.

Public Health Information System (PHIS)

Ms. DeLauro: We are still hearing that there are a myriad of problems with the operation of the Public Health Information System (PHIS). We have invested $57.9 from 2012 through May 2013. The system is going to be phased out in 2018 and it isn't even working. For example, there are still connectivity problems with the internet, even in urban areas; the "disconnected state" software is difficult to navigate so inspectors are not able to enter data into the system when it is collected; inspectors are still recording information on paper when the system is not operational; system outages are frequent; there are software problems that make using the system cumbersome; the number of verification procedures performed by inspectors has decreased dramatically since the implementation of PHIS for domestic plants - from 8 million procedures in FY 2010 to 6.8 million procedures in FY 2013. Now, we are learning that imported meat, poultry and egg products are not being properly tracked in PHIS. Where is FSIS with addressing the problems that the system has encountered so far? When can FSIS expect the system to be free of major operational issues? How much has FSIS spent on PHIS since its inception in 2007? Does the agency need additional resources so that the major operational problems are fixed and how much does it need? Have the contractors been held accountable for not delivering an operational system?

Response: The Public Health Information System (PHIS) is the current and future web-based inspection information system FSIS uses to collect and analyze inspection data, to assign types of inspection, and to document inspection results. FSIS has no major operational issues with the capabilities of the current system. FSIS will continue to improve the system, improve connectivity, and increase functionality as identified by personnel from the field on how to build on the current success. Examples of this are the major improvements to connectivity to increase access and to speed interchange of data. Specifically, increases in the number of installed data hard lines and adoption of newer commercial wireless devices capable of taking full advantage of new technology offerings by commercial vendors have led to a 33 percent decrease in the Disconnected State usage over the last couple months.

With any new system there are adjustments needed, and those process changes are sometimes seen as problems. While the number of verification procedures performed decreased from 2010 under Performance Based Inspection System (PBIS) and 2013 under PHIS, there is not a one-to-one task relationship between the systems. Because the systems are organized differently, inspectors can achieve the same results or better under PHIS despite having fewer system tasks.

Another example is in imports. Because the import data is now more easily shared and tracked between FSIS in PHIS and Customs and Border Protection's (CBP) Automated Commercial Environment (ACE), it is easier and faster for FSIS personnel to identify importers who temporarily bypass the FSIS inspection. While bypassing inspection might seem like FSIS has lost track of the shipment, actually PHIS has increased visibility of shipments because the Agency can track what shipments were failures to present (FTP). This improvement in tracking will reduce the amount of lost shipments and will help get the shipment in for re-inspection faster.

Because PHIS has been so useful and has improved FSIS operations, the demand on PHIS has increased, and FSIS has worked hard over the last three years to

improve the performance and usability of the system. The agency will continue to add new functionality to the system to improve operations and food safety. In addition, it will continue to review its Information Technology portfolio and look for ways to eliminate legacy systems and incorporate that functionality within PHIS when it makes sense. Since its inception the agency has spent $65 million. The system is used daily by our inspection work force and there are no major operational issues associated with the system. Therefore the Agency will not seek additional funds for this type of work.

The current PHIS contractors are required to follow a Software Development Life Cycle and Enterprise Life Cycle process that allows agency personnel to monitor and track progress towards program milestones. This process holds the contractors accountable for delivery of functionality as outlined in the Statement of Work.

PHIS has successfully improved the Agency's efficiency and effectiveness, and the Agency has no plans to phase it out in 2018.

South Korea Equivalency Status

Ms. DeLauro: FSIS recently announced that it had granted South Korea equivalency status for the importation of poultry products. FSIS conducted two different audits of Korean poultry facilities where deficiencies were found. For example:

- Inspection activities were performed by company employees with no government oversight
- Failure to implement and verify sanitation programs
- Failure to implement and verify Hazard Analysis and Critical Control Points (HACCP) requirements within the food safety regulatory system
- FSIS staff was unable to visit Korean government laboratory facilities that conducted chemical and microbiological analyses of poultry products
- The Republic of Korea food safety authority did not provide adequate control for post-mortem inspection in the facilities that would be eligible to export to the U.S.
- The Republic of Korea food safety authority did not provide adequate control over the implementation of laboratory quality systems within its residue program
- The Republic of Korea food safety authority did not provide adequate controls over the implementation of laboratory control quality systems for its microbiological testing program for products destined for export to the U.S.

Have all of these issues been addressed and verified by FSIS audit staff? South Korea has experienced avian influenza outbreaks and caused it to cull some 11 million chickens and ducks earlier this year to stop the spread of the disease. Is FSIS concerned that poultry meat from sick birds will be used to export to the U.S.? Has APHIS expressed any concern over the animal health issues in South Korea? What role did the current TransPacific Partnership negotiations play in the FSIS equivalency determination?

Response: In March 2014, FSIS announced a final rule on eligibility of the Republic of Korea to export poultry products to the United States. All deficiencies identified during two different on-site audits of South Korea's

inspection system have been addressed and corrected. The FSIS equivalence process for South Korea, which dates back to 2008, was and has been completely separate from discussions and negotiations within the TransPacific Partnership. Regarding avian influenza (AI), APHIS is the competent authority in the United States for concerns over animal diseases that affect specific foods, and FSIS relies on APHIS in this regard. As such, because of health concerns related to AI in South Korea, APHIS regulations require that any poultry product from South Korea be cooked to a safe temperature, and this fact is verified by FSIS at re-inspection in this country. In addition, because South Korea was only recently found to be equivalent, FSIS will conduct annual on-site audits of South Korea for at least the next three years.

FSIS role in TransPacific Partnership

Ms. DeLauro: What role is FSIS playing in the current TransPacific Partnership and TransAtlantic Trade and Investment Partnership negotiations? Are you concerned about any of the provisions being negotiated from a food safety standpoint and your ability to prevent unsafe meat, poultry and egg products from entering the country? Would you need to make major revisions to current regulations to come into compliance with these provisions should they be part of the final agreements?

Response: Through the interagency consultation process, FSIS is advising the Office of the U.S. Trade Representative (USTR) on matters within FSIS' statutory and regulatory jurisdiction, such as equivalence. FSIS would not support a final TPP or TTIP agreement that would undermine food safety and does not anticipate that major regulatory changes would be necessary pursuant to any final agreement.

National Advisory Committee on Meat and Poultry Inspection

Ms. DeLauro: There has been recent criticism of the manner in which USDA has diluted the status of some of its advisory committees. In particular, the role of the National Advisory Committee on Meat and Poultry Inspection has come into fire by stakeholders who argue that the traditional role that the committee has played has been severely weakened by the department by-passing them when major policy initiatives are undertaken. How do you respond to those criticisms?

Response: FSIS values the ideas put forward by its advisory committee, and most of the Agency's policy initiatives are informed in part by input from the committee. The January 2014 meeting of the National Advisory Committee on Meat and Poultry Inspection (NACMPI), for instance, included recommendations on labels for safe food handling practices and the Agency's strategic plan. Other meetings have included topics as varied as pre-harvest *Salmonella* control and public health criteria for data-drive inspection.

Beef Imports from Brazil

Ms. DeLauro: APHIS has recently proposed a rule that would permit the importation of fresh beef from fourteen Brazilian states (78 Fed. Reg. 77370). This proposed rule has caused controversy among our domestic livestock producers because of the history of foot-and-mouth disease (FMD) in

Brazilian livestock. We have not had a case of FMD in this country since 1929. An outbreak of FMD would be devastating to our producers. In 2010, the same concerns were expressed when APHIS permitted fresh meat imports from the Brazilian state of Santa Catarina. I understand that the Food Safety and Inspection Service has not permitted the importation of fresh meat from Santa Catarina because Brazil lacks a comprehensive microbiological and residue testing program. The same situation would exist if APHIS moves ahead and finalizes the beef rule for the fourteen Brazilian states. Brazil has had a checkered food safety record for the cooked meat imports it is currently eligible to export to the U.S. In light of the concerns expressed by FSIS, how soon can we expect fresh meat imports from Brazil?

Response: Because of concerns regarding foot-and-mouth disease (FMD), Brazil has only been able to export cooked or canned beef products to the United States.

APHIS' proposed rule to allow the importation of fresh beef from 14 Brazilian states under certain conditions was based on an extensive scientific risk analysis. This analysis considered both the effectiveness of certain mitigations against FMD and the animal health situation in Brazil. The extended comment period on APHIS' proposed rule closed on April 22, 2014. APHIS is carefully evaluating and considering all of the comments received, some of which were substantive. Once we complete this review and determine whether to make any changes to the proposal, we will publish a final rule. Once a system is in place that mitigates the animal health concerns as shown by the publication of an APHIS final rule, FSIS would then move to reassess equivalency issues to allow fresh beef to be exported from the 14 Brazilian states to the United States. Given the multiple steps that need to occur, it is difficult to predict a specific date as to when to expect fresh meat imports from these 14 Brazilian states. Please be assured that prior to such imports being allowed, mitigations to protect both animal health and public health will be in place.

Nutriom Egg Products

Ms. DeLauro: On March 26, 2014, FSIS issued a public health alert for egg products processed by Nutriom in Washington State because the company refused to expand a recall that was announced in February 15, 2014. The original recall was issued because of false laboratory test results reported by the company. FSIS has contended that the egg products actually tested positive for salmonella. Why is the company refusing to expand its recall? Were any of the egg products actually imported from Canada for further processing by Nutriom? If so, what role is the Canadian Food Inspection Agency playing in this investigation?

Response: FSIS and the company did not reach agreement pertaining to the products subject to a recall, and FSIS acted within the scope of its authority and responsibility and issued a public health alert. FSIS is also in the process of an investigation which includes detention and seizure of the product identified in the public health alert. No product involved in the recall, the public health alert, or subsequent Agency action was imported from Canada.

FSIS Inspector Staffing Levels

Ms. DeLauro: I call your attention to page 23-12 of the FY 2015 Explanatory Notes that contains the following statement:
"FSIS took steps to permanently reduce personnel through actions such as the modernization of poultry slaughter methods, consolidating 15 District Offices into 10, imposing hiring restrictions, improving efficiency through systems like *Public Health Information System* (PHIS), using shared services, reorganizing some staff functions and disbanding the Office of International Affairs to increase effectiveness for both the staff and field."
When your budget was originally posted online, I noted informational information was included, which is now removed. I would like to read that now so we are all on the same page, "FSIS also permitted its hire lag to increase in FY 2013 to reduce salary costs. If the agency continued current operations, some of the staff reductions that the Agency has absorbed would not be sustainable, and it would be vital to the successful accomplishment of the Food Safety mission to back-fill these positions. However, due to anticipation of Poultry Slaughter Modernization rule publication in FY 2014, the Agency has determined that it is not prudent to rehire the formerly filled positions at this time because the new methods for poultry slaughter requires fewer Federal in plant personnel. While this will continue short term staffing and scheduling issues, FSIS thinks that it can continue to operate effectively until it begins to implement modernization of poultry slaughter methods. In this manner FSIS will avoid hiring and then firing inspectors as Poultry Slaughter Modernization further decreases the available inspector positions and the overall Agency costs."

Since May 2012, FSIS has been hiring "temporary inspectors" as a prelude to the implementation of the new poultry inspection rule. Under what authority is FSIS operating to conduct such hiring when the rule has not been finalized? How many such "temporary inspectors" have been hired and where are they working? Has this policy led to permanent inspector vacancies to go unfilled in certain areas around the country because there have been no applicants for the temporary jobs?

Response: The temporary appointments are authorized under 5 CFR Part 316, Subpart D. It is a general appointing authority available to agencies who have only a short-term need for an employee or anticipate the need to potentially abolish the position in the future because of an upcoming reorganization. These appointments are not-to-exceed (NTE) one year, and may be extended one additional year. A total of 242 temporary inspectors have been hired. They are currently working as Food Inspectors, with the largest deployment of 69 working out of our Springdale District Office.

Although the Agency has been hiring temporary inspectors, all positions required to maintain food safety are being staffed. Meat, poultry and processed egg facilities legally cannot operate without FSIS inspectors present, and a shortage of FSIS inspectors would result in reduced production or facility closures. It is important to note that this has not occurred. In the course of normal operations there are unanticipated events such as unexpected absences that cause temporary staffing shortfalls until another inspector gets to the establishment; however, there are no instances of severely inadequate staffing and no recalls have been due to lack of inspectors on the job. The Agency is committed to ensuring that we have the staffing, training, lab support, oversight and other resources that are necessary to ensure the safety of the food supply. The Agency maintains a standing corps of permanent and temporary or relief employees to provide

inspection services in the event of illnesses, vacations, retirements and general scheduling issues.

QUESTIONS FOR THE RECORD
REP. SANFORD D. BISHOP, JR.

Mr. Bishop: From a strictly cost benefit basis, what are the projected savings to the USDA resulting from this promulgation of the Modernization of Poultry Inspection Rule? What does the USDA believe the benefits will be for the poultry industry as a whole? In your opinion, will the rule prove to have any benefit to the poultry workers, who will be working in facilities operating under the new rules?

Response: The President's FY 2015 budget reflects $7.5 million in efficiencies that FSIS expects to gain from its proposed rule to modernize poultry slaughter inspection, while improving food safety. We expect annual savings of $31 million following full implementation. The most important benefit of the new system to the poultry industry will be improved food safety through reduction in pathogens that cause foodborne illnesses. The new inspection system will reduce the risk of foodborne illness by focusing FSIS inspection activities on those tasks that advance our core mission of food safety. By revising current procedures and removing outdated regulatory requirements that do not help combat foodborne illness, the result will be improved food safety and a more efficient and effective use of taxpayer dollars. The new rule will permit FSIS to conduct more food safety related offline inspection activities, such as verifying compliance with sanitation standard operating procedures, ensuring establishments are meeting all regulatory requirements and ensuring establishments are effectively preventing contamination by enteric pathogens and fecal material throughout the entire slaughter and dressing process. The rule will benefit poultry workers by increasing the number of industry, in-plant workers.

Mr. Bishop: A recent U.S. Government Accountability Office (GAO) report [*More Disclosure and Data Needed to Clarify Impact of Changes to Poultry and Hog Inspections, GAO-13-775*], identified major deficiencies in the data and analysis of the pilot poultry inspection program upon which the Food Safety and Inspection Service (FSIS) based its proposed Modernization of Poultry Slaughter Inspection rule. GAO stated that limitations in FSIS's evaluation of its young chicken pilot project "raise questions about the validity of FSIS's conclusion that an inspection system based on the pilot project would ensure equivalent, if not better, levels of food safety and quality than currently provided at plants not in the pilot program. What is the Department's response to these concerns?

Response: As indicated in our official response to GAO's Audit Report, *More Disclosure and Data Needed to Clarify Impact of Changes to Poultry and Hog Inspections*, FSIS has updated the analyses used to support the proposed rule. When FSIS issues the final rule, it will present the updated analyses, including the cost-benefit analysis, in a manner that will facilitate public understanding of the information used to support the rulemaking.

Mr. Bishop: It is my understanding that the USDA and the Department of Labor (OSHA) have had ongoing discussions regarding the proposed Slaughter Inspection rule, and in particular, potential issues with respect to worker safety. While in the past, the Occupational Safety and Health Administration, the National Institute for Occupational Safety and Health, the Government Accountability Office and others have raised serious questions regarding working conditions for poultry plant employees, much of the "official" information regarding workers has been anecdotal and not based on reliable

research or data. One clear concern is whether the new rules may or may not expose workers to greater physical risk(s) and harm, and there doesn't appear to be a process in place which provides more tangible and reliable evidence outside of the anecdotal evidence which we've all heard. Can you share with the Subcommittee any outcomes from these discussions, and if the Department of Labor will play any role in the execution of this rule, should it move forward? It seems to me that there needs to be some quantifiable and qualitative measures put in place to track the impact of the rule, on "every" segment of the industry, including employees and their safety?

Response: FSIS takes the safety of meat and poultry production workers very seriously and is committed to working with its Federal partners, including the Occupational Safety and Health Administration (OSHA) of the Department of Labor (DOL) and the National Institute of Occupational Safety and Health (NIOSH), on the matter of worker health. While OSHA, not FSIS, has the legal authority and mandate to ensure the safety of establishment workers, FSIS is committed to collaborating with DOL to ensure that critical worker safety issues are identified and addressed.

Under the proposed rule, if an establishment is unable to maintain good process control with increased line speeds, FSIS personnel will have full authority to slow line speeds, or even stop the line if they observe food safety defects on any of the carcasses. FSIS also recognized in the proposed poultry slaughter modernization rule that the evaluation of the effects of line speed on food safety should also include an assessment of its effects on establishment employee safety (see page 4423 of the proposed rule). To obtain data on this matter, FSIS asked NIOSH to evaluate the effects of increased production volume on employee health, with a focus on musculoskeletal disorders and acute traumatic injuries. FSIS indicated when requesting the study that it would allow up to five chicken plants to increase their line speed up to 175 birds per minute by adding a fifth inspector to the line if those plants allowed NIOSH to assess the effect of the line speed increase on the plant work force. Unfortunately, only one plant agreed to participate in this study (although a second has agreed to allow NIOSH to assess the effects of an alternate approach to increasing line speed). FSIS intends to build on its work with Federal partners as it proceeds with publication and implementation of a final rule on poultry slaughter modernization.

Mr. Bishop: In 2012, FSIS commissioned the National Institute of Occupational Safety and Health (NIOSH) to assess the impact of the new poultry processing rule on worker health and safety. The report [Report No. 2012-0125-3204 - *Evaluation of Musculoskeletal Disorders and Traumatic Injuries Among Employees at a Poultry Processing Plant*] which was released last week, stated that although much can be done in poultry facilities to reduce injury rates, the increase in evisceration line speeds was not a significant factor in worker safety. FSIS Administrator Almanza even wrote an op-ed applauding this finding. However, poultry workers and civil rights groups in my District are questioning the validity of this study because it was conducted in only one processing plant during a limited time period. Does this study provide enough justification for the implementation of the new poultry processing rule?

Response: FSIS would not consider the report's goal as seeking to either justify or oppose the proposed poultry slaughter modernization rule. Rather, it examined the effect of line speeds on worker safety. FSIS certainly does not regard the report as the end of the conversation on worker

safety and would encourage further study. However, we also believe that worker safety and food safety are not competing efforts. We should proceed with the important food safety improvements that would be made under the proposed rule.

Mr. Bishop: Mr. Ronholm, in your testimony, you mentioned that in 2013, *"the Agency developed the Salmonella Action Plan, which outlines the actions FSIS will take to lower Salmonella contamination rates on meat and poultry products. The plan includes developing a new performance standard for comminuted poultry, as well as new strategies for inspection to address potential sources of Salmonella contamination throughout the food production process."* You also expressed that you *"share the frustration expressed by many with the recent outbreaks of salmonellosis over the past year, and want to emphasize that combating Salmonella is the agency's top priority."* I believe you are referring to the nationwide outbreak of Salmonella linked to Foster Farms chicken parts. This outbreak, which has sickened at least 481 people in 25 states since March 1, 2013, was declared under control on January 16, 2014. However, according to the latest update (March 3, 2014) from the U.S. Centers for Disease Control and Prevention (CDC), 51 new cases have been reported from five states: Arizona (3), California (44), Hawaii (1), Tennessee (1), and Utah (2). What else needs to be done to end this outbreak? It seems like you need to fix major loopholes in your Salmonella Action Plan. What is FSIS doing to address the growing concerns of consumers with the safety of poultry products?

Response: The specific outbreak you mention points to is one reason FSIS believes the *Salmonella* Action Plan is a very important initiative, which represents the Agency's strategy to best address the threat of *Salmonella* in meat and poultry products. Some parts of the initiative are underway; while other parts, such as the poultry slaughter modernization rule, are still proposed. One of our greatest successes has been to reduce the national average of *Salmonella* on young chickens during the past decade, but our experiences this past year with the *Salmonella* outbreak associated with Foster Farms poultry products reinforced the need to control this pathogen on chicken parts. A recently completed baseline survey found the national average of *Salmonella* on chicken parts to be approximately 24 percent. FSIS believes setting a performance standard for chicken parts will help reduce consumer exposure to *Salmonella*.

With regards to the Foster Farms case specifically, FSIS continues to explore all avenues to end the outbreak. Early signs in the investigation pointed to Foster Farms as a likely source of the illnesses, and FSIS acted quickly to address the probable link to three Foster Farms facilities. Foster Farms made corrections, and FSIS' continued, intensive sampling now shows that *Salmonella* has dropped to low levels as a result. Because illnesses continue to be reported despite these changes, FSIS continues to investigate all reported illnesses, and will take the appropriate enforcement action necessary.

Mr. Bishop: Your total funding request of $1.014 billion includes $189 million through existing user fee and trust fund activities for providing overtime, holiday, and voluntary inspection services. Historically, Congress has not been supportive of user fees. What will be the impact on the services funded by the proposed user fees if they not authorized?

Response: This particular user fee does not require annual authorization. If Congress rescinds authorization for these user fees,

appropriations would have to increase by the amount we collect or we would have to cease overtime, holiday, and voluntary services. If FSIS does not provide these additional inspection services, the amount of operating hours would be limited, forcing establishments to shut down after their 8 hours of duty, hence limiting industry's production.

WEDNESDAY, APRIL 2, 2014.

DEPARTMENT OF AGRICULTURE MARKETING AND REGULATORY PROGRAMS

WITNESSES

ED AVALOS, UNDER SECRETARY, MARKETING AND REGULATORY PROGRAMS

KEVIN SHEA, ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE

ANNE ALONZO, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE

LARRY MITCHELL, ADMINISTRATOR, GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

MICHAEL YOUNG, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTION OF WITNESSES

Mr. ADERHOLT. Good morning. The Subcommittee will come to order.

Today we begin our review of the fiscal year 2015 budget request from the agencies of USDA's Marketing and Regulatory Programs mission area, a critically important function necessary to ensure a safe, healthy, fair, transparent, and efficient marketplace.

This morning I would like to welcome to the Subcommittee Mr. Ed Avalos, USDA's Under Secretary for Marketing and Regulatory Programs. Welcome.

Mr. AVALOS. Thank you.

Mr. ADERHOLT. Also we have joining us Mr. Kevin Shea, Administrator, Animal and Plant Health Inspection Service; Mr. Larry Mitchell, Administrator, Grain Inspection, Packers and Stockyards Administration; Ms. Anne Alonzo, Administrator, Agricultural Marketing Service; back with us again, Mr. Mike Young, USDA's Budget Director.

OPENING STATEMENT—MR. ADERHOLT

Welcome to all of you and glad to have you all here this morning.

The work of this Subcommittee in making funding decisions and related policy matters and is tied directly to the success of the mission area.

Some of you have heard us emphasize the themes and principles of our work this year, and it is worth noting again, and I will briefly go over that.

The Subcommittee is conducting its work with three primary themes. First, ensuring the proper use of taxpayer funds through the Committee's oversight responsibility; second, ensuring that the agencies here today develop, implement, and execute an appropriate level of regulation to protect producers and the public, and

third, ensuring that taxpayer funds are targeted to the most vital programs.

We will be reviewing your budget request with these three themes in mind.

Our hearing today provides us with an opportunity to review the programs, operations, and funding for a mission area at USDA charged with facilitating domestic and international marketing of U.S. agricultural products and ensuring the health of plants and animals.

On the one hand, we have GIPSA with a dual function of regulating livestock and poultry markets and facilitating the marketing of grains and grain products around the world.

We have AMS with the broad charge to facilitate the efficient and competitive marketing of all types of agricultural products domestically and internationally, as well as a major role in the purchase of commodities of USDA's nutrition programs, and lastly, we have APHIS with a wide spectrum of responsibilities ranging from keeping animal disease and plant pests out of the U.S., to regulating biotechnology, to fighting non-tariff trade barriers in overseas markets.

MRP's funding sources are unique to its responsibilities. USDA is proposing a total of $965 million in discretionary resources in fiscal year 2015 for these three agencies. When combined with user fees and Customs receipts, total budgetary resources are estimated to be about $2.3 billion.

The APHIS budget comes in at a decrease of 3.6 percent after excluding the increase request for GSA rent.

The major funding increase for AMS is again in the area of transportation and marketing programs for local and regional market development. Lastly, GIPSA requests less than $1 million for regulatory equipment, supplies, and other support expenses.

I commend USDA for including fewer budgetary gimmicks this fiscal year. While I appreciate the more straightforward request, there are some decisions in this budget I cannot agree with and frankly do not understand.

One such decision is the Administration's request for decreases related to citrus health after Congress has clearly emphasized its priorities with increases for citrus greening, and when Florida alone has lost an estimated $3.63 billion in lost revenues and 6,611 jobs since 2006 as a direct result of this disease.

Let me add members of this Subcommittee and elsewhere in Congress are thankful for the Department's work with the private sector to fight citrus greening and other high priority pests and diseases, and we look forward to continue to work with your agencies.

While this Subcommittee is keenly aware of the hard budget decisions made over the past few years and achievements made in budget savings across the mission area, this Subcommittee is still faced with a number of challenging decisions in front of us over the next couple of months.

We hope your responses today can assist us as we develop a responsible budget for the next fiscal year.

At this time, I would like to recognize the Ranking Member of this Subcommittee, Mr. Farr, for any opening remarks he may have.

OPENING STATEMENT—MR. FARR

Mr. FARR. Thank you very much, Mr. Chairman, and thank you for that overview. I always look forward to this hearing because it essentially is where the rubber hits the road. It is the selling and marketing and all the regulations that deal with that in American agriculture. It deals with plant and animal health and inspection. It deals with grain and packers and stockyards and inspection.

It is kind of very esoteric and a lot of sort of bureaucracy but it is so important to maintain the credibility in the consumers' eyes and in the world's eyes of American agriculture.

I have a lot of technical questions. I look forward to the hearing. Thank you.

Mr. ADERHOLT. Thank you. Mr. Avalos, we will now turn to you for your opening statement. Remember, your full statement will be included in the record. Feel free to summarize any way you see fit. After your opening statement, we will proceed with questions.

Again, welcome, and we look forward to your testimony.

OPENING STATEMENT—MR. AVALOS

Mr. AVALOS. Mr. Chairman, distinguished members of the Subcommittee, I am pleased to appear before you to discuss activities of the Marketing and Regulatory Programs mission area at USDA.

I am here to present fiscal year 2015 budget proposals for AMS, APHIS, and GIPSA.

Secretary Vilsack said before this Subcommittee that the Administration is strongly committed to expanding opportunities for all Americans. MRP helps accomplish this in a variety of ways. For example, AMS and GIPSA certify the quality of agricultural commodities and provide industry with a competitive edge earned by the U.S. Seal of Approval for grading and inspection.

GIPSA also works to ensure that livestock producers have a fair and competitive market. APHIS protects the health of plants and animals, enhancing the competitiveness of U.S. producers by keeping production and marketing costs low.

MRP agencies are operated in an environment of increased workload, complexity and constrained resources. We have continued quality operations because we have enhanced partnerships, we have streamlined our processes, and we focus our resources on the highest priorities.

The MRP agencies have achieved several accomplishments, a few that I want to highlight just quickly, Mr. Chairman.

In fiscal year 2013, APHIS in cooperation with other agencies, resolved 200 sanitary and phytosanitary trade issues, which included opening new markets and retaining existing markets for U.S. agricultural products valued at $2.9 billion.

This involved more than 50 countries and plant and animal products such as peaches, apples, grapes, cattle, poultry, and much more.

In fiscal year 2013, APHIS personnel stationed abroad removed technical barriers that would have otherwise prevented entry of U.S. agricultural commodities.

In addition to the work abroad, APHIS personnel stateside have achieved success in addressing several plant and animal pests. For

example, by working with California cooperators, APHIS continued a successful effort to eradicate the European grapevine moth. The European grapevine moth is a threat not only to California but also to the United States overall.

When most people think of wine making, they think of grape production, but they do not realize it would be worth nothing without addressing the European grapevine moth.

APHIS has achieved success also in the animal health sector. In 2013, USDA published a final rule to help ensure the United States had a strong livestock traceability system. Such a system is essential to respond to animal diseases, preserve animal health, and limit economic loss to owners and communities.

AMS' accomplishments in 2013 included Market News reports that increase market transparency for pork and grass fed beef. These Market News reports help farmers and ranchers by providing market clarity and better access to information. AMS grading, certification, and audit verification services certify that products met the requirements for USDA quality grades and specialized food labels.

AMS also worked with other agencies to facilitate trade by harmonizing U.S. and Canadian meatcut terminology and developing export verification programs to open export markets.

Another significant accomplishment was the establishment of an organic equivalency agreement between the United States and Japan. The combined organic sector in the United States and Japan is valued at more than $36 billion. It continues to rise.

In 2013, the AMS Commodity Purchase Program purchased a total of almost $1.6 billion worth of food from our nation's producers.

AMS' efforts to support small business with these purchases resulted in more than 45 percent of contract dollars being awarded to small businesses.

Finally, GIPSA had many noteworthy accomplishments. GIPSA closed over 2,200 investigative files of potential violations of the Packers and Stockyards Act, and GIPSA provided over 2.97 million inspections on 230 metric tons of grain with a value of $36 billion.

The fiscal year 2015 budget requests total budgetary authority of about $2.3 billion among the agencies; $965 million is from discretionary appropriations, and more than $919 million comes from Customs' receipts, and about $455 million from fees charged to direct beneficiaries.

I am going to talk briefly about each agency. AMS' mission is to facilitate strategic marketing of agricultural products in domestic and international markets while ensuring fair trade practices, and a competitive and efficient marketplace for the benefit of our producers, our traders, and consumers of U.S. food and fiber.

AMS accomplishes this mission through a wide variety of activities in cooperation with the states and other agricultural partners.

The President's budget for AMS is approximately $84 million. This funding level includes the resources needed for on-going Marketing Services activities and the Federal-State Marketing Improvement Program.

Additional funding is requested for the Transportation and Market Development Program to work with the Federal and state

agencies, the land grant universities, regional planning commissions, to access local and regional food systems.

APHIS, the Animal and Plant Health Inspection Service, has a really broad mission that includes protecting and promoting the health of U.S. agricultural and natural resources, administering the Animal Welfare Act, and carrying out wildlife damage management activities.

Together with customers and stakeholders, APHIS enhances market access into the global marketplace and helps ensure abundant agriculture products.

The budget request proposed is discretionary appropriations of about $838 million. In addition, existing user fees of more than $231 million to support the Agricultural Quarantine Inspection—AQI—activities directly managed by APHIS.

With the publication of the final Animal Disease Traceability Rule in 2013, the 2015 budget request enhances the implementation of this rule, and the money will be used for improvements, such as data access, tag testing, enforcement efforts, and assistance to the states and Tribes. Ultimately, the actions supported by the request will assist producers to protect their animals and safeguard the U.S. livestock industry which is worth $70 billion. It also helps ensure our trading partners of our commitment to protect the health of our livestock.

Also worth noting, the President's budget request continued funding to address the problem of feral swine, estimated to cost $1.5 billion in damages every year with more than half of that being direct damage to agriculture.

These destructive animals threaten animal and human health, crop and livestock, rural, suburban, urban properties, and natural resources.

Mr. Chairman, thanks to the $20 million appropriated in funding by this Subcommittee, I would like to announce that today we are officially kicking off our National Feral Swine Management Program. This program will allow us to reduce the damage caused by feral swine and to slow their spread—a national strategy to provide tools and assistance to states and other partners to confront feral swine.

We will be providing over $9 million for state projects as well as funds for disease monitoring to protect domestic swine. Our program will also fund important research and operational activities.

Again, Mr. Chairman, we thank this Subcommittee for its support of the program, and we look forward to working with our state, Federal and local partners to reduce the damage caused by the feral swine and to stop their further spread.

For GIPSA, the budget proposal requests slightly more than $44 million, about $24 million is requested for the Packers and Stockyards Program, and approximately $20 million for the Federal Grain Inspection Service.

This budget also includes existing user fees, about $50 million, for grain inspection and weighing. The discretionary budget includes a request for additional funding to allow the Packers and Stockyards Program to facilitate market protection for buyers and sellers of poultry and livestock through greater compliance and investigative enforcement activities in the field.

These funds will provide equipment and support expenses needed for the field staff to do their jobs.

An increase in the Federal Grain Inspection Service will help purchase long delayed laboratory equipment that will help advance the assessment of rice characteristics, and effective mycotoxin testing programs for U.S. grain exporters.

In closing, Mr. Chairman, the budget request for MRP supports our key role for rural economy and for producers and consumers across the nation.

Under this Administration, agricultural exports have had the strongest five year growth in our nation's history. We have set a new record in calendar year 2013 at $144.1 billion in exports.

MRP programs have contributed significantly to the success as well as development of these domestic markets. In fiscal year 2015, the budget reflects the comprehensive efforts we have taken to conserve taxpayer dollars through targeted common sense efficiencies.

Mr. Chairman, this concludes my statement. We look forward to answering any of your questions. Thank you.

[The information follows:]

Statement of Mr. Edward Avalos
Under Secretary of Agriculture for Marketing and Regulatory Programs
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations
U.S. House of Representatives

Mr. Chairman and distinguished members of this Subcommittee, I am pleased to appear before you to discuss the activities of the Marketing and Regulatory Programs (MRP) mission area of the U.S. Department of Agriculture (USDA) and to present the fiscal year (FY) 2015 budget proposals for the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

With me today are: Ms. Anne Alonzo, Administrator of AMS; Mr. Kevin Shea, Administrator of APHIS; and Mr. Larry Mitchell, Administrator of GIPSA. They have statements for the record and will answer questions regarding specific budget proposals for their respective agencies. Also with me is Mr. Michael Young, USDA's Budget Officer.

Secretary Vilsack said before this Subcommittee that the Administration is strongly committed to expanding opportunity for all Americans. MRP helps accomplish this in a variety of ways. For example, AMS and GIPSA certify the quality of agricultural commodities and provide industry with a competitive edge earned by the USDA seal of approval for grading and inspection. GIPSA also works to help ensure that livestock producers have a fair and competitive market environment. APHIS protects the health of plants and animals, enhancing the competitiveness of U.S. producers by keeping production and marketing costs low. All three agencies help resolve international issues to maintain and open markets around the world for U.S. products.

MRP agencies are operating in an environment of increasing workload and complexity, with constrained resources. We have continued quality operations because we enhanced partnerships, streamlined processes, and focused our resources on the highest priorities. In addition, we are constantly seeking new opportunities to leverage the capabilities of other USDA mission areas to meet the needs of producers.

The MRP agencies have achieved significant accomplishments, a few of which I would like to highlight. In FY 2013, APHIS, in cooperation with other agencies, resolved 200 sanitary and phytosanitary trade issues, which included opening new markets and retaining and expanding existing market access for U.S. agricultural products valued at more than $2.9 billion. This involved more than 50 countries and plant and animal products such as peaches, apples, grapes, cattle, poultry, and many more. Also in FY 2013, APHIS personnel stationed abroad removed technical barriers that would have otherwise prevented the entry of U.S. agricultural commodities. These employees successfully secured the release of agricultural products worth more than $34 million. In addition to work abroad, stateside APHIS personnel have also achieved success in addressing significant plant and animal pests. For example, by working with California cooperators, APHIS continued the successful effort to eradicate European grapevine moths (EGVM). EGVM is a threat, not only to California where the pest is known to exist, but also to the overall United States grape and stone fruit export markets. While most people think of wine-making when they think of grape production, it is worth noting that the table grape and raisin industries are also susceptible to the ravages of EGVM. As a result of surveillance and control efforts to date, APHIS, through working with cooperators, was able to remove from quarantine the counties of Nevada, Santa Clara, Santa Cruz, and most of Sonoma. The removal of these counties from the quarantined area lifted export restrictions, saving producers an estimated $10 million each year in quarantine related expenses. While it is still too soon to predict when eradication of EGVM will occur, the progress to date has been closing in on that important goal.

APHIS has also achieved success in the animal health sector. In FY 2013, USDA published a final rule that helped ensure that the United States has a strong livestock traceability system. Such a system is essential to respond to animal diseases, preserve animal health, and limit economic loss to owners and communities. At one time, bovine tuberculosis was commonplace, but today, through the efforts of countless producers, States, Tribes, and the work

of APHIS, the disease prevalence is less than 0.001 percent of the national herd. Similarly, bovine brucellosis was once an epidemic in this country but APHIS, along with cooperators, has achieved class free status in all 50 States since 2009. This low prevalence of disease, coupled with the potential for a foreign animal disease introduction, illustrates the need for a new approach to know where diseased animals are and know where they have been. It is this new approach, and the knowledge that comes with it, which the final rule for animal disease traceability is implementing.

AMS accomplishments in FY 2013 included new Market News reports that increased market transparency for wholesale pork and grass-fed beef. These Market News reports helped farmers and ranchers by providing market clarity and better access to information. AMS grading, certification, and audit verification services certified that products met the requirements for USDA quality grades and specialized food labels. AMS also worked with other agencies to facilitate trade by harmonizing U.S. and Canadian meat cut terminology and by developing export verification programs that open export markets. Another significant accomplishment was the establishment of an organic equivalency agreement between the U.S. and Japan that streamlines access for U.S. organic products. The combined organic sector in the U.S. and Japan is valued at more than $36 billion and rising. In 2013, AMS' Commodity Purchase Program purchased a total of almost $1.6 billion worth of food from our nation's producers. AMS efforts to support small businesses with these purchases resulted in more than 45 percent of contract dollars awarded to small businesses. The purchased foods, which meet the highest safety and quality standards as evidenced by our purchase specification data, were distributed through USDA food assistance programs. In this way, the purchases supported producers in rural America and helped meet government nutrition goals.

Finally, GIPSA had many noteworthy accomplishments. GIPSA closed 2,272 investigative files on potential violations of the Packers and Stockyards Act in FY 2013. This is more than four times the number closed in FY 2000, despite having fewer staff. In addition, GIPSA also provided over 2.97 million inspections on 230.3 million metric tons of grain with a value of over $36 billion. GIPSA's grading standards help buyers and sellers efficiently identify the quality of grain and grain products. These standards are essential for providing a common language for trade.

The 2015 Budget requests total budgetary authority of about $2.3 billion for the MRP agencies, of which about $965 million is from discretionary appropriations, more than $919 million from Customs receipts, and about $455 million from fees charged to the direct beneficiaries of MRP services. MRP agencies are continuing our efforts to address core mandates and high priority needs while using taxpayer resources as efficiently as possible. I would like to highlight the budget requests for the MRP agencies.

AGRICULTURAL MARKETING SERVICE

AMS' mission is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace to the benefit of producers, traders, and consumers of U.S. food and fiber products. AMS accomplishes this mission through a wide variety of activities in cooperation with State and agricultural industry partners.

The President's Budget request for AMS proposes a discretionary appropriation of about $84 million. This funding level includes the resources needed for ongoing Marketing Services activities and Federal-Statement Marketing Improvement matching grants. Additional funding is requested for the Transportation and Market Development Program to work with Federal and State agencies, land-grant universities, and regional planning commissions to assess local and regional food systems and determine key characteristics such as production capacity, market size, and demographics. This information will help food system developers, investors, and state and local governments to better understand the challenges and opportunities for growth in their local food systems. By working with these partners, AMS can encourage efficient and high-impact use of Federal programs that support local and regional foods as well as help inform better planning at the local and regional level. The assessment will also complement grant programs funded by the 2014 Farm Bill. Also, within the requested current funding level, AMS is planning to expand Market News reporting on local and regional food to make more market data available on agricultural products sold locally. These data will offer new transparency for these markets and will help other USDA agencies provide better services to local and regional producers.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The Animal and Plant Health Inspection Service has a broad mission that includes protecting and promoting the health of U.S. agriculture and natural resources, administering the Animal Welfare Act, and carrying out wildlife damage management activities. Together, with customers and stakeholders, APHIS enhances market access in the global marketplace and helps ensure abundant agricultural products.

The budget request proposes discretionary appropriations of about $838 million. In addition, existing user fees of more than $231 million will support Agricultural Quarantine Inspection activities directly managed by APHIS. Increased cost-sharing will be requested from cooperators of several pest programs related to specialty crops and trees pests; this allows lesser demand for Federal taxpayer resources, and provides a more balanced allocation of responsibility. In recent years, successful efforts to eradicate pests, like boll weevil, and to minimize the risk of animal diseases, like avian influenza, have allowed for savings without negatively impacting producers. These and other carefully considered reductions, together with aggressive streamlining steps, allow us to steward taxpayer resources and request a small number of increases for our highest priorities.

With the publication of the final animal disease traceability rule in 2013, the FY 2015 Budget request enhances implementation of the rule, such as improvements to data access, tag testing, enforcement efforts, and assistance to states and Tribes. USDA will continue to implement the regulations and educate stakeholders about the regulations. Ultimately, the actions supported by the request assists producers in learning how they can support traceability goals, protect their animals, and safeguard the U.S. livestock industry worth $70 billion, as well as help to assure our trading partners of commitment to protect the health of our livestock.

Also worth noting, the President's Budget requests continued funding to address the problem of feral swine, estimated to cause $1.5 billion in damages a year, with more than half of that as direct damage to agriculture. These destructive beasts threaten animal and human health; crops and livestock; rural, suburban, and urban properties, and natural resources. We also started a pilot project in New Mexico in FY 2013 to jumpstart our national feral swine control program. APHIS, in collaboration with Federal, State, and Tribal Nations, livestock producers, and local high school vocational agriculture students, removed more than 640 feral swine on properties totaling approximately 4.8 million acres in New Mexico. Conservative estimates indicate that

this collaborative effort reduced the number of offspring from these animals by 1,800 piglets. At an average of $200 per pig in property damage per year, the pilot program has already saved $360,000 in property damage for New Mexico residents. During the past year, APHIS also developed a National Feral Swine Damage Management Plan to serve as a comprehensive strategy for collaborating with States and local authorities across the United States. In FY 2014, APHIS is implementing control efforts in all 39 States where there is a recognized feral swine population. APHIS hopes to eliminate feral swine from 2 States within 5 years and begin reducing the damage these animals cause each year. With the FY 2015 Budget, APHIS will continue to work with other Federal, State, and local entities to address the more than five million feral swine found in 39 States. The feral swine population has increased from 1 million to 5 million over the last 20 years. Some estimates indicate that without a Federal response the population would increase to 10 million by 2017. We are grateful for the Committee's support of this important effort to stem the tide of damages that feral swine cause. We ask that you continue to support a nationally coordinated approach to this destructive invasive pest.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GIPSA's mission is to facilitate the marketing of livestock, meat, poultry, grain, and related agricultural products and to promote fair and competitive trade for the benefit of consumers and American agriculture. GIPSA fulfills this mission through the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS). To better fulfill GIPSA's mission with regard to the Packers and Stockyards Act, we are reinvigorating our efforts to identify and implement ways to help small and mid-sized livestock and poultry producers thrive.

The budget proposes a discretionary appropriation of slightly more than $44 million. About $24 million is requested for the P&SP while approximately $20 million is for FGIS activities including standardization, compliance, and methods development activities. The budget also includes existing user fees of about $50 million for grain inspection and weighing. The discretionary budget includes a request for additional funding to allow the P&SP to facilitate market protections for buyers and sellers of livestock and poultry through greater compliance, investigative, and enforcement activities in the field. Funds would provide equipment and other support expenses needed for its field staff to effectively conduct regulatory and investigative

work. An increase for FGIS will allow it to purchase long-delayed scientific equipment, which will provide advanced assessment of rice characteristics and effective mycotoxin testing programs for U.S. grain exporters.

CONCLUSION

In closing, the budget request for MRP supports our key role for the rural economy and for producers and consumers across the Nation. Under this Administration, agriculture exports have had the strongest five-year period of growth in our nation's history, and set a new record in calendar year 2013 at $144.1 billion. MRP programs have contributed significantly to this success as well as the development of domestic markets. The FY 2015 Budget reflects the comprehensive efforts we have taken to conserve taxpayer dollars through targeted, common-sense efficiencies.

This concludes my statement. I look forward to working with the Subcommittee on the FY 2015 Budget and will be glad to answer questions you may have on these budget proposals.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Statement of Mr. Kevin Shea, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives

Mr. Chairman and distinguished members of the Subcommittee, I appreciate the opportunity to appear before you on behalf of the dedicated and hard-working employees of our Agency to discuss the United States Department of Agriculture's (USDA) priorities for the Animal and Plant Health Inspection Service (APHIS) and to provide you with an overview of our fiscal year (FY) 2015 budget request.

APHIS' mission is to protect the health and value of U.S. agricultural and other plant and animal resources. Our programs protect U.S. livestock, poultry, and specialty crops worth more than $165 billion. As Secretary Vilsack stated in the Agriculture Outlook Forum in February, U.S. agriculture as a whole supports 1 in 12 jobs, and 14 percent of all manufacturing jobs in this country tie to agriculture. APHIS' programs play a key role in ensuring that U.S. farms and ranches remain healthy and productive. Over the years, APHIS has modernized to be more proactive, flexible, and responsive to the needs of those we serve. In conjunction with USDA's Blueprint for Stronger Service, we have found opportunities for cost savings, such as reducing our travel costs by more than 25 percent over the last several years and finding efficiencies through business process improvements. Although our activities have changed over the years, our core mission of protecting the health and value of U.S. agriculture remains the same. We

carry out this mission by working with a variety of partners, including—States, Tribal Nations, farmers, ranchers, and industry associations.

Our programs continue to support all of the Secretary's goals: assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving; ensuring our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources; helping America promote agricultural production and biotechnology exports as America works to increase food security; and ensuring that all of America's children have access to safe, nutritious, and balanced meals.

We appreciate the Committee's support of our programs, as you demonstrated with the increases provided in FY 2014 to ensure we can continue supporting our farmers and ranchers by protecting agricultural health. The increases, such as the $20 million one-time funding for the Multi-Agency Coordination group for huanglongbing (HLB) and $20 million to begin a new feral swine management program, will also allow us to start new initiatives. While our core mission remains the same, APHIS made significant adjustments over the last several years, prompted both by changing times and previous reductions to our budget. Our two largest units, Plant Protection and Quarantine and Veterinary Services, reorganized to modernize their structures. They did so in an effort to ensure that we could improve service delivery to our stakeholders with more consistent guidance while facing changes in agricultural industry, decreased fiscal resources, and workforces with many experienced employees eligible for retirement. Other APHIS units are analyzing the benefits of possible restructures. Increasingly, APHIS will seek innovative alternatives to rulemaking to achieve our objectives—making sure

agriculture stays healthy while ensuring the rapid flow of commerce. These alternative solutions allow our stakeholders to use their best ideas and practices to achieve the goals of preventing pest and disease spread. They can lead to deeper and more meaningful collaboration between APHIS and our partners and allow us to make changes more quickly if the situation warrants. A recent example of these initiatives includes using a national certification process administered by our sister Agency, the Agricultural Marketing Service, to help prevent the spread of forest pests through the movement of firewood rather than establishing Federal regulations. We are developing better, faster business processes to improve our customers' experience and deliver services more economically and efficiently.

To help us identify the most critical items during these changing times and guide us as we update our Agency's strategic plan, we held a series of stakeholder engagements over the course of the last fiscal year. Along with the Deputy Administrators from all six APHIS mission program areas, I held 14 different meetings with representatives from the citrus, seed, potato, cotton, nursery, grain, cattle, swine, poultry, equine, sheep and goat, cervid, aquaculture, and live animal and animal products trade groups. While each of the sector groups had unique issues and opportunities to discuss with APHIS, several broad themes emerged: exports are critical for U.S. farmers and ranchers; the tools we use to protect animal and plant health must be commerce-friendly; and the Agency needs to take a balanced approach when developing new requirements or programs. APHIS immediately addressed some of the most urgent concerns that came out of these sector meetings, such as establishing the Multi-Agency Coordination group for managing efforts around HLB and publishing a comprehensive rule to address bovine spongiform encephalopathy (BSE). For longer-term issues, APHIS is committed to meeting annually with

these sector groups to discuss continuing or new concerns, and to collaborate on solutions. We are pleased to have the opportunity to discuss these important, over-arching concerns in a proactive way and work with our stakeholders to help address the animal and plant health issues that are most critical to them.

I would also like to acknowledge the level of dedication and effort that APHIS employees give to their jobs every day and would like to report on our key accomplishments of the past year. Following vigorous debate in the industry and public input, APHIS published a final rule in January 2013 establishing regulations for improving the traceability of U.S. livestock moving interstate. Under the final rule, unless specifically exempted, livestock moved interstate must be officially identified and accompanied by an interstate certificate of veterinary inspection or other documentation, such as owner-shipper statements or brand certificates. We are currently working with our State partners to educate producers about the regulations and increase the number of official identification devices available to make them easier to obtain. APHIS will continue to help producers learn how they can support the traceability goals and protect their animals before we begin enforcing the new regulations in July 2014. Having a strong traceability program in place will provide extra assurances to our trading partners that the United States can quickly contain an animal disease outbreak if it occurs and prevent potentially infected products from being exported. In addition, the new Traceability system is designed to provide flexibility for States, Tribes, and producers. It will meet the diverse needs of the countryside where States and Tribes can develop systems for tracking animals that work best for them and their producers, while addressing gaps in our overall disease response efforts.

We also started a pilot project in New Mexico in FY 2013 to jumpstart our national feral swine control program. We are grateful for the Committee's support of this important effort to stem the tide of damages that feral swine cause—an estimated $1.5 billion annually, with more than half of that as direct damage to agriculture. APHIS, in collaboration with Federal, State, and Tribal Nations, livestock producers, and local high school vocational agriculture students, removed more than 640 feral swine on properties totaling approximately 4.8 million acres in New Mexico. Conservative estimates indicate that this collaborative effort reduced the number of offspring from these animals by 1,800 piglets. At an average of $200 per pig in property damage per year, the pilot program has already saved $360,000 in property damage for New Mexico residents. During the past year, APHIS also developed a National Feral Swine Damage Management Plan to serve as a comprehensive strategy for collaborating with States and local authorities across the United States. In FY 2014, APHIS is implementing control efforts in all 39 States where there is a recognized feral swine population. With such a large, expansive population (expected to reach 10 million animals by 2017, if left uncontrolled) this will need to be a sustained effort. APHIS hopes to eliminate feral swine from 10 of the 39 States within 7 years and stabilize or reduce damages caused by the animals in the other States.

We also have made significant progress in addressing a variety of plant pests. In May 2013, we announced with our State partners the eradication of the Asian longhorned beetle from Manhattan and Staten Island, New York, and Union and Middlesex Counties, New Jersey. We are still battling this threat to our native, hardwood trees in other areas, but these successes demonstrate that our strategy is working. Additionally, along with our State and industry partners, we are beginning a series of surveys to confirm that we have eradicated the pink

bollworm from the United States after more than a decade of intensive efforts involving mating disruption, use of pest-resistant genetically engineered cotton, and release of sterile pink bollworms. This pest caused significant damage to cotton fields in the southwestern United States since it entered the country in the early 20th century. We are also continuing our successful effort to eliminate the European grapevine moth from California. Thanks to the intensive, cooperative effort with California, we have been able to release 9 of the 10 quarantined counties within the last two years. With our program partners, we will continue conducting intensive trapping this summer in Napa, the last remaining affected area, and we are hopeful that this coming growing season will be the first without any new detections. Also in FY 2014, we are working with our partners in USDA, citrus growing States, and the citrus industry through the HLB MAC (and using the funding provided by the Committee) to take promising, practical tools from the research arena into the field in order to deal with this devastating disease and its insect vector and to help growers.

We have also used the funding provided by the Food, Conservation, and Energy Act of 2008, in 2013, to enhance plant health through two important programs, Plant Pest and Disease Management and Disaster Prevention and the National Clean Plant Network (Network). We are pleased that the Agricultural Act of 2014 reauthorized and included funding the National Clean Plant Network and increased funding available for Plant Pest and Disease Management and Disaster Prevention. Under the latter program, APHIS has funded more than 1,300 projects in 50 States and two U.S. territories since 2009. These projects have strengthened our ability to protect U.S. agriculture and natural resources from foreign plant pest threats in areas such as pest survey, identification, inspection, mitigation, risk analysis, and public education and outreach. For

example, the detector dog program, which we will continue under the new Farm Bill, enhances surveillance and inspection of plant products to prevent the entry of plant pests. This program is most active in California and Florida. The National Clean Plant Network promotes the use of disease-free stock and provides a safe, coordinated way for desirable nursery stock to be imported from overseas. In existence since 2008, the Network supports 20 clean plant programs in 15 States for specialty crops, including fruit trees, grapes, citrus, berries, and hops.

As our stakeholders emphasized during our sector meetings, the ability to export their products is key to the growth and continued success of U.S. farmers and ranchers and related businesses. I am heartened that agricultural trade continues to be a bright spot for the U.S. economy, with agricultural exports surpassing $140 billion in FY 2013. And I am proud of APHIS' role in continuing to help broaden international trade pathways for our producers. Last year, APHIS, in cooperation with other agencies, successfully negotiated and resolved 200 sanitary and phytosanitary (SPS) trade-related issues involving U.S. agricultural exports, with an estimated market value of $2.9 billion. This included eliminating BSE-related restrictions on U.S. exports of beef and other bovine commodities to Japan, Bahrain, Mexico, Indonesia, Panama, Peru, Trinidad and Tobago, and Turkey. Other accomplishments involve gaining new access for U.S. pears to China and U.S. peaches to Australia. APHIS also successfully intervened in 280 releases of U.S. cargo held up at foreign ports-of-entry, which prevented the rejection of shipments worth more than $34 million. APHIS also supports exports through certifying that U.S. products meet foreign countries' entry requirements. In FY 2013, we issued approximately 200,000 export certificates for live animals and animal products. On the plant side, we issued a

record 605,000 certificates, most of them through our automated Phytosanitary Certificate Issuance and Tracking system that allows exporters to make appointments and payments on-line.

APHIS is committed to developing better, faster business processes to improve our customers' experience and deliver services more efficiently. We continue to see benefits of the business process improvement reviews we undertook over the last several years. For example, APHIS conducted business process improvement reviews of both its biotechnology regulatory determination reviews and its veterinary biologics licensing reviews with the goal of streamlining the processes and reducing the time required to allow companies to bring new products to market sooner. As a result of the changes we made to the process for licensing new veterinary biologics, the average number of days required has decreased from 541 days in FY 2010 (before the review took place) to 263 days in FY 2013. Our goal for the biotechnology regulatory determinations is to reduce the time required for review from an average of 3 years to about 13 to 16 months. The first petition to reach a determination of nonregulated status from start to finish under the improved process did so 376 days sooner than the average time under the previous process. We will continue to evaluate the results of these process improvement efforts and look for additional opportunities for improvement.

Our Animal Welfare program carries out activities designed to ensure the humane care and treatment of animals covered under the Animal Welfare Act (AWA) through inspections, enforcement, education, and collaboration with others. In FY 2013, APHIS published a final rule to revise the definition of "retail pet store" in the AWA regulations to close a loophole that, in some cases, has threatened the health of pets sold sight unseen over the Internet and via

phone- and mail-based businesses. The rule will help to ensure that breeders who sell dogs, cats, and other pet animals at retail (where there currently is no public oversight) provide their animals with humane care and treatment in accordance with AWA standards. Before publication of the final rule, APHIS hosted a series of conference calls with industry groups and webinars for the public. APHIS will continue to develop and distribute information on the new rule to hobby breeders, professional and industry organizations and associations, industry leaders, and the public.

FY 2015 Budget

Our FY 2015 budget requests a total of $837.5 million, including $3.2 million for our Buildings and Facilities account. This is a net increase of $12.6 million, or approximately 1.5 percent, more than the FY 2014 appropriation of $824.9 million, excluding the one-time funding for HLB. The budget contains several requests to support mission critical activities while proposing decreases in other areas. To encourage the most effective use of Departmental space resources, APHIS, as well as other USDA agencies, will begin to fund payments to the General Services Administration (GSA) and Department of Homeland Security (DHS) within individual budgets rather than through a central account. Therefore, the FY 2015 budget for APHIS includes $42.6 million in connection with the decentralization of the USDA GSA Rent Account and DHS security payments. This funding is vital to ensuring that we do not have to reduce operations to pay our leasing and security costs. We also are requesting an increase of approximately $2.6 million to continue implementing the improved Animal Disease Traceability system. This increase would allow us to enhance implementation by improving data access through increased

integration across information systems and testing the feasibility of tag retirement strategies. APHIS will also use it to provide additional support to States and Tribes as they expand their traceability efforts.

APHIS is proposing decreases in areas where we feel we can reduce efforts without compromising progress towards program goals, such as Avian Health and Cotton Pests. We are also requesting a decrease in the Plant Protection Methods Development line item related to the National Clean Plant Network because the Agricultural Act of 2014 provided mandatory funding for this important work through annual transfers from USDA's Commodity Credit Corporation. Finally, we are continuing our effort to better balance the Federal portion of the costs for cooperative plant pest and disease programs with reductions proposed in the Specialty Crop Pests and the Tree and Wood Pests line items. While we recognize the importance of the programs to our nation's agricultural health, we urge our State and industry partners to put more resources into these programs that are vital to their interests as well. Our request does not continue one-time funding for HLB as provided in a general provision during FY 2014.

APHIS' mission of safeguarding U.S. agriculture is ever more critical. Agricultural production practices, global trading patterns, and pest and disease threats are changing. But our core objective remains the same. It is simple, but vital: to protect American agricultural and other animal and plant resources, and APHIS' mission touches the lives of every American. On behalf of APHIS, I appreciate your support and look forward to a continued, productive working relationship. I would be glad to answer any questions you may have.

AGRICULTURAL MARKETING SERVICE

Statement of Anne L. Alonzo, Administrator
before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Subcommittee, I am very pleased to have this opportunity to present the fiscal year (FY) 2015 budget request on behalf of the Agricultural Marketing Service (AMS). While I have been at AMS for less than a year, I was immediately impressed by how effectively AMS supports marketing for U.S. agriculture in our country and around the world. By increasing agricultural opportunities through new markets and a competitive agricultural system, our programs advance the Department's goal of helping rural communities create prosperity. Directly and indirectly, our programs also facilitate exports and help to ensure that all of America's children have access to safe, nutritious, and balanced meals.

In this budget, we propose to increase our efforts to expand marketing options for farmers and ranchers through local and regional food systems, while continuing our dedicated support of marketing systems for all agricultural commodities. To accomplish this, we are requesting a total of $84 million in annual appropriations. Before I describe our budget proposals, I would like to briefly mention our mission and programs, and highlight a few of our recent accomplishments.

AMS MISSION AND PROGRAMS

AMS' mission is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace to the benefit of producers, traders, and consumers of U.S. food and fiber products. We partner with state agricultural agencies, local and Tribal governments, other

Federal agencies, and agricultural producers and other stakeholders along the marketing chain to accomplish our mission effectively and cost-efficiently.

Our employees and partners provide information, technical assistance, and services to help move agricultural products from producers to consumers. For example, our market news program impartially reports current information like price, movement, and supply which is essential for competitive marketing. We also generate data on the cost and availability of various agricultural transportation modes and offer technical assistance on the development and utilization of marketing facilities and systems, both conventional and alternative. We offer voluntary services that certify the accuracy of USDA quality grades and specialized food labels that are important to consumers here and abroad. And we oversee self-help research and promotion programs and marketing order programs that are developed and financed by farmers, ranchers, and others in the agricultural industry.

We support fair marketing by maintaining the integrity of the USDA organic label, inspecting shell egg packing and handling operations, verifying that a variety of products are labeled for country of origin, checking seed for accurate labeling, and resolving financial disputes concerning fresh and frozen fruits and vegetables.

Our commodity purchase program supports both rural economies and government nutrition goals. AMS purchases, which are distributed through USDA's domestic nutrition assistance programs, help food producers reduce surplus supplies. We also purchase healthy and nutritious food specifically for USDA's child nutrition programs. Through other AMS programs, we improve child nutrition by generating data on pesticide residues in foods, particularly children's foods, and by requiring high sanitary conditions for all facilities receiving USDA quality grade certification.

FY 2013 ACCOMPLISHMENTS

In 2013, despite reduced resources, we were able to implement changes in a number of our programs to better support domestic and export trading – both for conventional agriculture and for specialty markets like organic or local and regional. For example, we initiated process improvements in Market News while continuing to generate reports that are crucial to farmers

and ranchers. We continued our work with other USDA agencies in developing alternative market outlets, particularly local and regional markets. Our National Organic Program (NOP) finalized an international agreement with Japan and strengthened enforcement, while also developing a streamlined certification process. And since access to export markets is important for all agricultural products, we provided technical assistance and documents to support agricultural exports.

Market News – To increase market transparency, our Market News program implemented mandatory reporting on wholesale pork in 2013, providing market participants with considerably more information than they had before in order to address producer concerns about the availability of market data. At the same time, Market News continued to report data needed by the expanding organic industry, offering current marketing information on hundreds of organically grown products across the country – most on a daily or weekly basis – at various levels in the marketplace, including retail, wholesale, shipping point, and point of entry for imports. This increased market data about organic agriculture makes it possible for USDA's Risk Management Agency to strengthen crop insurance offerings for organic producers. Also during 2013, the program began to streamline operations through organizational changes and process improvements that will allow us to begin expanding reporting on local and regional markets.

Transportation and Market Development – Our market development programs continue to be in high demand as a result of sustained public interest in local/regional food issues. Farmers markets have grown and larger-volume enterprises such as food hubs have rapidly emerged and developed across the country. Our team provides technical support for direct and locally-grown food enterprises, helping meet increasing consumer demand. In FY 2013, we recorded over 8,100 farmers markets in the AMS National Farmers Market Directory, a 4 percent increase from FY 2012, and a 54 percent increase since 2009. AMS also helped to develop a food hub database that now includes well over 200 regional food hubs, which open up new market opportunities for producers by aggregating and marketing farm products to buyers such as groccry stores and institutions. In 2013, our program experts responded to hundreds of requests for information and assistance regarding local and regional food marketing issues and participated in regional and national conferences, webinars, and workshops to share information

with more than 1,400 small and mid-sized enterprises and individuals on marketing and purchasing strategies for locally and regionally produced foods. AMS has partnered with other Federal agencies, providing information to 82 food service managers at Veterans' Administration hospitals across the country regarding ways to source more local food. These efforts create economic opportunities for rural communities and help increase access to fresh, healthy food where it is most needed.

National Organic Program – Our organic program sets standards for USDA certified organic products from more than 25,000 organic operations around the world, of which 18,500 are in the U.S. The USDA label assures consumers that organic products have been produced using approved methods and without prohibited substances. NOP supports the integrity of the organic label for buyers and consumers by monitoring and enforcing compliance by organic operations and accredited certifiers. In 2013, NOP reduced the backlog of open complaint investigations for the first time by completing investigations on more than 200 complaints alleging violation of the organic regulations. The program issued 18 civil penalties through settlement agreements for willful violations of the USDA organic regulations, ranging from selling product as "organic" without certification to the application of prohibited substances on organic crops. To expedite service to the industry, NOP streamlined its appeals process and increased the use of settlements, which cut the number of open appeals cases in half and reduced the average days a case is open by more than half.

To reduce the regulatory burden on businesses, NOP initiated a "Sound and Sensible" initiative to make organic certification more accessible, attainable, and affordable for small and beginning farmers. The 'Sound and Sensible' initiative involves identifying and removing barriers to organic certification, streamlining the certification process and focusing enforcement on egregious violations, correcting small issues before they become larger ones, and supporting the Secretary's efforts to eliminate duplicative requirements through cross-USDA collaboration.

NOP works closely with the Foreign Agricultural Service and the Office of the United States Trade Representative to establish international agreements that expand export market for U.S. organic operations. The NOP maintains recognition agreements with India, Israel, and New Zealand; a trade agreement with Taiwan; and organic equivalency arrangements with Canada, the European Union, and, as of this year, Japan. As of January 2014, the organic equivalency

arrangement with Japan means that certified organic operations in Japan and the U.S. may sell their products as organic in either country. The organics sector in the U.S. and Japan is valued at more than $36 billion combined, and it is rising every year. This partnership streamlines access for U.S. farmers and processors to the growing Japanese organic market, benefiting the thriving organic industry and supporting jobs and businesses on a global scale.

Standards and Export Certification – Another way AMS supports export market access is through our commodity standards and export certification programs. Through collaboration with Federal regulatory and trade agencies and industry groups, we represent the interests of U.S. producers in the development of internationally-recognized standards and specifications to enhance and expand export market access for U.S. commodities. For example, the U.S. and Canada just announced an agreement to harmonize their terminology for wholesale meat cuts, thereby removing a longstanding trade irritant with one of our largest trading partners.

Our fee-funded export certification and verification programs offer opportunities for American farmers and businesses to succeed by connecting them with foreign markets. Federal agencies and the agricultural industry depend on AMS to develop and administer market and export assistance programs. These quality systems verification programs and laboratory approval programs make products eligible for export to various countries by certifying they meet export requirements and policies of specific countries. For example, AMS' Dairy Program offers inspection and certification of dairy and related products for export that attest dairy products are fit for human consumption, produced under sanitary and wholesome conditions, and free from animal diseases. In 2013, the dairy program implemented an electronic document system to facilitate export certification for product going to the European Union (EU), and issued over 32,000 export certificates. These certificates were issued to over 110 countries impacting nearly $5 billion in trade.

As the use of veterinary drugs is an increasing issue for animal agriculture in America and abroad, export verification has become a high priority issue for the beef, pork, and turkey industries. Notably, in 2013 the Russian Federation banned the use of a drug approved for use in food-producing animals to promote leanness and to improve feed efficiency. To address Russia's zero-tolerance policy, the Foreign Agricultural Service and the Food Safety and

Inspection Service approached AMS to develop a program to help U.S. beef, pork, and poultry producers meet the new requirements. The new program establishes a system of approved labs to verify these products meet international requirements. With this certification program, market opportunities are protected for U.S. products in the European Union, Russia, China, and other countries. In fact, after banning imports of U.S. pork for 12 months, Russian officials announced this month that they would again allow pork into Russia if the pork was produced from facilities that have been approved by AMS to meet Russia's requirements that pork be produced from animals never fed beta agonists. This AMS program will also help facilitate the export of pork to China, where there is a similar requirement.

Also in 2013, AMS launched the Processed Eggs and Egg Products Export Verification program, which verifies that facilities handling processed eggs and egg products are operating according to FDA Good Manufacturing Practices for sanitation and food safety. As of mid-March, AMS has certified 33 facilities to export products to Mexico and the EU, facilitating exports in a previously untapped export market that forecasts predict could exceed $500 million. Similarly, the AMS Poultry Export Verification Program helps U.S. poultry companies export their products to EU countries. Thanks to this program, one American turkey processor was able to export close to 300,000 pounds of product in 2013. The Animal Protein Verification Program was developed for customers looking for poultry products that are not fed animal products or by-products. In some nations, such as Saudi Arabia, this is a requirement for all poultry products. By participating in the program, one company exports close to 20 million pounds of products every year.

Commodity Purchases – Our Commodity Purchase Program provides much needed assistance to producers while supporting the Department's nutrition assistance programs. We make every purchase count for suppliers and recipients of our purchase program. Last year, AMS' Commodity Procurement purchased a total of almost $1.6 billion of food to support USDA nutrition assistance programs like the National School Lunch Program, the Emergency Food Assistance Program, and others. This included over $720 million worth of food from our nation's producers using funds available to AMS, including more than $400 million in fruits and vegetables. AMS also strives to support small businesses with these purchases, with over 45 percent of contract dollars awarded to small businesses in 2013. Our total purchases also include

nearly $850 million of commodities paid for with FNS funding to fulfill nutrition program needs. Foods purchased by AMS meet the highest safety and quality standards, as evidenced by our purchase specification data, available through the AMS web site.

FY 2015 BUDGET PROPOSALS

For FY 2015, AMS proposes a discretionary appropriation of $84.2 million, including $83 million for all Marketing Services activities and $1.2 million for Federal-State Marketing Improvement Program (FSMIP) grants.

Our Marketing Services request continues our on-going marketing support for agricultural producers large and small, conventional and organic. Given the continued growth in consumer demand for locally-produced foods and the strong interest we see from those utilizing our services, we propose to focus additional resources to support local and regional markets. Investing in local and regional marketing efforts, like farmers markets and food hubs, gives small and midsized producers – including young farmers, veterans, immigrant farmers and others – the opportunity to sell more of their products and provides fresh, healthy food for consumers. We also see a growing number of large farms diversifying into specialty offerings such as locally-branded food; our efforts in this area truly benefit American agriculture as a whole. Our proposal supports USDA's efforts to strengthen regional economies and improve access to healthy foods for consumers.

In any business venture, the key to reaching a new market is starting with accurate and comprehensive information. Specifically, our 2015 budget requests additional resources for our Transportation and Market Development program to generate information concerning state and regional food needs that is not readily available to food system developers and investors. We will partner with Federal and State agencies, land-grant universities, and regional planning commissions to conduct assessments of supply chain resources available in various states to support food system development. The resulting information will better inform planning by helping state and local governments understand where and what agricultural resources and food businesses exist, allowing them to strengthen their policies and initiatives using existing assets and infrastructure. This information will also assist producers and local and regional food

businesses by helping them connect with others in their supply chain to strengthen local and regional food distribution systems. In addition this initiative supports the Farmers Market and Local Foods Promotion Program that was authorized and funded by the 2014 Farm Bill. Through this Farm Bill program, AMS will award grants to increase domestic consumption of agricultural products and to develop market opportunities for farm and ranch operations serving local markets.

This proposal will complement our plan to expand Market News reporting on local and regional food (within current funding levels). There is currently inadequate market data available on agricultural products sold locally, which can often command a premium. We plan to generate Market News information on locally-produced fruits, vegetables, meat, poultry, egg, and dairy products at local markets, in farm-to-school programs, and at regional food hubs. This will generate new transparency for local markets and new opportunities for producers, including young, beginning, and disadvantaged farmers and ranchers. Local and regional market reporting will lead to a better understanding of the prices paid to producers, which can be used to establish loan values and develop crop insurance tools, leading to more sustainable business models. We will work with our partners to make this pricing data available for utilization by other USDA agencies that provide these services. This effort also fulfills a Farm Bill mandate that USDA develop pricing data for local food products (Sec. 5105 and Sec. 10016).

Together, AMS programs will help agricultural producers access institutional markets, restaurants, grocers, and other buyers of local and regional food. Expanding into mainstream markets can involve aggregation, processing, and distribution, which offers an important opportunity for smaller producers to scale up, for midsized producers to serve a scale-appropriate market segment such as institutions and grocers, and for producers of all sizes to diversify their sales. These new market outlets mean that producers receive a greater share of the retail price and support economic development in rural and urban communities.

Our Marketing Services request reflects a net total increase of $3 million from the 2014 budget, including $1.3 million for AMS' share of decentralized GSA rent and DHS security costs previously funded at the Department level, and $443 thousand for the proposed 1 percent pay

increase. Cost reductions and efficiencies across Marketing Services programs totaling $1.3 million help to offset the proposed increase.

CONCLUSION

By facilitating a competitive and efficient market for agricultural products, our programs make it possible for agricultural producers, processors, handlers, shippers, and sellers to conduct business efficiently and effectively. We believe the allocation of resources proposed in the 2015 Budget represents the most effective use of available funding to accomplish AMS' important mission. Thank you for this opportunity to present our budget proposal.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Statement of Larry Mitchell, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives

Introduction

Mr. Chairman and members of the Subcommittee, I am pleased to share with you the accomplishments of the Grain Inspection, Packers and Stockyards Administration (GIPSA), and discuss with you GIPSA's fiscal year (FY) 2015 budget proposal.

GIPSA plays an integral role in ensuring the economic viability of America's farmers and livestock producers and, in turn, rural America. GIPSA programs impact the livestock, poultry, and grain markets directly and GIPSA's work in the three key sectors of American agriculture ensures fair-trade practices and financial integrity for competitive markets, and promotes equitable and efficient marketing across the Nation and around the world.

As you know, GIPSA administers two programs that are very important to American agriculture: the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS). P&SP protects fair trade practices, financial integrity, and competitive markets for livestock, meat, and poultry. FGIS facilitates the marketing of U.S. grains, oilseeds, and related agricultural products through a world-renowned grain inspection and weighing system. Moreover, FGIS maintains the integrity of the grain marketing system by developing unbiased grading standards and methods for assessing grain quality.

P&SP is headquartered in Washington, D.C., has staff in three regional offices located in Atlanta, Georgia; Denver, Colorado; and Des Moines, Iowa; and 45 front-line resident agents, seven resident auditors, two market inspectors, and three resident agent supervisors throughout the U.S. who are the eyes and ears for our compliance and regulatory presence on the ground.

FGIS is also headquartered in Washington, D.C., with its National Grain Center located in Kansas City, Missouri. FGIS has seven field offices, three sub offices, and one Federal/State office. The field offices are located in Grand Forks, North Dakota; Kansas City, Missouri;

League City, Texas; New Orleans, Louisiana; Portland, Oregon; Stuttgart, Arkansas; and Toledo, Ohio. The sub offices are located in Moscow, Idaho; Beaumont, Texas; and Crowley, Louisiana. The Federal/State office is located in Olympia, Washington. FGIS delivers official inspection and weighing services via a national inspection system, a unique public-private partnership of Federal, State, and private inspection personnel. Our partners include 53 State and private agencies authorized by the Secretary to provide official inspection and weighing services on GIPSA's behalf.

Packers and Stockyards Program

GIPSA's P&SP regulates businesses that market livestock, poultry, and meat under the Packers and Stockyards (P&S) Act, enacted in 1921, to promote fair and competitive marketing in livestock, meat, and poultry for the benefit of consumers and American agriculture. Under the P&S Act, P&SP fosters fair competition, provides payment protection, and guards against deceptive and fraudulent trade practices in the livestock, meat, and poultry markets. By protecting fair-trade practices, financial integrity, and competitive markets, GIPSA promotes marketplace fairness for livestock producers, sellers, swine contractors, and poultry growers for the benefit of all market participants.

In carrying out our work, GIPSA works cooperatively with our sister agencies within USDA, particularly with the Economic Research Service, National Agricultural Statistics Service, Agricultural Marketing Service, and Food Safety and Inspection Service, and with the Office of the General Counsel, Office of the Chief Economist, and Office of Inspector General. We also collaborate regularly with the Department of Justice, Commodity Futures Trading Commission, and other State and local law enforcement agencies with their investigations.

GIPSA's P&SP has seen significant improvements in its performance over the last 10 years. A significant component to that improvement has been a business process re-engineering effort initiated in 2006 and subsequent management follow-up and refinement that continues today. The system provides a paperless (electronic) inspection and investigation case file environment hosted through USDA's Internet services. The system facilitates case documentation, tracking, and reporting from case inception to completion. The enterprise automation has allowed the P&SP to operate more efficiently and has strengthened its ability to manage case milestones and significantly reduced costs involved with performing investigations.

For example, in 2000, P&SP had 188 full-time employees, who closed a total of 579 investigations, resulting in a total of 13 formal complaints decided by an administrative law judge. By comparison in 2013, P&SP had 147 full time employees, who closed 2,335 investigative files, more than four times the number of cases closed in 2000. An additional 133 cases were closed that GIPSA had referred to the USDA's Office of the General Counsel, and 12 were closed after referral to the United States Department of Justice. Overall, the improved efficiencies and management capabilities resulting from the business process re-engineering have contributed to significant improvements in performance, and our front-line investigative operation continues to improve the effectiveness of our response to individual complaints and to demonstrate a presence at livestock markets around the country.

GIPSA maintains a toll-free hotline (800-998-3447) to receive complaints and other communications from livestock producers, poultry growers, and other members of the industry or general public. The hotline allows callers to voice their concerns or file a complaint anonymously. GIPSA responds to all calls received.

Federal Grain Inspection Service

The value of U.S. agricultural exports is expected to rise to a record $142.6 billion in FY 2014, according to USDA forecasts. The estimate is up by $5.6 billion from November's number and $1.5 billion above the 2013 record levels. The forecast for grain and feed exports is $31.3 billion -- $3.2 billion higher than USDA's fall forecast due to higher volumes of wheat, corn, and feeds and fodders. Oilseed and product exports are expected to increase by $2.5 billion, to $31.4 billion.

GIPSA's grain inspection program facilitates the marketing of U.S. grain, oilseeds, and related agricultural products by providing the market with official U.S. grading standards, as well as methods for assessing product quality; maintaining the integrity of the marketing system by enforcing the U.S. Grain Standards Act (USGSA) and the Agricultural Marketing Act of 1946 (AMA); and providing for America's national inspection system, a network of third-party Federal, State, and private laboratories that provide impartial, user-fee funded official inspection and weighing services under the authority of the USGSA and the AMA. In 2013, the national inspection system provided over 2.97 million inspections on 230.3 million metric tons of grain with a value of over $36 billion.

GIPSA's grading standards help buyers and sellers efficiently identify the quality of grain and grain products and provide a common language for the trade. To ensure that U.S. standards for grain remain relevant, GIPSA regularly reviews the standards and seeks public input. In 2014, GIPSA completed its review of the U.S. standards for wheat. GIPSA published a final rule in the *Federal Register* amending the wheat standards. This rule becomes effective on May 1, 2014. In 2014, GIPSA will continue with its review of the barley standards, which were originally promulgated in 1926. Through a *Federal Register* notice, we previously solicited barley stakeholder comments, which will be used as the basis for a proposed rule this year.

FGIS provides pesticide residue testing services for applicants and for domestic and export surveys. In addition, FGIS develops analytical methods to support these activities, which play a critical role in demonstrating the quality of U.S. grain as it relates to health, safety, and adherence to U.S. and international regulatory limits. In FY 2013, FGIS participated in the Pesticide Data Program (PDP), a cooperative effort of the USDA, U.S. Environmental Protection Agency, and participating States to monitor pesticide residue levels in grain and other commodities. FGIS developed two analytical methods for measuring pesticide residues and analyzed 300 randomly selected samples that represented the 2012 U.S. wheat crop.

Moisture measurement remains one of the most important official and commercial grain inspection activities because of moisture content's impact on end-use value (dry matter content) and storability. FGIS research has resulted in the Unified Grain Moisture Algorithm (UGMA)—an approach to grain moisture measurement that has shown its potential to improve grain moisture measurement by yielding improved accuracy, permitting multiple manufacturers to design moisture meters that can use common calibrations and give equivalent results, and reducing the cost of on-going calibration maintenance. The new technology was implemented for official determination of moisture for corn, soybeans, sorghum, and sunflower seed on September 10, 2012. In 2013, GIPSA finalized the calibrations for all sixty-four grains and commodities under our jurisdiction. As of May 1, 2013, all official moisture inspections are performed with UGMA technology.

In 2013, GIPSA began the development of software for use with low cost consumer-grade photo scanners to measure the percent of broken kernels in milled rice quickly and accurately. When rough rice is graded in accordance with USDA's rice grading standards, the percentage of broken kernels within a sample is determined by a trained grader's visual

inspection. Mechanical sizing equipment instead of visual inspection is routinely used for separating whole and broken rice pieces at various points of the rice marketing process to save time and cost, but mechanical sizing does not account for inherent differences in rice kernel size.

The software GIPSA has developed rapidly analyzes images of milled rice from a flat-bed scanner. It identifies fully intact kernels, and then precisely compares fractured kernels with the most similar fully intact kernels to determine whether each fractured kernel is whole or broken. The program then computes the percentage of broken kernels by weight. The entire process requires less than five minutes. The software is designed to operate with a wide variety of computers and flatbed photo scanners. When it is complete, GIPSA will make this technology available to all interested users at no charge.

To better serve the dynamic grain marketing system, GIPSA remains attuned to changes in movement of U.S. grain and related products. The U.S. grain industry has experienced a significant increase in the demand for grain exported in shipping containers. A surplus of empty containers allows grain exporters to capitalize on opportunities to ship grain at a lower freight rate and deliver grain to small business entities. Expansion of the containerized grain export market has exceeded most forecasts. Inspection of containerized cargo has increased from 0.1 percent of total grain exported (metric tons) in 2002 to 3.5 percent of total grain exported (metric tons) in 2013 and represented 1.2 percent of total domestic and export grain officially inspected (metric tons) by GIPSA and official service providers in 2013.

GIPSA also continues to work with exporters, importers, and other end-users of U.S. grain around the world to facilitate the marketing of U.S. grain in global markets. GIPSA helps resolve grain quality and weight discrepancies, helps other countries develop domestic grain and commodity standards and marketing infrastructures, assists importers in developing quality specifications, and, to harmonize international trade, trains foreign inspectors in U.S. inspection methods and procedures. These activities foster a better understanding of the entire U.S. grain marketing system and serve to enhance purchasers' confidence in U.S. grain. Ultimately, these efforts help move our nation's harvest to end-users around the globe. During 2013, GIPSA personnel met with 47 teams from 23 countries.

Our continued success in fulfilling our mission of facilitating the marketing of U.S. grain is directly attributable to our exceptionally skilled, experienced, and dedicated workforce. FY 2013 was the first year for an FGIS-wide mentoring program. The FGIS Mentoring Program

paired 25 employees with more experienced employees for the purpose of sharing knowledge of practices, policies and organizational culture with the next generation of employees. The year-long program mirrored the components of USDA's mentoring initiative, which focuses on transferring institutional knowledge and enhancing employees' skills.

For FY 2014, the FGIS Mentoring Program was expanded to a GIPSA-wide program with 40 mentor-mentee pairings, 32 of which were from FGIS staff. This 28 percent increase in FGIS participation is the result of strong program area support which recognizes that up to 80 percent of FGIS' supervisors and managers are currently retirement eligible. We are keenly aware of the need to prepare less experienced staff for new potential responsibilities as more senior staff retire.

2015 Budget Request

To fund important initiatives and address GIPSA's core mission responsibilities, GIPSA requests $44,017,000 for salaries and expenses, and $50 million in spending authority for FGIS Inspection and Weighing Services for FY 2015. The Budget includes additional funding to cover salary costs, decentralization of General Services Administration rental payments and Department of Homeland Security payments, the Packers and Stockyards Program to pay for equipment, supplies and other operating expenses to effectively conduct field operations, and for the Grain Program to purchase necessary grain testing laboratory equipment.

GIPSA requests additional funding to strengthen direct enforcement of the Packers and Stockyards Act and promote compliance with the P&S Act. P&SP relies on 57 resident agents, auditors, market inspectors, and resident agent supervisors, with assigned duty stations in their homes across the United States to conduct a large percentage of its front line regulatory inspections and investigations. Travel is essential for GIPSA's resident agents to successfully perform their job functions as these individuals must travel, at times long distances, in conducting regulatory and investigative field work. Funding is also needed to provide all P&SP staff with the necessary equipment and supplies, such as computers and high speed scanners, to conduct their jobs. Without an increase in funding, the program will have to reduce staff in order to maintain sufficient resources (fuel, supplies, travel, etc.) to support field activity. By providing staff with resources to travel and the tools needed to successfully conduct their work, GIPSA expects to achieve a level of 83 percent industry compliance with the P&S Act.

GIPSA also seeks funding to refine and expand effective mycotoxin and pesticide residue testing and monitoring programs for U.S. grain exporters. These programs are essential for demonstrating that U.S. grain is wholesome and safer for consumption, thereby confirming the high value of U.S. grain commodities. Foreign governments are implementing more stringent controls on an increasing number of pesticide residues in addition to well established restrictions on levels of harmful mycotoxins such as aflatoxin.

Finally, GIPSA will submit legislative proposals to collect fees for the development of grain standards and to amend the P&S Act to provide authority to collect license fees to cover the cost of the program. These proposals are consistent with the overall effort to shift funding for programs to identifiable beneficiaries.

Conclusion

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to share some of the accomplishments of our dedicated staff and to highlight our future plans to facilitate the marketing of U.S. agricultural products and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture.

I would be pleased to address any issues or answer any questions that you may have.

Mr. ADERHOLT. Thank you. Thank you for your testimony this morning and look forward to interact with some questions.

I want to start out with GMO foods and talk a little bit about that. Last week, there was a statue of Nobel Laureate, Dr. Norman Borlaug, that was unveiled in Statuary Hall in the United States Capitol. Actually, he was honored for having saved more than a billion people from starvation with the development of high yield disease resistant crop varieties.

In 2000, Borlaug was quoted as saying there was no evidence to indicate that biotechnology is dangerous. Last week, we had the Commissioner of the Food and Drug Administration here, Margaret Hamburg, and she informed the Subcommittee that FDA and all reputable science organizations have found no evidence of a safety risk involved with this.

Up until recently, USDA leadership and APHIS have maintained a focus on the importance of science in determining the safety of this technology. However, many in Congress are concerned that the politics of biotechnology may be interfering with the scientific review process.

Last year when you were here, you told us that the goal was to get approval done in about one year. However, USDA's own data shows it took on average almost 900 days for eight products to be approved in 2013. USDA also committed to eliminating the backlog of 22 petitions in about a year, while in two years, USDA was able to decrease the backlog by only six petitions.

The question would be where in the process is the review taking more than promised? Is it APHIS? Is it USDA Headquarters? Is it outside USDA? Talk to us a little bit about that.

Mr. AVALOS. Mr. Chairman, thank you for your question. First of all, science really gives us a competitive edge. Innovation really is important to the future of agriculture.

We understand the process to deregulate a biotech product. The timeline is very important to the company that is producing the product and very important to the farmer that is using the seed. We know time is costly. We know time is money.

At USDA, APHIS, Mr. Chairman, we still stand committed to reduce the timeline, but to do it in a way that does not impact on the quality and integrity of our work.

To address your questions on the timeline and where we are, I am going to ask our Administrator at APHIS, Kevin Shea, to answer your question.

Mr. SHEA. Thank you, Mr. Under Secretary. To tell you just a few things about it, one, we changed our process a few years ago to try to make it quicker, and of the products we have put through that new process, we actually got one through in 22 months, which is a substantial decrease over the time it had been taking.

I think the other important point is we want a lasting decision, a lasting deregulation decision. What we do not want to do is deregulate a product and then face litigation, which we had faced on virtually every major product that we deregulated.

What that has led to a couple of times in the past, farmers start depending on the product, and then it is not available to them. We

had one occasion where alfalfa growers were able to plant product for one year, then could not plant it the next year, so some growers had an advantage over the others, if you accept the premise that it is an advantage to use that seed.

We want to be very careful that we do not make a decision that is going to be subject to being overturned in courts, whether that is the court of public opinion or in U.S. District Courts and Appeals Courts. We need to make sure we get this right.

For one thing, as the Under Secretary said, our basic role is to make sure there is not a plant pest risk. The health risk, we leave that to others to decide. We simply have a very narrow role of whether or not any, particularly genetically engineered product, might pose a plant pest risk. That is what we look at. We want to make sure we get that right first of all, but again, we want a lasting solution, a lasting decision that is not going to be subject to constant revocation.

Mr. ADERHOLT. In other words, it is a decision at USDA Headquarters to move slower on these approvals?

Mr. AVALOS. To do it right. It is an emphasis to reduce the timeline but also at the same time, it is an emphasis to make sure we do it correctly to avoid problems down the road.

Mr. ADERHOLT. How can we ensure or you ensure us rather that the fiscal year 2014 and 2015 budgets are sufficient to ensure that future regulatory decisions are made in a more timely and predictable manner as far as from the budgetary standpoint?

Mr. SHEA. As you have mentioned, we have made a big dent in the backlog. I think as we get that backlog down further, at this funding level we have requested and the same funding level we had in 2014, we will be able to get to a point of equilibrium.

Once we can get into about 13 deregulation decisions coming in, we can get 13 deregulation decisions out. I think we are getting much, much closer to that, and I think this budget request will allow us to do that.

Mr. ADERHOLT. I did mention the backlog, but I mentioned there were only six that were able to be decreased from the backlog, and USDA had committed to eliminating about 22 in about a year and then over two years, it was only about six.

Thank you for that. Let me turn it over to——

Mr. FARR. I yield to Ms. DeLauro.

Ms. DELAURO. Thank you very much, Mr. Chairman.

Mr. ADERHOLT. The floor is yours.

TRADE WITH RUSSIA

Ms. DELAURO. I will have the Secretary of Labor next door in about two minutes. I am just going to try to state some questions and see if we can get some quick answers and then submit others for the record.

These are questions regarding AMS and APHIS. What is the role that your agencies play in our trade dispute resolutions and in ensuring that imported foods and food products are safe?

From your testimony, I understand that Russia required us to meet their demands for zero tolerance regarding antibiotic usage. You met their demands. The merits on the antibiotic usage aside—

that we would just simply adhere to another country's demands in front of an international body.

What is the process that occurred in the case with Russia and what precedent might be set for future WTO cases?

Another case, elimination of BSE related restrictions on U.S. exports of beef, other bovine commodities, involving Japan, Bahrain, Mexico, Indonesia, Panama, Peru, Trinidad and Tobago, and Turkey, what did we agree to in order to get the restrictions lifted?

There is a petition nationwide, which has come to my attention, it says over 332,000 people living in every state across the country want to ban the import of Chinese processed chicken into the United States, and particularly to keep it from the National School Lunch Program.

What will you do to ensure that no Chinese chicken will be purchased for inclusion in the National School Lunch Program and other federally funded nutrition programs?

Lastly, eliminating BSE related restrictions on U.S. exports of beef and bovine commodities, again, what did we agree to in order to get these restrictions lifted?

Mr. AVALOS. Congresswoman, I am going to try to answer some of the questions quickly, and I am going to ask Mr. Shea to help me.

On the BSE, the World Organisation for Animal Health—OIE—gave us the lowest risk that is available in the livestock industry—

Ms. DELAURO. My question was what did we agree to in order to get the restrictions lifted.

Mr. AVALOS. We did not trade anything for the risk. What we did is we did our job here to certify that we were free of Bovine Spongiform Encephalopathy—BSE. The international body gave us that recognition, but we did not give anything in return to receive that recognition.

Ms. DELAURO. Tell me about the role the agencies play in trade dispute resolutions and imported foods and food products, and the issue with regard to Russia and their zero tolerance regarding antibiotics usage.

Mr. AVALOS. Unfortunately, Congresswoman, that issue on antibiotics, it does not come under my jurisdiction. It is a Food Safety Inspection Service issue.

Ms. DELAURO. It was in testimony. I read all the testimony.

Mr. AVALOS. Unless you are making reference to Ractopamine that Russia would not allow in our beef.

Ms. DELAURO. It is in the testimony. "As the use of veterinary drugs is an increasing issue for animal agriculture."

"In 2013, the Russian Federation banned the use of a drug approved for use in food producing animals to produce leanness and to improve feed efficiency. To address Russia's zero tolerance policy, the Foreign Agricultural Service and the Food Safety and Inspection Service approached AMS to develop a program to help U.S. beef, pork, and poultry producers meet the new requirements.

The new program establishes a system of approved labs to verify these products meet international requirements. With this certification program, market opportunities . . ."

It further says "Russian officials announced this month that they would allow pork into Russia if the pork was produced from facili-

ties that have been approved by AMS to meet Russia's requirements that pork be produced from animals never fed beta agonists."

Mr. AVALOS. Congresswoman, I understand your question now. It is the Export Certification Program, which is an AMS program. We certify that facility met the requirements of the importing country.

We are able to address that issue for Russia by having what we call the Export Certification Program, and we certify what was fed to these animals, we certify the plant for export, and we sign an official certificate for Russia.

Yes, we were able to address that issue.

Ms. DELAURO. In the trade agreement and this back and forth, we agree, as I said, the merits on antibiotic usage aside and your view, Russia says they mean zero tolerance, so we comply with that. What happens in future trade agreements where we have these kinds of efforts?

I have to leave, as I said the Secretary of Labor is there. There are serious, serious implications on trade and what your agency does, and that does not get into the Chinese chicken issue or anything else.

I really would like on paper what role you play. We are about to enter into a trade agreement with 12 nations, which have serious food safety implications, so your role is critical to our understanding of what is happening and what we give away and what we agree to with these trade negotiations.

[The information from USDA follows:]

TRADE AGREEMENTS

As part of a U.S. Government interagency team led by the U.S. Trade Representative's Office (USTR) and USDA's Foreign Agricultural Service (FAS), APHIS provides the technical experience needed to successfully address animal and plant health regulatory issues associated with free trade agreement negotiations. AMS assists these sister agencies by providing market data and technical assistance as needed.

As part of the Marketing and Regulatory Programs mission area, APHIS is directly responsible for protecting the animal and plant health resources of U.S. production agriculture and natural resources. Since the first round of negotiations in March 2010, APHIS has provided: 1) technical support in addressing bilateral sanitary and phytosanitary (SPS) issues and 2) guidance to the U.S. government team regarding negotiating criteria for animal and plant health components of the text of the SPS chapter of the agreement. APHIS' participation in the negotiation helps ensure that the SPS framework incorporated into the agreement is compatible with U.S. animal and plant health quarantine policies while promoting the export interests of U.S/ agricultural producers. In consultation with an interagency team and U.S. industry groups, APHIS has identified specific SPS issues to resolve or substantially advance with individual countries as the agreements are finalized. These include issues such as removal of trichinae testing requirements for shipment of U.S. fresh pork to Chile, Peru, and Singapore; and expanded access for U.S. potatoes to Mexico, cattle to Chile and Peru, peaches, nectarines, and table grapes to Australia, and offal products to Vietnam.

Consistent with MRP's emphasis on facilitating the marketing of agricultural products in domestic and international markets, AMS provides user-fee export verification programs to facilitate trade by certifying that domestic products meet the requirements of our trading partners. For example, AMS issues dairy health/sanitary certificates that verify the health of animals and products and assures the sanitary conditions of the plants or facilities where they were processed. These certificates help the nation's dairy producers and manufacturers reach large markets like China, which is the world's largest dairy importer and, in 2013, was the third largest export destination for U.S. dairy products valued at $706 million. AMS maintains Memorandums of Understanding with the Food and Drug Administration and the Food Safety and Inspection Service for these export verification activities.

Mr. ADERHOLT. Mr. Yoder.

COUNTRY OF ORIGIN LABELING

Mr. YODER. Thank you, Mr. Chairman. Thank you for your testimony today. As you may know, Kansas farmers and ranchers, livestock producers, and folks around the country in that arena are very opposed to the language in the Farm Bill dealing with country of origin labeling.

In fact, my livestock groups urged me to oppose the Farm Bill despite some of the other favorable provisions to Kansas farmers.

It is my understanding in recent time, a District of Columbia Court has ruled against a suit against those labeling rules.

However, as we know, the World Trade Organization has already found the labeling system as a barrier to trade, and that finding could allow Canada and Mexico to impose more than $2 billion in retaliatory tariffs.

Those tariffs could go on everything from meat to California wine to Florida citrus, it runs the gambit.

My question is if we lose in the WTO, what is the Administration going to do to resolve those tariffs, and are those ultimately going to be borne by consumers in all our districts across the country at the grocery store and at the market?

Mr. AVALOS. Congressman, you are right. I will just go back to the final rule on country-of-origin labeling that did take effect back in May.

The biggest impact was on meat, on meat products. The final rule required that the label on meat products in the grocery store list the production steps, to tell the consumer where that animal was born, where it was raised, and where it was processed.

When we went through and developed this final rule, we did it side by side with the U.S. Trade Representative. Congressman, we feel confident this change will put us in compliance with the WTO.

To answer your question directly, I think the most appropriate action we can take right now is to leave it in the hands of the WTO and see what they decide. Their final ruling is supposed to be late this Summer.

Again, I want to emphasize we feel that the changes we made, the final rule that we published, will put us in compliance with the WTO.

Mr. YODER. If it does not put us in compliance with the WTO, what happens?

Mr. AVALOS. We will have to address it at the time.

Mr. YODER. What are the likely scenarios?

Mr. AVALOS. I could not tell you what the likely scenarios would be because we are confident we are going to be in compliance. This Summer when we get the final ruling, we will decide then.

Mr. YODER. What is the Administration's reaction if the WTO rules that $2 billion in tariffs continue to go forward? How do we respond to that?

Mr. AVALOS. Congressman, we will do our best to address it at the time, like I said. Again, we are confident that we are going to be in compliance with the WTO.

The AMS Administrator just told me the U.S. Trade Representative—USTR—is the agency that is handling this topic. It is in their arena at this time.

Mr. YODER. You have kind of confirmed what I think many folks in the country feel, that we do not have a proper response ready to go, and we do not know really what our country will do if we are hit with $2 billion in trade fines.

I think we need to be concerned about that and need to be prepared for that potential because it really could affect a lot of consumers, constituents, and there will be a lot of complaints.

We just need to be prepared for those labeling requirements, and if the WTO disagrees with you, sir, we need to be more prepared than I think we are to deal with those consequences going forward.

LOCAL FOOD

Let me shift gears a little bit. The Agricultural Marketing Service has again requested increased funding this year of over $3 million for the Transportation and Marketing function, with a focus on farmers markets and local food promotion program.

As you know, in states like Kansas, we want to transport a lot of grain, a lot of beef, a lot of products. I guess my questions are what is the AMS doing in this area to ensure that the U.S. is able to maintain or build upon an agricultural transportation system that can compete with the likes of China, Europe and Brazil, and really more importantly, is AMS requesting more funds to help regional food hubs at the expense of the national needs, which could eventually lead to a loss in competitive advantage in international markets?

Mr. AVALOS. Congressman, first I want to say there really is a tremendous buzz all over the country on local foods. A lot of energy on local foods. In fact, local food sales have continued to increase, now to over $7 billion a year.

The number one trend in the country with the supermarkets, with the restaurants, is local food. We cannot ignore that. This is important to a lot of components of agriculture.

In reality, local foods is an economic driver for communities. Local foods creates jobs. It keeps many farmers, mostly small farmers, on the farm. It keeps farm land in farm production.

Out West, like my own State of New Mexico, it maintains the water rights for farm land, which is very, very important.

To answer your question directly, this is only a minute amount of resources that are being applied to local and regional. The bulk of our resources, not only at AMS but at APHIS and GIPSA, is for what you would call mainstream agriculture, large agriculture that we are used to.

The support for local and regional is not impacting in any way whatsoever mainstream agriculture.

Mr. YODER. I see my time has expired. Thank you, Mr. Chairman.

Mr. ADERHOLT. Mr. Farr.

Mr. FARR. Thank you very much. I personally am very pleased we are putting some marketing activity into the local food market. Even in California, most people do not think about it, but it is a grain producing state, up in Northern California. The wheat they

grow up there is so high yield and so different from what is grown in other parts of the country, they have their own niche markets, and do not have to rely on the national trend.

I think what you will see is this local market will pick up sort of the small farmer capacity to be able to have market supply and get into agriculture, and at the same time, there are going to be surpluses and those surpluses can be marketed nationally and internationally. I think it is a win-win for everybody. I appreciate your putting more money into it.

ORGANIC CROP INSURANCE

I have one question about the organic market data. In your testimony, you indicated on page three that the increased organic market data reported by AMS "Makes it possible for USDA's Risk Management Agency to strengthen crop insurance offerings for organic producers."

I am just curious if you could explain the relationship between the market data and crop insurance.

Mr. AVALOS. Congressman, again, I want to emphasize the organic component in agriculture is very, very important.

Mr. FARR. You do not have to tell me, I authored the legislation.

Mr. AVALOS. Absolutely. I was just reemphasizing what you already know. I was doing it for the benefit of the rest of the Committee.

To answer your question, I am going to ask Administrator of AMS, Ms. Alonzo, to respond.

Ms. ALONZO. Hi, Congressman. First of all, our Market News reports, we issue several hundred a year. They currently report on organic products, but we are constantly reevaluating them and trying to make sure we are consistent with market needs and demands.

Increased organic market data is a need that we have identified because it is really lacking and a major barrier in terms of organic crop insurance.

We have now modified our reporting to create an organic field, if you will, on our portal, to show organic as a distinctive value. Now RMA—the agency—can select organic records and kind of pull it out, if you will, and categorize it so that we can show the true market value of organics.

Then they use this information to calculate insurance pay out rates. That is the nexus, if you will, with our reporting.

Mr. FARR. The more market data you have and the more accurate it is, the cheaper the insurance and the more crops it will cover?

Ms. ALONZO. Precisely. That is why in the Farm Bill there is a data initiative, and they are providing $5 million in funds to further expand organic market reporting with NASS and ERS, because of this identification of the necessity of this data.

Mr. FARR. I would imagine that is the same problem we have had with all specialty crops as they get into the crop insurance market.

I remember when we had floods and tried to do it. The only way we could get insurance was emergency insurance. There are the

actuarials on these crops. Growers cannot even tell you what they are going to plant next year or how many acres.

We have grown 100 crops in one county. It varies on the season. You can grow three crops and in some cases four a year. Those four may be different every year, depending on what the market forces are. You have lots of choices between strawberries, lettuce, celery, artichokes and everything else that is out there.

I appreciate all the work you are doing because we need to get that crop insurance covering specialty crops.

Ms. ALONZO. Thank you.

ANIMAL WELFARE ENFORCEMENT

Mr. FARR. I also have a question, and this is a long one. The Committee has consistently increased APHIS' funding for animal welfare and horse protection enforcement over the last few years. Yet in 2013, APHIS took an average of 757 days to send a penalty to a violator of the Animal Welfare Act. That is over two years. APHIS took an average of 650 days to send a warning letter to violators of the AWA or HPA. That is just a piece of paper in the mail.

The average case age is even worse for the most egregious violators. Those violators that APHIS sends to the Office of General Counsel for prosecution, the cases at OIG are on average over 1,400 days old. That is almost four years old.

It appears to me that APHIS' enforcement arm is severely lacking, even with additional funding and more staff hires.

My question to you, Mr. Shea, is what kind of deterrent value do you think this kind of slow motion enforcement is having? How do you expect animal abusers to (a) have any accountability or (b) respect the authority of USDA when they get a piece of paper in the mail two years after breaking the law?

Has APHIS actually evaluated the efficacy of its enforcement process for stopping animal abuse?

Mr. SHEA. Mr. Congressman, we have many, many cases to deal with and we have to prioritize which ones we move for formal litigation and which ones we try to settle with stipulations.

We do enter into many stipulations or consent agreements with violators. Often we try to get them to change their way of business and to put some of the money into changing their way of business.

I cannot disagree there is a long backlog because there are so many cases to deal with. The appropriation for animal welfare has increased substantially over the last few years, but still relatively modest with the universe that we have to regulate.

Mr. FARR. Are you asking for more money if you need more enforcement officers?

Mr. SHEA. In the 2014 appropriation, the appropriation increased by $3 million. That is going to allow us to probably hire 30 or so people into the enforcement process, both inspectors and people who follow the cases through.

It has been difficult to staff up for animal welfare, and also its enforcement arm.

Mr. FARR. That was the 2014 budget. How about the 2015 budget? That is the one we are working on here.

Mr. SHEA. The 2015 budget will be the same as 2014, but it will take us some time to get staffed up. As the Chairman mentioned

earlier, trying to find the proper use of taxpayer funds and stay within the taxpayer funds has been a real challenge for us, with the appropriation number fluctuating quite a bit for animal welfare over the last several years.

Now we have a lot of confidence with this year's appropriation and the request for 2015 being equal to 2014, that we can go ahead and hire 30 or more people to substantially increase that process.

Mr. FARR. In closing, I think it would be very helpful to know what states are good partners with you and which states are not. We give states a lot of money through our formula funding and block grants and things like that.

I just know that every time there is an animal abuse, it is front page of the paper. It is the highest news you can get. People want immediate action. If our Government enforcement agencies cannot do it, they are very critical of us.

We look forward to working with you. If we need more money, let's ask for it.

[The information from USDA follows:]

ANIMAL WELFARE ENFORCEMENT

In recent years, APHIS has partnered with a variety of States and other entities to better coordinate inspections and support successful enforcement actions. For example, APHIS works closely with the Missouri Department of Agriculture to conduct State and federally coordinated inspection of dog dealers and exhibitors. In Iowa, APHIS and the State jointly inspect facilities when the entity is not in compliance, and APHIS collaborates with Iowa officials to conduct education and outreach with key breeder groups. APHIS also has collaborated with the Ohio Department of Agriculture during its development of new exotic animal laws, improving the welfare of the animals, as well as assuring public safety. In California, APHIS and the California Fish and Game collaborate to conduct all investigations where there has been an exotic animal incident or compliance. And, as a final example, when Texas enacted a new law requiring dog kennels to require a license for business, APHIS worked with the Texas Department of Licensing and Regulation to conduct the required training necessary to ensure entities' compliance and continuity of business.

Mr. ADERHOLT. Mr. Valadao.

DAIRY EXPORTS

Mr. VALADAO. Thank you, Mr. Chair. Administrator Alonzo, in your testimony, you mentioned the AMS dairy export program and the newly implemented electronic document system to facilitate export certification for products going to the European Union and over 100 other countries.

Representing the largest dairy district in the U.S., I am especially pleased with the development. It is important for my District and the constituents I serve to ensure their products become globally available.

Would you highlight a few examples of success with this program and also where we can see changes or improvement?

Ms. ALONZO. Thank you, Congressman. The dairy industry currently exports about 15 percent of its total U.S. production, which is pretty large.

We have a very good story to tell with the program that we have in place. Basically, our Export Certification Program attests that our dairy products are fit for human consumption, they are produced under sanitary conditions, and they are free from animal disease.

We like to say we facilitate export of products valued at approximately $5 billion to cover 110 countries, and as you mentioned, we have been very active with the EU. We have basically put the system in place which is reducing time for processing requests to one to two business days. To date, we have issued over 32,000 export certificates in 2013, which is a 25 percent increase over 2012.

It is a very important success story, and we are moving to China with similar success, if you will. We have approved a certificate for China, and our next step is to implement an electronic system just like we had for the EU.

Thank you, Congressman. We are very pleased with this program and pleased that you are pleased.

HUANGLONGBING-CITRUS GREENING DISEASE

Mr. VALADAO. Thanks. Administrator Kevin Shea, Congressman Rooney and I would like to express our gratitude to the Committee for acknowledging the threat of HLB to our citrus industry with the $20 million in funding.

Citrus has been growing in San Joaquin Valley for over 100 years, and is now a $2 billion industry. The disease funding could not come at a better time. Notwithstanding the threat of HLB, my farmers were hit by sub-freezing temperatures, resulting in approximately $441 million in lost revenue. To add insult to injury, the San Joaquin Valley is now facing one of the worse droughts in history.

I would appreciate an update regarding the efforts to manage HLB, and the preventative measures your agency is taking in California. Furthermore, what is the status of the shovel ready projects that you have identified?

Mr. SHEA. Thanks very much and I really appreciate the Committee providing that $20 million over the course of the next few years for this project.

There are three shovel ready projects that we are getting very close to starting. They are all rather unique. One is one to increase the use of biocontrol, so we have a wasp that will attack and eliminate the ciliate that spreads citrus green disease or HLB. We are going to put money into both California and Florida, and Texas as well, but in each place, something different.

For example, in Florida, they have a rather robust system already of production of the biocontrol agent, and they will be able to double the capacity. More agents, biocontrol agents being released, populations get knocked down.

In California, we want to find more industry groups out there that will be able to produce them, and then we will purchase the biocontrol agents from them.

In Texas, it is something rather different, something called a field cage, where they trim the tree down and then put the biocontrol agents right in the tree and seems to have a great impact on knocking those populations down.

That is one. Another is something really unique, thermo therapy. There has been research that shows if you put semi-transparent plastic over the tree, it reduces the bacterium level very substantially. What happens then is when the citrus ciliate appears and

goes into the tree, they do not get bacterium out of it to spread, and the tree itself does better.

How to move that from a laboratory setting to production is difficult because indeed we are draping plastic over trees.

We are going to be putting funding available to the engineering community to try to figure out how to do this thermo-therapy. Of course, one of the big beauties of that is it uses one of the greatest resources of Florida and California, the sun. Simply heat and kill the bacterium.

The third thing we are doing is working with microbials that can be injected directly into the vascular system of the tree, and that reduces the bacterium level substantially.

Those are three projects that are going into place very quickly, and what is so important about those is they will provide very quick relief.

There is ongoing research. As I think you know, the Farm Bill provided $125 million for citrus research over the next five years, looking for the long term solution to this problem. As you know, our growers need help now, and these are the kinds of things we think will help.

Mr. VALADAO. Thanks. Thank you, Mr. Chairman.

Mr. ADERHOLT. Mr. Bishop.

CUSTOMS UNION AGREEMENTS

Mr. BISHOP. Thank you very much. Last year, APHIS began a new initiative to expand export markets in Belarus, Kazakhstan, and Russia for U.S. chicks and hatching eggs, which was a very significant development for our poultry exporters here in the United States.

In 2010, Russia, Kazakhstan and Belarus formed a Customs Union which was aimed to commonize import requirements for cattle and other live animals, as well as livestock products.

There were nearly 40 potential agreements related to live animals and animal products that USDA continues to negotiate with the Customs Union.

I think all of us have been very concerned with the current situation in Ukraine, and in particular, Russia and Crimea.

Can you tell us given the calls for various sanctions by the U.S. and our partners in the European Union and the United Nations, what the current status of U.S. animal exports are to this region, and what if any impact could there be based on any sanctions which may be levied on Russia?

What is the status of the agreements which have been negotiated with the Customs Union, and finally, are you in communication with the poultry and cattle industries and others here in the U.S. regarding this situation?

Mr. SHEA. Mr. Congressman, we are in constant contact with the industry. We see making agriculture profitable and healthy as our number one goal, and to do that we need to stay in constant contact.

We are trying to negotiate these agreements with the Customs Union. We are not aware of any specific impact from the sanctions, but we will work very closely with the State Department to see

what those sanctions are, and we will work with the industries as well.

Because that area, as you point out, has been a growth area for us, especially for live animals, we have sent thousands of live cattle to that region in the last few years, it is a booming new market for us, and chicks as well.

We will stay on top of this and do everything we can to keep this moving.

Mr. BISHOP. It has the potential for being devastating to the industries, does it not? The sanctions are really a two-edged sword for us. It could hurt us as much as it hurts them, particularly these particular industries.

AVIAN HEALTH ACTIVITIES

Let me go back. I was surprised to learn that you were proposing a decrease in the agency's avian health activities in the next fiscal year. There has been some success in improving the global avian flu situation, and I think it is very clear we must continue to be vigilant in this area.

I was struck that your policy in this area seems to be at odds with your priorities in terms of poultry research.

As you may be aware, ARS' number one priority for both fiscal year 2014 and 2015 is replacement and modernization of the biocontainment laboratory and consolidated poultry research facility.

The laboratory is USDA's major facility for conducting research on exotic and emerging poultry diseases, supporting FSIS, FDA, CDC, as well as APHIS.

Inadequate and badly outdated, the laboratory was identified in a review of ARS' laboratories as the highest priority facility recommended for modernization.

Just last week, ARS testified that the avian health continues to be a priority research area for the agency.

Can you explain your proposed reduction, which I interpret to be a reduced emphasis in avian health related activities?

Mr. SHEA. Mr. Congressman, there is certainly no reduction in our emphasis on poultry health activities. It remains a very, very high priority for us.

I think this amounts to a place where we can achieve a very modest amount of cost savings for a number of reasons. One, the budget request for fiscal year 2015, although $2 million less than the 2014 appropriation level, is still $2 million more than we had in fiscal 2013.

Secondly, we are spending a lot less on domestic, low path avian influenza indemnities. We spent only about $165,000 over the last two years for indemnities. That is good news in a lot of ways. One, it shows there is a lot less low-path avian influenza circulating in the United States, and again, it allows us to spend less money, saving taxpayer funds.

We think we can continue this program, continue, for example, all the aspects of the National Poultry Improvement Program headquarters in Conyers. We will continue that with a very high priority.

Should there be some sort of big uptick in avian influenza problems, we can look to some of our emergency funding authorities and contingency funding authorities to fill that gap.

It remains a very, very high priority.

Mr. BISHOP. I understand what you are saying. I know my time has expired. You kind of want to believe that you put your money where your mouth is, if you are really serious about it. Thank you.

Mr. ADERHOLT. Mr. Nunnelee.

RABIES

Mr. NUNNELEE. Thank you, Mr. Chairman. I know that we have a program in the Department of Agriculture, the National Rabies Management Program. I have also heard discussions that in these tight budget times, this is a disease on which it was more appropriate to focus on in the 19th Century and not the 21st Century.

I am here to tell you I have a friend, a colleague from the Mississippi legislature. He and his wife lost a son within the last decade due to rabies. I talked to him yesterday.

His response was, "look, if we can keep another family from going through the tragedy that we went through, absolutely bring this matter up in the Subcommittee hearing."

I just want to ask how does the budget request that you have reflect the importance of this program?

Mr. AVALOS. Congressman, first I want to emphasize that our rabies program is very, very important, and it's very important because it has a direct impact, not only on people that live in rural communities, but also people who live in urban communities. So I wanted to say that first. And then coming from New Mexico and the border, I know that rabies can be an issue, because on the other side of the border rabies is a major issue. So I understand what you're saying.

With the funding, the resources that we have at this time, we can focus and we have to focus on maintaining the barrier, maintaining the rabies barrier. We do not have the resources to expand. We don't have the resources to shift over to selected areas to eradicate a specific region. Our focus with the 2015 budget will be to maintain the barrier.

Mr. NUNNELEE. So this will allow us to maintain. It really won't allow us to expand on elimination?

Mr. AVALOS. That's correct.

BIOTECHNOLOGY PETITIONS

Mr. NUNNELEE. Thank you. Shifting gears, last year we talked about the importance of biotech in the Ag sector and streamlining efforts being implemented in the approval process. I expressed some concerns that these reports that were supposed to be completed in six months were not being completed for several years. And we had testimony last year that said that we're beginning steps to correct this process. So I just need to know what steps have been taken since last year and what's the average approval time today?

Mr. AVALOS. Congressman, I'm going to have Mr. Shea answer your question.

Mr. SHEA. Mr. Congressman, we have reduced the backlog of deregulation petitions from 23 to 16. So we have made some good progress there. And from the changes we made in our process, we have begun a few deregulation processes or process under that. And the first one we tried, we got done in 22 months, which was substantially less than we have been able to do it before.

I think the big problems for us, or challenge for us, is making sure we get it right, and that we get it right in a way that withstands challenges. We want to be able to make a deregulation decision so farmers can have the benefit of the new seeds, whatever the product is, and also be able to count on that, because we have had instances in the past where litigation has led to products being withdrawn from the market. People have literally planted alfalfa and then a year later said you can't plant any more. So this is such a controversial area, there are so many views about it and many of these views are played out in litigation. And we need to make sure that we have done the science correctly, both the environmental requirements and the plant health requirements to make sure that once we make a deregulation decision, the courts will uphold it.

Unfortunately, that does make the process take longer than we would like, but it's part of doing business. And we are committed to doing better with this. And I think I mentioned earlier that once we get the backlog down in the neighborhood of 12 or 13, then we'll be kind of at an equilibrium where we'll have the same number of deregulation petitions coming in as we can get out. And I know we are not where we need to be yet, but we are going to keep working at it, and I think we've made great progress.

Mr. NUNNELEE. Where do you anticipate we will be when we have this same meeting this time next year? Will the backlog be clear?

Mr. SHEA. I think that the backlog will be at least half of what it is now. So I think we will be at least a half or so toward ultimately getting the list into kind of equilibrium again. So we are the same number coming in and the same number going out.

Mr. NUNNELEE. I look forward to that response next year. Thank you. Thank you, Mr. Chairman.

Mr. ADERHOLT. Ms. Pingree.

GIPSA'S FAIR TRADE PRACTICES

Ms. PINGREE. Thank you, Mr. Chair. Thank you all for your great work on behalf of American farmers and consumers, and for testifying here in front of us today.

First, I just want to make a quick statement. Then I have multitudes of questions, but I will get through a couple right now. I just want to make sure I go on record supporting the vital role that GIPSA and the Packers and Stockyards Act play in protecting our nation's farmers and ranchers. Ensuring enforcement against discriminatory and deceptive practices and protecting against efforts to establish monopolies and price controls is just as important today as it was when the Act was first passed in 1919.

Your budget request includes a small but important increase of $2 million for a total of $24 million to strengthen GIPSA's ability to enforce fair trade practices in the livestock and poultry indus-

tries. And I just want to thank you for that request, and thank you for having that in there and have that on the record. So, thanks.

GENETICALLY MODIFIED ORGANISM LABELING

Now I want to move onto GMOs, and I know the chair mentioned earlier that this can often be a political, controversial topic. And I appreciate some of the questions that were asked earlier about some of the regulatory issues, but I just want to talk a little bit more about something I brought up with the Secretary when he was before us, and that is on the issue of labeling. I know this is a challenging one, but I happen to represent the state of Maine where we recently became the second state in the country to pass a law requiring the use of labeling genetically modified ingredients in foods. And I want to emphasize that while this can be very political—and I know there's a lot of issues around it, in my state, this was a Republican-sponsored bill passed by a Democratic legislature and signed by a Republican Governor. So in our state, it is not partisan. It is much more of a consumer issue. It is also an issue for farmers. Consumers want to know what is in their food, and many of our farmers, particularly those growing organic crops, want to make sure that they have no problems with contamination. So this is particularly true, because as you have remarked earlier, there are great new opportunities in our state, and it has been a big part of the growth in our farming, which is nice to see it going in the opposite direction from the declines of the past.

Anyway, can you just give me a little update on the activities of AC21, your working group that was dedicated to tackling the issues of farmers growing genetically modified crops coexisting with traditional and organic farmers? Has the Department been hearing the concerns of these farmers and consumers? And, specifically, is there funding for AC21 in your APHIS budget?

Mr. AVALOS. Congresswoman, I am going to answer part of the question, then ask our administrator to help me a little bit.

Ms. PINGREE. Great.

Mr. AVALOS. First, I just want to emphasize that at USDA we support all types of agriculture. I know the Secretary has mentioned this to you many times.

Ms. PINGREE. I understand that.

Mr. AVALOS. But we do support conventional and organic. On the labeling issue, our responsibility, APHIS, is to look at a product from a plant risk standpoint. We do not have jurisdiction or responsibility with the labeling. That's an FDA responsibility. To answer the rest of your question, I am going to ask my administrator to help me out a little bit, because I know that he has a little bit more information on this than I do.

Ms. PINGREE. Great.

Mr. SHEA. I would say that the Secretary takes AC21 so seriously that he promoted my predecessor, Cindy Smith, the Administrator of APHIS, to actually lead the AC21 effort within APHIS. That's how important it is to us, and we do have funding to carry out its work, which is mostly gathering information, gathering views, gathering analysis from all the interested parties.

They had a public request for information in the last few months, and all of that data is being compiled now, and we will be putting out a report soon.

Ms. PINGREE. Great. Well I will look forward to seeing more of that report. And while I understand the labeling issue isn't necessarily in your domain, some of the issues around the crop contamination of farmers certainly is, and that raises a lot of concerns.

NATIONAL ORGANIC PROGRAM

Let me move on to the National Organic Program. Your budget request includes $9.1 million for the National Organic Program, which, as you know, is charged with regulating and enforcing USDA Organic label. As an organic farmer myself and representing many organic farmers in our state—there's been rapid growth in our state and around the country, and you've talked a little bit about that. And I think that the growth in the organic industry has outpaced many of the resources provided to the NOP, so I thank the Administration for acknowledging that strong funding is needed to fulfill the regulatory and enforcement role.

This board—I know you know all this, but just to be clear, this National Organic Standards Board was established by Congress as a citizen board that advises the USDA on technical decisions about what type of ingredients are allowed for the use and production, processing and handling of foods labeled as organic. But I have been troubled to learn that the Agricultural Marketing Service recently changed its policies on the National Organic Standards Board, and that significant administrative and procedural changes are suddenly being implemented by the National Organic Program without the benefit of formal notice or the opportunity to comment.

I think there is a legitimate concern among many of the farmers in our state that these changes could dilute the procedures used to consider the use of synthetic materials allowed for use in organic food. To make this significant of a policy change without formally seeking input from the public seems inappropriate to me.

All right. I think I'm about out of time, but if you can either give me a quick answer on this change, or we can take it up in the next round of questions.

Mr. AVALOS. Congresswoman, I am going to let Anne Alonzo answer your question.

Ms. ALONZO. Yes, Congresswoman. We have changed the process, but we think we have actually improved and streamlined it, and even given greater participation, public participation. And we have many folks who are in support. May I recommend that we come by and give you a more thorough debrief, given the time limitations?

Ms. PINGREE. Absolutely. I would be happy to do that, and I appreciate your willingness to do that. Thank you. Thank you, Mr. Chair.

GMO LEGAL FEES

Mr. ADERHOLT. I am going to jump back to a couple of issues that have been asked, just do a couple of follow-up on the GMO foods related issue. What is the amount of money? I understand there has been some settling with some different entities, that you have paid out legal fees to settle some cases in the past. Do you

have an idea of what in 2013 and 2014 of the money that has been paid out for those settlements?

Mr. AVALOS. Mr. Chairman, I am going to ask Kevin Shea to answer your question.

Mr. SHEA. Mr. Chairman, we haven't made any such payments in '14. And, forgive me. I'll have to check for the record when we made some payments, whether they ended up being in '12 or very early in '13. But we did end up paying over $3 million in legal fees.

[The information follows:]

BIOTECHNOLOGY LEGAL FEES

In FY 2012, APHIS paid two separate legal settlements to the Center for Food Safety in the amounts of $1.20 million and $2.21 million. The settlements were paid from APHIS' Biotechnology Regulatory Services FY 2012 annual appropriation. There were no payments in FY 2013 or FY 2014, and no settlements are pending at this time.

If I could just point out that in those cases we ended up paying plaintiffs' legal fees, because they prevailed on the grounds that we had not done sufficient environmental impact statements or environmental analyses. And the courts have never ruled that we made an improper determination that a genetically engineered event was indeed a plant pest threat or risk. They never have. But, we have had to pay the fees, because people prevail on this National Environmental Policy Act—NEPA—procedural statute where if they can prevail to the extent they say we did not do sufficient environmental work, then they've won the case for that purpose, and we have to pay their fees. And this kind of gets back to what we're talking about earlier, why the process does maybe take long, because we are trying so hard to make sure that we do up front all the environmental and NEPA requirement work so that we don't end up in that situation again.

COUNTRY-OF-ORIGIN LABELING

Mr. ADERHOLT. Let me shift over back to the WTO case with the mandatory country of origin labeling. Since WTO has previously ruled that mandatory COOL for certain meat cuts violates our trade agreements, it is certainly reasonable. Not saying they will, but saying it is reasonable to expect that we will face retaliation.

If that does occur, what commodities and industries are being targeted by Canada and Mexico for a retaliation, and how much do you estimate these various sectors will have to pay in tariffs?

Mr. AVALOS. Mr. Chairman, I don't have that information to provide to you or to the committee at this time.

Mr. ADERHOLT. Could you provide a list?

Mr. AVALOS. Anne, do you have anything to add? Could we just get back to you on this?

Mr. ADERHOLT. Yes. If you could provide us a list and the estimated tariffs for the record, that would be very helpful.

Mr. AVALOS. Yes, sir. We will, Mr. Chairman.

[The information follows:]

U.S. COUNTRY-OF-ORIGIN LABELING REQUIREMENTS

The 2013 news release provided below, from the Government of Canada web site, identifies a list of U.S. commodities imported from the United States into Canada

that may be targeted for possible retaliation as a result of a World Trade Organization (WTO) dispute regarding U.S. trade agreements and practices.

[The information follows:]

Government of Canada | Gouvernement du Canada

Canada

Foreign Affairs, Trade and Development Canada

Statement by Ministers Fast and Ritz on U.S. Country of Origin Labelling

June 7, 2013 - The Honourable Ed Fast, Minister of International Trade and Minister for the Asia-Pacific Gateway, and the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, today issued the following statement on U.S. Country of Origin Labelling (COOL):

"Despite consistent rulings by the World Trade Organization, the U.S. government continues its unfair trade practices, which are severely damaging to Canadian industry and jobs.

"Our government is extremely disappointed that the United States continues to uphold this protectionist policy, which the WTO has ruled to be unfair, and we call on the United States to abide by the WTO ruling.

"We are preparing to launch the next phase of the WTO dispute settlement process on the new U.S. rule, which we had hoped to avoid by the United States living up to its trade obligations.

"The Canadian government, with the full support and active engagement of Canadian industry, has fought against this unfair treatment, which is also hurting U.S. industry and consumers.

"When the United States failed to comply by the May 23 deadline, we said we would pursue all options available. Today, we are also releasing a list of U.S. commodities for possible retaliation, to be published as soon as possible in the *Canada Gazette,* as a way to formally launch the consultation process.

"Our government will continue to consult with stakeholders as we pursue a fair resolution of this issue through the WTO over the next 18 to 24 months. To respect Canada's WTO obligations, our government will not act on these retaliatory measures until the WTO authorizes us to do so."

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A backgrounder follows.

For further information, media representatives may contact:

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1-866-345-7972

Backgrounder - Possible Trade Retaliation Action Against the United States

The following list itemizes the products imported from the United States that may be targeted in response to the failure by the United States to comply with the WTO ruling on certain Country of Origin Labelling (COOL) requirements. The list will be published in the *Canada Gazette* for the purposes of consulting with interested Canadians. Numbers indicate the tariff heading, sub-heading or item under the World Customs Organization's Harmonized Commodity Description and Coding System.

- 01.02: live bovine animals;
- 01.03: live swine;
- 02.01: meat of bovine animals, fresh or chilled;
- 02.02: meat of bovine animals, frozen;
- 02.03: meat of swine, fresh, chilled or frozen;
- 0207.13.10: cuts of offal, fresh or chilled, of spent fowl;
- 0406.90: cheese, not including the following: fresh (unripened or uncured) cheese, whey cheese or curd; grated or powdered; processed cheese; blue-veined cheese or cheese containing veins produced by *Penicillium roqueforti*;
- 0808.10: apples, fresh;
- 0809.29: cherries, other than sour cherries (*Prunus cerasus*);
- 0812.10: cherries, provisionally preserved (unsuitable in that state for immediate consumption);
- 10.05: corn (maize);
- 1006.30.00: semi-milled or wholly milled rice, whether or not polished or glazed;
- 1602.32.11: prepared or preserved-prepared meals of spent fowl; prepared meals of specially defined mixtures;
- 1602.32.92: prepared or preserved-specially defined mixtures, other than in cans or glass jars; spent fowl other than in cans or glass jars;
- 1602.49: prepared or preserved swine cuts, other than ham and cuts thereof; other than shoulder and cuts thereof;
- 1602.50: prepared or preserved meat of bovine animals;
- 1702.20: maple sugar and maple syrup;
- 1702.40.00: glucose and glucose syrup, containing in the dry state at least 20 percent but less than 50 percent by weight of fructose, excluding invert sugar;
- 1702.60.00: certain fructose and fructose syrup, containing in the dry state more than 50 percent by weight of fructose, excluding invert sugar;
- 1806.20: chocolate and other food preparations containing cocoa-preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg;
- 1806.90: other chocolate and other food preparations containing cocoa-ice cream mix or ice milk mix; chocolates; chocolate coated nuts and other confectionery;
- 19.02: pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagna, gnocchi, ravioli, cannelloni; couscous, whether or not prepared;
- 19.04: prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize [corn] in grain form

or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked or otherwise prepared, not elsewhere specified or included;

- 19.05: bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products;
- 2004.10.00: certain potatoes, prepared or preserved otherwise than by vinegar or acetic acid, frozen;
- 2009.11: frozen orange juice;
- 2103.20: tomato ketchup and other tomato sauces;
- 22.04: wine of fresh grapes, including fortified wines; certain grape must;
- 2207.20: ethyl alcohol and other spirits, denatured, of any strength;
- 2940.00.00: certain sugars, chemically pure, other than sucrose, lactose, maltose, glucose and fructose; sugar ethers, sugar acetals and sugar esters, and their salts;
- 3504.00: peptones and their derivatives; other protein substances and their derivatives, not elsewhere specified or included; hide powder, whether or not chromed;
- 71.13: articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal;
- 7306.40.00: certain tubes, pipes and hollow profiles, welded, of circular cross-section, of stainless steel;
- 7321.90: parts for non-electric heating appliances;
- 7326.11.00: grinding balls and similar articles for mills, forged or stamped, but not further worked, of iron or steel;
- 9401.30: swivel seats with variable height adjustment;
- 9403.30.00: wooden furniture of a kind used in offices; and
- 9404.29.00: mattresses of materials other than cellular rubber or plastics, whether or not covered.

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FOOD PROCUREMENT

Mr. ADERHOLT. Last week GAO released a report that found that USDA and USAID disagree over the usefulness of the web-based supply chain management system called Web SCM and managing international emergency food aid procurement activities. The report noted that Web SCM had significant deficiencies, such as being too slow and too time consuming; and, therefore, USAID is not using the system. According to this GAO report, the total cost for this program is estimated to be $187 million.

In addition, this Committee supported an additional increase of $6.8 million for an upgrade to the Web SCM software back in FY '14. Given the tremendous amount of money that this Committee of Appropriations has provided for the system, why is the procurement of food aid commodities not more efficient?

Mr. AVALOS. Mr. Chairman, first, I once again want to thank the Committee for supporting the program. I don't have an answer for you. I am going to ask our Administrator to help me answer your question.

Mr. ADERHOLT. Okay.

Mr. AVALOS. Anne, do you have this information?

Ms. ALONZO. Well this just happened, but we are aware of the GAO findings and we are working now with FSA, FAS and USAID to address the recommendations. Our role has been one of providing a supply chain management electronic system, and that is how we have played in it. But, since this came out, we are sitting down and talking with them about the issues that you bring up.

Mr. ADERHOLT. Oh. I understand that USAID stopped using the system back in 2011, and the question has been it has been almost three years, and there is still no resolution to the disagreement over the system. You know, as being the manager of Web SCM, are you currently working with USAID on ways to resolve this conflict and how they can better use this system?

Ms. ALONZO. Yes, we are, sir.

Mr. ADERHOLT. Oh. Have you heard any complaints from other users of the system?

Ms. ALONZO. Not that I know of.

PLANT AND ANIMAL RISKS

Mr. ADERHOLT. Let me just start on the one quick question. The FDA testified in front of the subcommittee last week and informed us that the U.S. import food from about 150 countries, and that is about 15 to 20 percent of all of the food consumed in the U.S. originate from foreign sources. In addition to food imports, pests and diseases may enter the U.S. from a number of different sources of course. Can you inform the Subcommittee of some of the greatest threats to both plants and animals in U.S. agriculture today?

Mr. AVALOS. Mr. Chairman, I am going to ask our Administrator, Kevin Shea, to address your question.

Mr. SHEA. Mr. Chairman, on the animal side I would say that all of the livestock industries still view Foot and Mouth Disease as the biggest threat. I say that not in the sense that we believe Foot and Mouth Disease's arrival here is imminent. We don't believe that it is. But, should it arrive, it could cause tremendous problems

in this country. Since I've been an administrator, I have met with 14 different sectors of agriculture, and every one of the livestock sector groups, whether it was pork, beef, dairy, all of them talked about that problem. And, of course, from the poultry industry, high path Avian Influenza is a huge threat.

And then there's Exotic Newcastle Disease, and that actually is something we have had the more recent terrible experience with in California, just 10–12 years ago, when we had to spend over $200 million to eradicate Exotic Newcastle Disease in Southern California. So I would say on the animal side, those are the two, biggest threats.

On the plant side, particularly for citrus, we always fear the Mediterranean fruit fly. But I think, thanks to the annual funding from this Committee, we have had a preventive program for Med Fly where we release sterile flies in California and Florida that we really blunted that threat. We still have the occasional fruit fly turn up. In fact, one has recently turned up in Los Angeles, but because of the preventive program, we were able to really reduce that threat.

And there are other diseases. Every sector has them, of course, and you've seen them more recently in California, which unfortunately ends up bearing the brunt of many of these things in the grape industry, where we have had to deal with the European Grapevine moth. So there are lots of threats out there. We think that we are doing a really good job in keeping them out. And one thing I have noticed over the last five years, we have had relatively few, major pest disease incursions in this country.

That doesn't mean there are pests getting in that we'd rather keep out, but what we haven't had to do is resort to multi-million-dollar emergency transfers from the Commodity Credit Corporation to APHIS to conduct large-scale programs. We haven't had one of those in many years. And, in fact, the major emergency programs we have had in the last five years have been for tree pests. And that may be the biggest threat that we have seen in the last several years for things like the Emerald Ash Borer, Asian Longhorned Beetle, that affect trees. In fact, they seem to have been the bigger threat than things that threaten our traditional, specialty crops, or staple crops, or even livestock.

Mr. ADERHOLT. Mr. Farr.

AQI COST RECOVERY AND STRUCTURE

Mr. FARR. Thank you, Mr. Chairman. I would like to follow-up with that line of discussion. You know. When you do these inspections, it is not just the Federal Government and for the people in their federal clothes and being federal to it, it's really an Army approach or a whole bunch of approaches of different services. You have the state involved, different federal agencies, border patrol, things like that for inspection along the border. And it just strikes me that having been here about 20 years and just watching the shift, as we saw it in California, where we are really going through an after the budget crisis there and fiscal crisis, a whole re-look at what we call realignment. Maybe we ought to be giving more of these authorities to the local government, rather than the state government.

California has 58 counties and 58 Ag commissioners; and, under California law, they have a lot of responsibility. In fact, it would be great for other states to have Ag commissioners at the county level. I am just wondering whether you are starting to look at ways in which we can not only help use them more, but also shift some funds to them. And I understand that APHIS and U.S. Department of Homeland Security's Custom and Border Patrol are jointly working to carry out the agriculture quarantine inspection activities.

Last March, the Government Accountability Office released a report on the investigation and collection of user fees, and found that a gap of more than $325 million existed between fee revenues and program costs in FY 2011. APHIS was then supposed to issue a proposed rule last fall, and the question is has the rule been issued. And can you tell me whether APHIS and CBP are doing to ensure that the full cost recovery of the program will be in that fee proposal, and will it have the support of industry?

Another question along that line is that APHIS hired a contractor to conduct a comprehensive fee review to determine the full cost of the AQI services, and have identified changes to the fee structure and recommend new fees. As good as APHIS and CBP inspectors are, sometimes those tricky pests will get past them, and into our U.S. Ag system, and therefore require the states and the counties to pick up the remaining responsibility.

Do you know if the contractor's review included the downstream activities, such as monitoring that must be conducted by state and local governments when a pest gets past CBP? And what percent of user fee collections are used to support those downstream activities by state or by local governments? So I think it is imperative that we kind of look at the whole cost and build that regardless of whether the end enforcement is picked up at the local level, that we include that in the cost of those inspections and monitoring. And I would appreciate your thoughts on that.

Mr. SHEA. Several things in response to that. One, a very direct response: No. That study by the contractor did not incorporate the downstream cost of surveillance carried out by states or counties, like the county commissioners. I meet with Commissioner Lawrence every year, at least twice a year, actually, and we talk about this a lot. But it does not include that.

Mr. FARR. Why not? I mean it just wasn't asked?

Mr. SHEA. Our interpretation of the statute that allows the user fees would indicate that the fee can only be applied to the more direct inspection itself and the things that go into the inspection. For example, setting the rules for what the inspections need to be in the first place, what they need to look for. And that, of course, the inspections themselves, which are conducted mostly by Customs and Border Protection folks, and then some of the work that APHIS conducts, actually looking at plants.

CBP tends to look at cargo and people. We look at nursery plants and things like that brought into the country. We do that directly, but our interpretation and our attorney's interpretation of the statute has always been that we cannot incorporate these downstream costs. But, we are doing other things to help with those downstream costs.

STATE AND LOCAL SUPPORT

For example, the Farm Bill provision, formerly 10201, now the new Farm Bill, I believe 10007, provides about $62 million that we can use with states and local governments throughout the country for plant pest disease prevention and recovery activities. And one of the major things we've always done with that money, I believe, $3 or $4 million a year, is we provide that to the county commissioners in California, and they do inspections, follow-up inspection and surveillance.

Mr. FARR. That's so little money, I mean compared to what the responsibility is.

Mr. SHEA. But we provide——

Mr. FARR. They have a huge nursery. It's a Fortune 500 business in California. It's billions and billions of dollars. And to think that if those nursery plants coming in across the border in the soil or in the plants—and we have seen what's happened from either Canada or Mexico—we have had some major catastrophic breakouts: the Glass-wing sharp-shooter and the light brown apple moth.

Mr. SHEA. We were hoping we'd forget that one, right?

Mr. FARR. Yeah. Well that's been a disaster in everything.

Mr. SHEA. But we also provide other money to the state, through other funding sources, through the Appropriation, for example, for most of our programs, most of specialty crop programs. We provide money to California, primarily, but to many states for surveillance work. So there are other opportunities.

Mr. FARR. My time is out, but I would hope; I mean you are a very smart guy and our Ag commissioners are really smart, professional people. I would hope that the Department, the Federal Government and every agency would begin to look at how they can partnership and coordinate with state and local governments. I think we all operate these silos, and we have all done that too often, too long. And, you know, the old days the Federal Government had all the professional talent, because it paid all the great wages, attracted all the best people.

That is no longer true. Local government salaries are a lot higher than federal salaries, and they have developed their lawyers and their ordinances, and their state statutes. And, you know, states, and in some counties—Los Angeles County—do you know what the budget of Los Angeles County is? $24 billion. It's like the fourth largest budget in the United States for a county. So I mean they've got really sophisticated government, and I think it's a time that we ought to be thinking about how to get a better bang out of our buck by sharing and monitoring—I mean and collaborating. And this is one you've got a whole, professional crew out there that aren't in the federal family, but are under the umbrella of responsibility. And the Ag commissioners are one. Maybe new realignments at the federal level would be very helpful.

I hope you look at it. You're background's from there, Mr. Avalos, you know this, though.

Mr. SHEA. I agree with you completely. I view Secretary Ross as my indispensable partner in pest and disease control programs.

Mr. FARR. I look forward to some recommendations. Thank you, Mr. Chairman.

Mr. ADERHOLT. Mr. Bishop.

USER FEE PROPOSALS

Mr. BISHOP. Thank you very much. According to your FY '15 justification, APHIS will submit legislative proposals to authorize the collection of $7 million in user fees for veterinary biologic activities, and $4 million in user fees for biotechnology regulatory service activities. In theory, these proposed user fees will allow APHIS to retain our quality services as demand increases, and it will assist APHIS in fulfilling the mission to protect or the health and the value of American agriculture and natural resources.

Again, given the prospect of Congress not approving any new fees, why didn't the Administration just request an additional $11 million in its FY '15 budget proposal, particularly, if it's needed to fulfill your mission to protect the health of American agriculture?

Mr. AVALOS. Congressman, I'm going to ask Mr. Shea, who's been on the hot seat all day, but he will respond to your question.

Mr. SHEA. Mr. Congressman, I think we all understand the need to restrain federal spending and we've got to make tough choices. Again, the Chairman said earlier, we need to make sure we are targeting the most vital things. And we think that the level of funding we provided for those two programs in the budget itself allows a good level, but could we do more? Of course, and that's why we proposed the user fees as a way to do more in those two items.

I think that we are doing a good job with veterinary biologics. We have made improvements, but we could make more with more money. But, at the same time, we realize the constraints that we are operating under and simply did not feel that we could propose more appropriated funding for it.

LACEY ACT IMPLEMENTATION

Mr. BISHOP. I'll accept that. Let's move to the Lacey Act amendments regarding timber imports. As you know, the 2015 budget includes a total of almost $34 million to facilitate safe agriculture trade, and this includes funding to implement the Lacey Act amendments included in the '08 Farm Bill, which were instituted to help prevent the importation of products that were derived from illegally harvested timber. Can you give us an update on your Lacey Act related activities, and what's planned for FY '15? And, also, can you give us some indication of the magnitude of the problem?

Mr. SHEA. The APHIS role in Lacey Act implementation is to devise and collect the declaration that people must provide when they're bringing any product into the country that may be of plant origin. And, as you rightfully point out, that is extraordinarily broad. There are very few things that don't have some possibility of being derived from plants. What we have done over the years is try to mitigate the burden of that requirement by phasing in when we do require this documentation.

For example, we put the first emphasis on the most obvious things, like timber. We want to make sure that people are filling out the declaration. What we have done is to try to put it in a better database and work with the shippers and the international brokers so that they can transmit that data electronically. Because

there is some burden, if you will, on people who do import goods, because they might have to fill one form out for Customs, and the Lacey Act declaration is yet another. But that is our role.

What we don't have is an enforcement role. When people violate it, it's, I believe, the Commerce Department that has to follow that up, and the Interior Department who follow that up with help, obviously, from the Justice Department. But that's our role, a relatively minor role, but a huge volume of paper or electronic transmission, and that's what we are working on.

Mr. BISHOP. Thank you.

Mr. ADERHOLT. Ms. Pingree.

WINTER MOTHS

Ms. PINGREE. Thank you very much, Mr. Chair.

The Ranking Member was asking you about some pest issues and better coordination, and I just want to talk a little bit about the Winter Moth, which is an increasing pest problem, an invasive insect that's been established in several parts of New England, but it is now an increasing problem in Coastal Maine. It is causing considerable amount of damage to our hardwood trees: maples, oak and apple, and people are raising a lot of concerns about how we are going to handle this.

The USDA has already provided some funding for Winter Moth through two different agencies, the Animal and Plant Health or APHIS, and the Forest Service. And I was fortunate enough this morning, previous to this, to be at the Interior Appropriations hearing, and I got the chance to ask Chief Tidwell about the work that the Forest Service is doing through the Forest Health Protection Division. So I just wanted to get a little update on the APHIS side.

We are very grateful for what's already been going on here to address the issue and cooperation with the University of Massachusetts and the Forest Service. APHIS has initiated a five-year biological control effort to introduce a parasitic fly that kills the Winter Moth. So this has been successful, and other areas were very excited about the potential for it here. But one of my concerns is about the pool of funding available to address emerging threats to our forests, and to support some of the prevention, research, control, and eradication efforts, and worrying that that pool is just too small.

I am specifically concerned that there is an $8.6 million decrease in the President's funding request for the APHIS tree and wood pest program; and so, again, in a time of shrinking budgets, can you talk a little bit about how confident you are that we will do everything that we can to address pests like the Winter Moth, and the Winter Moth specifically? And what else can we do to facilitate some of those agency partnerships? I know you already work with the states, but I just want to make sure we are not going to run out of money to be successful here.

Mr. SHEA. On the Winter Moth, I think it was really good news that the parasitic fly works. We tested it out in Massachusetts to make sure there would be no problems with it before we brought it to Maine.

Ms. PINGREE. Thank you, I appreciate that.

Mr. SHEA. So I think it is going to work out very well there. And we—you have our commitment to making sure that it works.

In terms of the reduction for the tree and wood pest funding, we hope it will not be an overall reduction in effort by government. We do hope the state governments will pick up some more of the funding. And that is really what we are proposing here.

For example, right now we pay 95 percent of the cost for the Asian longhorned beetle program, which, right now, is mostly in parts of Massachusetts, Ohio, New York. And we are proposing that the states pick up more of that, so that the ratio goes from 95 federal to 80 percent federal. And for the Emerald Ash Borer it is the same kind of thing. We have paid 97 percent of the program costs, and we are proposing that the states pick up more so that we only put in 75 percent. So we are hopeful that the states will fill that gap. And, again, all of that is part of our effort to try to restrain federal spending.

Ms. PINGREE. Well, thank you for your answer, and for your commitment to eradicating this pest and others like it. And I am sure I will be hearing from my colleagues in the state legislature, my former colleagues, who will say, "Wait a minute. Why aren't the feds picking up their share any more?" But I do understand that.

LOCAL AND REGIONAL PROGRAMS

So, one more question for all of you—and thank you again, very much, for all your time. I know there have been some concerns raised about the emphasis on local and regional programs and—in the farm bill. And I just want to thank you for your earlier answer and say how much I appreciate the focus that you are giving. It is a minuscule amount of money, compared to what we are able to spend on so many other areas. But, as you mentioned, it is a growing market, it is huge opportunities for many of our farmers who want to find new sources of income, expand their farms, make sure their families can stay on the farm. It has just been great, and particularly great in our area.

And I just wanted to give Administrator Alonzo a moment to talk about some of the programs that you are looking forward to. I am enthusiastic about all that is in the farm bill, and I would just like to hear a little bit more about how you are prioritizing them, and what other work you think you will be able to do.

Ms. ALONZO. Thank you, Congresswoman. It is definitely a movement. There is so much interest and so much demand that we have been trying to put a lot of programs in place, and we want to thank the committee for your support, because I think—because of what you invested, I think we have seen quite a lot of successes.

A lot of what we have been doing has been in the technical assistance arena. There are a lot of farmers who need information. And we have been doing quite—we have been doing exactly that. We have several important reports that inform the sector. We have counseled hundreds of them. There are the Market News reports that we mentioned earlier. We have been expanding now to include local and regional reporting, which is very necessary for the sector to continue to grow.

In terms of farmers' markets, they have really taken off. There is, like, 8,100 now across the United States. They really have be-

come the face of agriculture. We developed a farmers' market directory, if you will. It has an app that you can pretty much type in your zip code and it comes out with all the farmers' markets in your area, and all the—what they have, the fairs. And we are going to expand the farmers' markets to include food hubs and CSAs and on-site farm stores. And so we have really—are taking the successes and expanding upon them.

The food hub is a major success story. They have risen by 65 percent since 2009, and there are statistics that show each food hub supports 20 jobs, it generates $4 million in annual sales. Just last week we announced a cooperative agreement with farm.org, where we are expanding their State of Illinois food hub nationwide. And so we are very pleased with that. And, of course, building on the competitive grant awards that we have been working with, the Specialty Crop Block Grants, and of course, the Federal State Marketing Improvement Program—FSMIP—and the Farmers' Market Promotion Program.

So, those are some of the activities we have been involved in. And, going forward, we would like to build on this. We would like to be even more strategic. We would like to leverage this to a greater extent. And what we would like to do is partner even closer with federal and state agencies, with land grant universities. We are thinking more about working in terms of assessments in the local area, so that there is more information about production capacity and distribution networks. And we are also thinking about more information gathering in terms of state-by-state guides for the local regional system.

So, a lot going on. We are thrilled with the success. And, again, thank you for your support.

Mr. ADERHOLT. Mr. Fortenberry.

LOCAL FOODS

Mr. FORTENBERRY. Thank you, Mr. Chairman. Good morning, everyone. I am sorry I didn't have the benefit of your earlier testimony, but I am flitting between two hearings, one based upon $30 billion of spending, this one about 20. So, sorry. You are second.

I wanted to primarily emphasize something. And Ms. Pingree had anticipated what I was going to say, and so you might have another chance to re-emphasize what you just said. I come from a wonderful area of the country that has one of the highest production ag systems in America. Number one in cattle production per capita, significant amounts of resources that go toward a strong production ag system.

And, at the same time, we have a burgeoning interest in local foods productions, where we are reconnecting the urban to the rural, the farm to the family, creating new economic opportunity for micro-entrepreneurs, people who will probably never be able to acquire large amounts of land for the purposes of large-scale farming, but, nonetheless, want to use the gift of their own two hands and grow things and provide important consumer benefits to the community. And those benefits, I think, are significant. There are nutritional benefits. Again, they stimulate local economic production. They are giving people access to new forms of work. And, frankly, it is just very, very interesting to a lot of people in the

community. Again, with a strong—in our state, a strong emphasis on agricultural production, and a very—and we place a very high value on that.

But the idea of being able to expand the agricultural family and give people new options and consumers, the public, significantly new but old choices as to where—as to knowing where their food comes from, to me, is very, very exciting. So, that is the primary thing I simply wanted to emphasize, and I know you just ticked through a number of things. If you want to do it again, you are welcome. But I think this growing trend is an important part, component, of the Department's new area of policy initiatives. I used to be on the Agriculture Committee and we worked, again, in a significant way to try to stimulate programs that target beginning and new farmers, as well as local foods initiatives and organic production. This is expanding the agricultural family, and it is providing tremendous consumer benefit, and I think it is exciting to most Americans.

So, no hard, piercing, difficult question here, other than just putting that before you and asking if you had any additional commentary.

Ms. ALONZO. Well, just thank you for your comments. And, yes, this is one of the Department's four pillars, if you will, to support the rural economy. So we are very thrilled that this has taken off the way it has, and that we have the support that we have from the committee. So thank you for your remarks.

Mr. ADERHOLT. Mr. Farr.

Mr. FARR. Thank you, Chairman. I think we are all really proud of our districts, and I want to thank you, Administrator Alonzo, for coming out to the Monterey County, Salinas Valley. I am sitting here in the Nation's Capital and thinking I think I represent 24 capitals of food. And when you add in whale capital and marine science capital and jazz festival and all that, I mean, you got—I love being the representative of all the capitals, of strawberries, lettuce, celery, artichokes, broccoli, and wine grapes, and so on, and you saw a lot of that.

ORGANIC AGRICULTURE

It is also probably the capital of organic agriculture. Earthbound Farm, started by two young college kids who didn't have enough money to even have a big field of produce decided, "Well, we will just take the few lettuce heads we have and mix them, leaf by leaf, in a bag, and we can sell lettuce by the leaf, rather than by the head." Just sold their company for $600 million.

So, it is an organic company they started, and it just shows that there is still opportunity in agriculture to be in a start-up tech company and be just as successful as all these people in Silicon Valley who think they are going to be—we are going to turn Salinas Valley into the technology of Silicon Valley.

But the—in the farm bill we had a provision that makes a technical correction to the existing exemption from conventional checkoff programs for certified organic operations. The existing exemption applies only to those whose operations are 100 percent organic, despite the fact that to be certified organic under the law requires an operation to be only 95 percent organic. And the technical cor-

rection passed with overwhelmingly bipartisan support aligns the exemption with reality, and extends it to operations of certified organic at the 95 percent level.

So, my question to you is, what are you doing to implement this minor technical fix that will allow so many organic farmers to choose whether to participate in conventional check-off programs? And can my constituents expect to see this finalized soon?

Ms. ALONZO. Thank you, Congressman, yes. We are very aware of the expanded exemption for organic producers. We are presently drafting the regulations. We expect to go through rulemaking, and we will work closely with your office as this process——

Mr. FARR. How long will that process take?

Ms. ALONZO. The next several months.

Mr. FARR. They will be finalized——

Ms. ALONZO. This year.

Mr. FARR. This year?

Ms. ALONZO. This year.

Mr. FARR. By the end of this year.

Ms. ALONZO. Yes.

Mr. FARR. All right. Thank you very much.

Ms. ALONZO. We will keep you apprised, sir. We will work with your office.

[The information follows:]

ORGANIC AGRICULTURE

Regarding the FY 2014 Farm Bill directive expanding the exemption for organic producers, USDA expects the proposed rule to be published this calendar year and for the final rule to be published and take effect in 2015.

Mr. FARR. And in closing, Mr. Avalos, I just want to thank you. I know you have a great background at the local level in New Mexico, and have done a marvelous job at the county level and regional level. And I really appreciate bringing that experience here to the big city of Washington. I know it was farm boy comes to the big city, and it has been a joy to work with you. I appreciate it, appreciate your help.

Mr. AVALOS. Thank you, Congressman.

TRADE DISCUSSIONS

Mr. ADERHOLT. Just in closing, I want to just reference one thing. In your written testimony you make note of the Department's progress last year in resolving 200 sanitary and phytosanitary trade issues, which included opening new markets and retaining expanding and existing markets' access for U.S. agricultural products valued at more than $2.9 billion. Involves more than 50 countries, and plant and animal products such as peaches, apples, grapes, cattle, poultry, and many more.

You know, we see a lot of questionable spending in USDA in some programs. But working with a foreign country to expand export markets for U.S. farmers and ranchers is a pretty good way to grow jobs. Tell us why USDA does not request more resources for this type of investment.

Mr. AVALOS. Well, Congressman, just to follow up on what you were saying, you know, today, in the international trade arena, we really live in an era of free trade agreements, where quotas and

tariffs are being phased out or completely eliminated. And we are also living in an era where sanitary and phytosanitary issues are being used to restrict trade. So, the role of APHIS becomes even more and more important.

And, as you just mentioned, and I mentioned in my opening testimony, that APHIS worked to resolve these SPS issues that resulted in an additional $2.9 billion in exports. But to answer your question on the funding, we feel that the funding that we have in place is adequate for us to do our job. We keep looking for ways to do our job more efficiently, looking for ways to save money, and because we are very conscious of government spending and reducing the cost to the taxpayer. So, we are doing our part.

But one thing—I want to take this opportunity to brag a little bit about Kevin Shea and his team at APHIS. Another issue that was resolved this year, just a few weeks ago, is an issue that has been ongoing with Mexico for 12 years, 12 years plus. And that is obtaining market access for U.S. potatoes into the interior of Mexico. And, due to the work by Kevin Shea and his team at APHIS, they were able to work with their counterparts in Mexico and address their issues on the nematode—to address issues using sound science and using the expertise that we have with our people in Riverdale and our people in Raleigh, where, three weeks ago, Mexico signed the final rule to allow U.S. potatoes into Mexico. And that is because of the work of APHIS. And that is a prime example in how the effort of APHIS, even though we have free trade agreement with Mexico, was able to obtain market access. Thank you.

Mr. ADERHOLT. Well, thank you. Thank you, Mr. Under Secretary, for being here. Mr. Mitchell, Mr. Shea, Ms. Alonzo, and, of course, Mr. Young, thank you all for being here this morning for our hearing. And we look forward, as we continue to work with the Fiscal Year 2015 budget.

And at this time the hearing has adjourned.

UNITED STATES DEPARTMENT OF AGRICULTURE
MARKETING AND REGULATORY PROGRAMS MISSION AREA
QUESTIONS FOR THE RECORD
HOUSE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE HEARING
APRIL 2, 2014

QUESTIONS SUBMITTED BY CHAIRMAN ROBERT ADERHOLT

Mandatory Country of Origin Labeling (COOL)

Mr. Aderholt: The World Trade Organization (WTO) is supposed to make a decision this summer as to whether or not the USDA's Country of Origin Labeling final rule is in compliance with the WTO findings. Should they prevail, Canada and Mexico have indicated that they are planning to retaliate by establishing tariffs on U.S. exports such as fruits, wines, cereals, and other products from a number of states across the United States. Since the WTO has previously ruled that mandatory COOL for certain meat cuts violates our trade agreements, it is certainly reasonable to expect that we will face retaliation.

What commodities and industries are being targeted by Canada and Mexico for retaliation, and how much do you estimate these various sectors will have to pay in tariffs?

Response: Any estimation of future tariffs would require speculation as to the result of ongoing compliance panel proceeding and potential future WTO proceedings, including an appeal and an arbitration over the amount of permitted countermeasures. No countermeasures may be imposed by Canada or Mexico until any such proceedings have been concluded and until the WTO has granted authorization to suspend concessions or other obligations. Therefore, an official list of products that would have tariffs levied against them would not be established until concessions were authorized.

Mr. Aderholt: Please describe the process and steps the Agency would have to take in order to withdraw the final rule for meat products that was published in the *Federal Register* on May 24, 2013. Does the Agency have the authority to withdraw this final rule?

Response: USDA is currently reviewing the authority and the necessary process and steps needed to withdraw the 2013 final rule.

Mr. Aderholt: If the final rule on meat products were to be withdrawn, what regulation would be in effect for meat products?

Response: The meat products in the 2013 final rule was limited to muscle cut covered commodities. If the 2013 final rule for muscle cut meat covered commodities is withdrawn, the final rule promulgated in 2009 would be in effect.

Mr. Aderholt: What changes to the underlying statute are necessary for the COOL law and resulting regulations to be in full compliance with our international trade obligations?

Response: The final compliance panel report is expected to be publicly released later this fall. Any appeal of the panel report would not be resolved for several months. Therefore, while the United States considers that it has brought the COOL measure into compliance with WTO rules, it would be premature to speculate on whether the WTO will find the United States not to have complied and what actions, if any, would be necessary to further modify the COOL program.

Mr. Aderholt: The House Agriculture Committee's Livestock Subcommittee held a hearing on April 30, 2014 regarding COOL. At the hearing, the USDA Chief Economist testified, and noted that USDA has found that COOL has little impact on consumer meat choices based on survey data. Please provide a copy of the survey data that was referenced.

Response: The information is submitted for the record.

[The information follows:]

Since its initial review for the 2003 proposed rule, USDA has found little evidence that consumers are willing to pay a price premium for country of origin labeling. USDA continues to find little evidence that consumers are likely to increase their purchase of food items bearing the U.S. origin label as a result of this rulemaking. Current evidence does not suggest that U.S. producers will receive sufficiently higher prices for U.S.-labeled products to cover the labeling, recordkeeping, and other related costs. The lack of participation in voluntary programs for labeling products of U.S. origin provides evidence that consumers do not have a strong preference for country of origin.

The strongest case for establishing a market failure justification for mandatory COOL is inadequate or asymmetric information. Country of origin is clearly a credence attribute, which means that consumers cannot observe the attribute before or after purchasing the product. Without labeling, there is no way for consumers to know the country of origin of a covered commodity. If the country of origin of the commodities covered by this rule is an attribute desired by consumers and there is market failure that impedes the voluntary provision of this information, then market efficiency could be improved by providing credible information to consumers. With credible country of origin information, consumers could select products based on their preferences for country of origin, and the food industry could respond to consumer demand signals by providing products according to the expressed demands of consumers.

Consumer surveys indicate that some consumers desire country of origin information on foods (Refs. 1, 2, and 3). The consumer surveys also indicate that consumers may desire COOL not out of any intrinsic value they place knowing the country of origin, but because it represents to them a proxy for product safety or quality, serves as an indicator of desirable environmental or labor practices, or represents a means for them to support U.S. or another country's producers.

An important question to consider in weighing the economic basis for mandatory COOL is whether there are any barriers to the voluntary, private provision of the optimal level of country of origin information. Private costs incurred by firms in the supply chain represent the primary barrier to the voluntary provision of country of origin information. There are no significant regulatory barriers to the voluntary provision of this information (see discussion in Plain and Grimes, 2003).

For the market to voluntarily provide credible country of origin declarations, information regarding country of origin must flow between firms involved in all stages of the food supply chain. Just as it is for consumers, country of origin information is a credence attribute for firms in the food supply chain. Firms must incur costs to provide credible country of origin information. If the increase in price firms in the supply chain expect to receive for providing consumers with country of origin information is less than the cost of providing it, then firms will not voluntarily incur the costs of providing this information.

If there were profits to be made from country of origin labeling, there would be strong incentives for firms to advertise and market country of origin labeled foods. Firms in the food supply chain would not be expected to forgo opportunities for additional profits. Retailers would demand that food manufacturers supply them with products having verifiable origin information. If consumers favored product by origin, food manufacturers would demand food commodities specifying origin and verifiable origin information. U.S. farmers and fish harvesters could benefit financially from country of origin labels if consumers prefer domestic products to imports.

In this case labels would allow consumers to distinguish between imports and domestic products and make their choices accordingly. As a result, demand for domestic food products in the United States would rise along with domestic food prices. Further, domestic products would increase their market share relative to imports. However, if consumers do not generally prefer domestic products, labeling would confer little to no economic benefits to domestic producers.

Overall, there does not appear to be a compelling market failure argument regarding the provision of country of origin information. There appear to be no barriers to the provision of this information other than private costs to firms in the supply chain and low expected returns. Firms that would incur private costs to provide country of origin information would also enjoy the private benefits, if any, from consumer demand for the information. Thus, from the point of view of society, market mechanisms would ensure that the optimal level of country of origin information would be provided.

Numerous comments received on the 2003 COOL rulemaking actions indicate that there clearly is interest by some consumers in the country of origin of food. The mandatory COOL program may provide additional benefits to these consumers. However, commenters provided no additional substantive evidence to alter the Agency's conclusion that the measurable economic benefits of mandatory COOL will be small. Additional information and studies cited by commenters were of the same type identified—namely, consumer surveys and willingness-to- pay studies, including the most recent studies reviewed for this analysis (Ref. 4; Ref. 5).

The Agency does not believe that those types of studies provide a sufficient basis to estimate the quantitative benefits, if any, of COOL. That is consistent with a more recent econometric study that have looked retrospectively at purchasing habits following the 2009 COOL regulation. Taylor and Tonsor (2013) posit that if COOL does provide consumers with valued information, then the provision of that information via COOL should be noticeable in purchasing behavior post-COOL. However, they did not find evidence of a change in habits following the 2009 COOL regulation using retail grocery data, although they did not consider the effect of the recession on meat purchases or the effect of substitution between the various country of origin labels.

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6.Plain, R. and G. Grimes (2003) "Benefits of COOL to the Cattle Industry," Department of Agricultural Economics Working Paper No. 2003-2, University of Missouri, Columbia, MO.

7.Taylor, M.R. and G.T. Tonsor (2013) "Revealed Demand for Country-of-Origin Labeling Meat in the United States," Journal of Agricultural and Resource Economics 38(2): 235-247.

Mr. Aderholt: What activity is the Agency conducting related to surveillance and enforcement of Country-of Origin Labeling? What is the total cost and what enforcement actions has the Agency been involved in during fiscal year 2013 and fiscal year 2014 to date?

Response: In FY 2013, state cooperators completed 2,061 new COOL reviews in retail stores across the country. In addition to the 2,061 new store reviews, 566 follow up reviews were conducted in stores that were cited for critical and major weaknesses in a previous review. States were reimbursed for their work at a total cost of $1,363,200. AMS auditors

completed COOL Supplier Trace back Audits on 152 covered commodities in FY 2013.

In FY 2014, state cooperators have been assigned 3,331 reviews (2,765 new reviews and 566 follow up reviews) and State personnel are working with AMS staff to complete that work now. A total of $2,122,400 will be allocated to the States for COOL enforcement, including $31,600 to cover staff training costs and the remainder to reimburse States for COOL compliance reviews in retail stores.

Mr. Aderholt: As a point of clarification, does USDA see any added value to the safety or public health of a food by including the COOL information?

Response: The purpose of COOL is to provide consumers with more information on the country of origin of certain food products on which to base their purchasing decisions. It is not a food safety or public health measure.

Mr. Aderholt: The Explanatory Statement accompanying the FY 2014 Omnibus Appropriation that was approved by the House and Senate and signed by the President, contained language that strongly urged USDA's Agricultural Marketing Service to postpone regulatory enforcement of the COOL final rule until the WTO made a final decision. Please provide actions taken by the Agency this year as it relates to the Congressional request.

Response: USDA is proceeding with enforcing the May 2013 final rule in accordance with the statute. Any appeal of the panel report will not be resolved until sometime in 2015.

Mr. Aderholt: The FY 2015 Explanatory Notes state "In FY 2015, the (COOL) Program will realize a $314,000 decrease through efficiencies identified in the business review initiated in FY 2014." Please describe the purpose, method and scope of this business review and what program changes will be implemented based upon the review. How will savings be achieved and all stakeholders from producers to retailers and consumers are effected?

Response: In December 2013, the AMS COOL Division completed a business process review of its protocols, resulting in some key changes: (1) establishing a compliance hotline for consumers and industry stakeholders who observe non-compliant practices; (2) changing the compliance rating criteria to consider the number of covered commodities available for sale during a retail review; and (3) discontinuing the practice of requesting records from retailers during initial reviews.

COOL compliance has historically been measured by the absolute number of covered items found not labeled or improperly labeled for COOL without regard to the size of the retail facility or number of items sold. The business process now takes into consideration the number of items sold and calculates a compliance percentage for each facility, thus, more accurately measuring a firm's compliance with COOL.

With regard to recordkeeping, historically, more than 70 percent of all non-compliance findings have been lack of origin labeling displayed at retail while all recordkeeping non-compliances combined have been less than 2 percent of total findings. Retailers reported their biggest concern with COOL compliance is the burden to generate records during initial reviews. By discontinuing the practice of requesting records, the COOL Program is instead relying on an interview approach. The interview of store management is designed to be more efficient(less time for reviewers and retailers) and more effective (improved understanding of retailers' COOL systems).

Web-Based Supply Chain Management System

Mr. Aderholt: The Web Based Supply Chain Management system (WBSCM) is a USDA system designed to manage the purchase of USDA commodities for school feeding and international food aid programs. USDA started to receive funding for this system in 2006. The system finally went "live" in FY 2011 and supported full operations in FY 2012. Funds were diverted from operations and maintenance to a technical refresh effort, which is scheduled to be completed in the summer of 2014? In addition, the Agency states that a new contract will be awarded for WBSCM operations and maintenance since the current contract concludes at the end of FY 2014.

GAO recently released a report that found USDA and United States Agency for International Development (USAID) disagree over the usefulness of WBSCM in managing international emergency food aid procurement activities. The report noted that the system had significant deficiencies, such as being too slow and time consuming, and therefore USAID is not using the system. According to the GAO report, the total cost for the program is approximately $187 million. In addition, this Subcommittee supported an additional increase of $6.8 million for an upgrade to WBSCM software in FY 2014.

Given the tremendous amount of money that Congress provided for this system, why is the procurement of food aid commodities not more efficient?

Response: The efficient procurement of food aid commodities is a USDA priority. Changing customer demands, changing commercial practices, and final product cost are drivers to adopt a more agile methodology to USDA/USAID food aid programs.

To this end, an effort was undertaken in the early 2000's, called FD2000. The purpose of FD2000 was to address challenges with product delivery, communication bottlenecks, increasingly higher cost of final product and excessive paperwork and documentation required to participate in food aid programs. FD2000 was a collaborative effort across multiple USDA agencies. The effort led to substantial changes to the business processes within the food aid programs, and the results were foundational to develop the 2003 WBSCM business case and ultimately in the development of WBSCM.

Although the USDA made significant improvements in the food aid programs and WBSCM provided efficiencies and transparency not available in the previous system, the USDA continues to pursue process improvements both

within the food aid programs and WBSCM, with the intent of making continuous improvements to both.

To facilitate a change in business processes and subsequently to WBSCM, a holistic review and re-engineering of current business processes, or a business process review (BPR), of the food aid programs is required. An effort is currently planned to begin in the second quarter of FY 2015. A core objective of the BPR is the sustainability of USDA food aid programs through effective and efficient business processes relevant to both food aid recipients and suppliers. The comprehensive effort will consist of employees from: the Food and Nutrition Service (FNS), Agricultural Marketing Service (AMS), Farm Service Agency (FSA), Foreign Agricultural Service (FAS) and United States Agency for International Development (USAID), suppliers, food aid recipients, and other stakeholders. The results of the BPR will be incorporated into WBSCM processes, making both the business and the system more efficient.

Mr. Aderholt: USAID stopped using the system in 2011. Why has it been almost three years and there is still no resolution to the disagreements over the system? Is AMS working with USAID to collaborate on ways to resolve the conflicts over how the system can be used for international food aid procurement?

Response: USAID does utilize WBSCM for its commodity fulfillment (ordering) process. World Food Programme, Private Voluntary Agencies, and Non-Government Organizations create orders from a catalog of available products in WBSCM, and USAID creates purchase requisitions for products to purchase for their domestic and foreign preposition warehouses.

It should be noted that USDA/FAS, their freight vendors, and their Freight Forwarders successfully utilize WBSCM for all processes the system was developed to accommodate, including both bulk commodity procurement and freight purchase order updates, for their similar international food aid programs. Additionally, all domestic nutrition program activity is completed in WBSCM.

In 2011, USAID advised USDA that they would not utilize WBSCM for the procurement of Title II bulk commodities, one of many processes in WBSCM. These procurements were done manually in the past and USAID determined that the burden on the freight vendors was too great using the electronic processes in WBSCM. As a result, USDA/FSA manually evaluates the commodity and freight bids outside of the system, which is a labor-intensive effort for USDA/FSA, and then enters all information into WBSCM. In 2012, USAID instructed their Freight Forwarders to discontinue updating freight Purchase Orders (PO) in WBSCM, the process by which products are tracked to delivery. These entries in WBSCM have also been completed by USDA/FSA, in order to maintain transparency and trace-back within the system. WBSCM was developed as a seamless order-to-delivery process with transparency throughout the process; if one piece of the process is not complete, the supply chain is broken. Therefore, by default USDA/FSA assumed these tasks on behalf of USAID, and these tasks are still being completed in WBSCM.

AMS continues to collaborate with USAID and FSA to resolve the conflict over how the system can be fully utilized for all international food aid procurements. The BPR effort planned to begin in FY 2015 includes a review

of the international food aid program business processes, and how these processes can be integrated into WBSCM to USAID's satisfaction. This will provide the optimum opportunity for all parties involved to collaborate in defining user requirements and determining a path forward.

Mr. Aderholt: Has AMS heard complaints from other users of WBSCM?

Response: The majority of users are satisfied with the system. Of those that had issues over the last 12 months, the primary complaints are systems access related. WBSCM is built on SAP commercial off-the-shelf software (COTS) from 2008 requiring the use of Microsoft Internet Explorer 7 for access. In FY 2014, a technical refresh was completed to bring the SAP software to the latest versions, which will address systems access issues, legacy support constraints, and system sustainability. The refreshed platform was released for full production in August 2014.

Mr. Aderholt: Provide the Subcommittee with a status of the WBSCM System operations as well as the total cost of designing, building, and operating WBSCM by the end of fiscal year 2014.

Response: The first phase of WBSCM was implemented in June 2010, and full implementation occurred in April 2011. The total cost of development was $99.8 million, which was within the $100 million that Congress provided for development of WBSCM. WBSCM currently has approximately 8,000 users, and in fiscal year 2013 supported the ordering, purchasing, and delivery of 8.4 billion pounds of American agricultural food products valued at $2.9 billion. Since full implementation, WBSCM has supported the delivery of $9.5 billion of American agricultural products to feed the hungry throughout the world, while providing support to American farmers. The total cost of designing, building and operating WBSCM from inception through fiscal year 2014 is estimated at $217 million, which is substantially less than both Government and commercial implementations of SAP systems that are of similar size, scope, and complexity.

Pesticide Recordkeeping Program

Mr. Aderholt: Please update the table that appears in last year's hearing record showing states in the Pesticide Record Keeping Program, federal funds, and state funds for fiscal year 2013, and estimates for fiscal years 2014 and 2015.

Response: The information is submitted for the record for fiscal year 2013. The program was terminated as of fiscal year 2014.

[The information follows:]

Pesticide Recordkeeping Program		
	FY 2013 Funding	
State	Federal	State
Alabama	$40,000	$2,000
Alaska	-	-
Arkansas	45,000	2,250
Colorado	-	-
Delaware	-	-
Florida	-	-
Georgia	47,000	2,350
Idaho	46,000	1,200
Illinois	24,180	2,000
Indiana	-	-
Iowa	48,998	2,579
Kansas	-	-
Kentucky	40,400	2,100
Louisiana	40,000	2,105
Maine	-	-
Massachusetts	-	-
Michigan	40,000	2,000
Minnesota	45,000	2,300
Mississippi	26,940	5,942
Montana	34,450	1,723
Nevada	-	-
New Mexico	30,124	1,586
North Carolina	45,000	2,363
Ohio	-	-
Oklahoma	40,000	2,106
Oregon	40,905	2,045
South Carolina	31,000	1,550
South Dakota	-	-
Tennessee	25,000	1,250
Utah	40,000	2,000
Virginia	18,427	970
West Virginia	-	-
Wisconsin	-	-
Wyoming	-	-
Subtotal, State	748,424	42,419
Cooperative Educational Funding to University of IL	30,000	-
Subtotal, Direct	778,424	42,419
Federal Administration	856,478	-
Total	1,634,902	42,419

Mr. Aderholt: Please provide an explanation of how the state programs without federal funding currently operate and how those states receiving federal funds can function without federal funding and do so without negative effects.

Response: There are 23 states that operate their own pesticide records monitoring programs without federal funding. Those States implemented procedures to inspect certified applicators when complaints are filed or they combine pesticide recordkeeping inspections with other State or Federal inspections during one visit to a certified applicator. These state programs produce and distribute their own educational outreach materials and information.

The 27 states that received federal funding through the Pesticide Recordkeeping Program, which was terminated as of fiscal year 2014, would have to revise their current programs to operate without federal funding. While each state may implement this change differently, it is likely they would follow the precedent set by states with ongoing programs.

Transportation and Marketing Programs

Mr. Aderholt: AMS has again requested increased funding of nearly $3 million for the Transportation and Marketing Function with a focus on the Farmers Markets and Local Food Promotion Program. While the growth of farmers markets has been a great success with current registrations at over 8,100 farmers markets and a 54 percent increase from 2009; the Committee is concerned that AMS could be spending too little resources on the growth and capabilities of the Nation's agricultural transportation system.

According to AMS's responsibilities in this area, *"AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and ocean containerized) and conducts market analyses that support decisions regarding the transportation of agricultural products domestically and internationally. This program determines whether the Nation's transportation system will adequately serve the agricultural and rural areas of the United States by providing necessary rail, barge, truck, and shipping services. .... In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions."*

Is AMS requesting more funds to help develop regional food hubs at the expense of the national transportation needs, which could eventually lead to a loss in competitive advantage in international markets?

Response: AMS' request for more funds for expanding local and regional food systems is not at the expense of national agricultural transportation needs. The Agency is fully committed to continuing its support of the agricultural transportation system.

AMS is currently in the process of updating the April 2010 multimodal *Study of Rural Transportation Issues,* required by the 2014 farm bill. In addition to updating the Study, AMS continues its regular research and participation in rail rate and service proceedings before the U.S. Surface Transportation Board, and cooperates and participates with the Federal Highway Administration on freight policy issues.

Through its many publications and data available online, AMS provides agricultural stakeholders with insightful information and analysis on the transportation of agricultural products. Helping them monitor current events and trends assists them in keeping tabs on transportation needs, international markets, and export competitors. These publications include: the weekly *Grain Transportation Report*, weekly *Ocean Shipping Container Availability Report*, quarterly *Brazil Soybean Transportation Indicator Report*, quarterly *Mexico Transport Cost Indicator Report*, annual *Brazil Soybean Transportation Guide*, and periodic reports such as *Tracking U.S. Grain, Oilseed and Related Product Exports in Mexico; Transportation of U.S. Grains: A Modal Share Analysis; A Reliable Waterway System Is Important to Agriculture; Profiles of Top U.S. Agricultural Ports;* and numerous rail issue papers.

AMS regularly participates in, and makes presentations at national and regional events such as the Transportation Research Board, Transportation Research Forum, and annual meetings of the Midwest Shipper Association and the Agricultural Transportation Coalition. AMS also co-sponsors six Agricultural Shipper Workshops each year in major exporting regions and attends events such as the U.S. Chamber of Commerce Transportation Infrastructure Summit 2014. In July 2013, AMS co-sponsored with the Soy Transportation Coalition and the National Grain and Feed Association, the Agricultural Transportation Summit which convened leaders in industry and Government to discuss *A Modern Infrastructure for Modern Agriculture.* A second summit is being planned for August 2015.

Mr. Aderholt: What is AMS doing to ensure that the United States is able to maintain or build upon an agricultural transportation system that can compete with the likes of China, Europe, or Brazil?

Response: AMS is committed to a competitive national agricultural transportation system to serve its customers. AMS is updating the April 2010 multimodal *Study of Rural Transportation Issues* for Congress, in cooperation with the U.S. Department of Transportation and Washington State University's Freight Policy Transportation Institute. AMS also serves on the board of the interagency U.S. Committee on the Marine Transportation System, and is one of several Federal observers on the Inland Waterway Users Board, and the Rail Energy Transportation Advisory Committee.

AMS issues weekly, quarterly, and annual periodic reports, makes presentations, and co-sponsors workshops and summits. AMS provides the latest unbiased data and analyses on shipment rates for trucking, rail, barge, and ocean shipping from the U.S. to other nations. Two reports that assist exporters are Ocean Shipping Container Availability Report (OSCAR) and Profiles of Top U.S. Agricultural Ports.

AMS conducts analysis on international transportation of agricultural products and the implications for U.S. competitiveness, and makes reports available online. Such reports include the Brazil Soybean Transportation Indicator Reports; The Potential Impact of Brazil Transportation Efficiencies on World Cotton Trade; The Soybean Transportation Guide: Brazil 2013; Mexico Transport Cost Indicator Reports; U.S. Grain and Soybean Exports to Mexico: A Modal Share Transportation Analysis, 2007-

2010; Tracking U.S. Grain, Oilseed and Related Product Exports in Mexico; and Impact of Panama Canal Expansion on the U.S. Intermodal System. AMS also makes the data from many of these reports available to the public.

Mr. Aderholt: If AMS is not developing a long-term game plan for transportation and marketing needs at the national level, who is responsible for doing so?

Response: AMS continuously looks for opportunities to work collaboratively with stakeholders and Federal Agencies to meet the long-term needs of agricultural producers and shippers.

The U.S. Department of Transportation (USDOT) is responsible for establishing a National Freight Network and developing a National Freight Strategic Plan which will include agricultural transportation and marketing needs. AMS is coordinating the update of the April 2010 multimodal *Study of Rural Transportation Issues* for Congress with USDOT. The Washington State University Freight Policy Transportation Institute is assisting AMS in the study update.

AMS is in regular contact with the Federal Highway Administration (FHWA) on issues such as truck size and weight and vehicle inventory and use, and participated in FHWA's July 2013 Freight Transportation Partnership V meeting with State, county, and metropolitan area transportation officials.

Mr. Aderholt: Does AMS work with the Surface Transportation Board (Board)? If so, please describe how AMS actively works with the Board, other than submitting written comments on agriculture issues.

Response: AMS actively works with the Surface Transportation Board to represent agricultural shippers as well as submit written comments on agricultural issues. For example, on January 4, 2012, AMS met with Board Chairman Daniel Elliott, along with members of Alliance for Rail Competition, and National Association of Wheat Growers to discuss ways the Board and AMS might collaborate to find better ways to resolve rail shipper issues. AMS actively works with the Board to obtain the confidential Carload Waybill Sample which AMS uses for economic analysis in its written comments to the Board on agricultural issues and for use in some of our rail issue papers that are available online.

In the past, AMS also met with Board economists to discuss improving analysis of rail traffic data. The Board has stated its appreciation for AMS' active participation in Board proceedings. AMS written comments are considered by the Board in its decision making on issues related to agricultural shipping. AMS has also obtained from the Board extensions of deadlines for comments so that additional input from stakeholders may be included.

AMS successfully encouraged Chairman Elliot to participate at the July 2013 Agricultural Transportation Summit, *A Modern Infrastructure for Modern Agriculture.* This enabled both shippers and the Board to communicate about transportation needs specific to agriculture.

AMS participates as a Federal observer with Board members on the Rail Energy Transportation Advisory Committee, and attends and presents information at National Grain Car Council meetings which include Board members. On June 26, 2014, AMS filed comments in support of grain shippers in the Board proceeding *Rail Transportation of Grain, Rate Regulation Review* EP-665-1, stating that USDA believes the cost, timeliness, and predictability of the Board's rate challenge procedures need to be addressed for agricultural shippers. AMS suggested the use of private-sector mediation and arbitration as viable options.

Mr. Aderholt: The Committee is concerned with the shortage of railcars available to move grain shipments to elevators and into the market. Farmers are frustrated about the backlog of grain shipments and the lack of storage space which is causing some farmers to leave grain piled on the ground which can rot and cause economic losses. What is AMS doing to help farmers and speed shipments of grain?

Response: On April 8, 2014, AMS submitted written comments on the shortage of railcars for the Board proceeding, United States Rail Service Issues, EP-724, in support of farmers. USDA provided examples of the negative effects the shortage of railcars have had for agricultural producers and exporters during the previous six months. In addition, USDA expressed its concern whether the service issues would be resolved prior to the 2014 harvest. AMS attended the April 10 hearing and met with trade associations and consultants who represent farm interests on this issue. On July 30, 2014, AMS briefed the minority staff of the Senate Commerce Committee with regard to rail service for grain issues in South Dakota, after holding conference calls with South Dakota's Secretary of Agriculture, Secretary of Transportation, and Senior Policy Adviser to Governor Dennis Daugaard. AMS regularly shares rail rate and service concerns, and advises States and farm stakeholders on how to petition the Board for relief.

Local/Regional Food Systems

Mr. Aderholt: AMS has requested an increase of nearly $3 million in fiscal year 2015 to provide additional insight and assessments into local and regional food systems across the country. During fiscal year 2014, local and regional food assessments are being conducted. How many assessments are being conducted and how much funding is being spent to conduct these assessments in fiscal year 2014?

Response: In fiscal year 2014, AMS is conducting 18 local and regional assessments of site suitability and facility design needs and one assessment of design structure and outcomes of design. AMS also conducted five national assessments of system elements such as distribution, product flow through, farmers' market operations, and marketing tools. AMS developed three tools for dynamic market information flow between sellers and buyers using on-farm markets, Community-Supported Agriculture, and food hubs. AMS cooperated on assessments of economic impact and grants program outcomes, as well as educational and outreach activities associated with improved assessments.

AMS published results of four case studies demonstrating the new value chains business model identified during assessments and industry discussions, and published two assessments--direct marketing innovations using social media and multi-farm networking. The cost for these activities in FY 2014 totaled $2.98 million in staff time and project costs.

Mr. Aderholt: Conducting these assessments seems duplicative of local and regional marketing data collected by land grant universities, the Economic Research Service and others. How are the AMS assessments different from other information gathered in this area?

Response: The assessments of local and regional marketing data and information carried out by AMS are distinct in content and orientation from those conducted by USDA's Economic Research Service (ERS) and land grant institutions. AMS focuses on best practices and innovative strategies to connect local producers and buyers through intermediated and direct marketing. AMS assessments range from case studies to national surveys of local and regional marketing entities, making their focus different from the National Agricultural Statistics Service (NASS) and ERS, which collect data from producers and retailers. AMS produces technical assistance documents and reports targeted at a diverse population aiming to enter or expand participation in local and regional markets. ERS assessments are national in scope and seek to draw high-level inferences about market behavior compiled in reports to guide policy makers and support the work of other researchers.

AMS staff and research cooperators produce applied educational materials and tools that examine local and regional food production and marketing functions beyond the farm gate. AMS will focus on emerging operational practices, business models, performance trends, consumer and buyer expectations and requirements, and lessons learned from in-depth case study assessments of selected local and regional food business enterprises. Drawing upon expertise in architecture, economic analysis, and market research, AMS takes a systems approach to assessments of the food value chain for local and regional food, providing practical information to give practitioners the tools to develop and execute marketing decisions.

Along with traditional agricultural constituencies AMS has in common with ERS, community-based organizations, non-profit groups, community planners, economic development officials and others actively using agriculture and food businesses to promote local and regional economic development and quality of life are consumers of AMS assessments. AMS partners with land grant universities to create assessments, and uses products of universities in the research conducted by AMS staff.

Land grant university assessments are conducted either on a national scale similar to ERS or are much more localized to study single communities or entities, leaving a gap that AMS fills with its regional assessments.

Mr. Aderholt: Please update the table in last year's hearing record that presents a list of all programs and initiatives, mandatory and discretionary, which provide related support for the marketing of locally produced food.

Response: USDA has a number of initiatives and programs that support local food marketing, and the 2014 Farm Bill has greatly expanded the reach of many of these programs. The USDA supports local food from farm to fork: from providing producers with financing and technical assistance to start or expand their operations to funding to improve marketing opportunities through regional food hubs, farmers markets, certifications, and so forth. The USDA created the Know Your Farmer, Know Your Food initiative (KYF2) in 2009 to coordinate work on local and regional food systems across the Department, thereby connecting producers with new opportunities in local and regional marketing. The KYF2 website features a comprehensive list of grant and loan opportunities, a map of USDA investments, and other resources to support local and regional food systems.

The USDA programs below may support local food production, marketing, and access opportunities.

USDA Programs where some projects may support local food production, marketing and access opportunities	
USDA Agency	Programs
Agricultural Marketing Service	- Farmers Market Promotion Program Grants - Local Food Promotion Program Grants - Specialty Crop Block Grants Program - Federal-State Marketing Improvement Program Grants - National Local Foods Directories - Farmers Markets, Food Hubs, Community Supported Agriculture Enterprises, On-Farm Markets - Cooperative research, outreach, and facility and site design support for local food systems - Market News data collection on local foods prices - Group Good Agricultural Practices (GAP) pilot program for farm level food safety compliance - Grass-Fed Certification Program for Small and Very Small Producers
Farm Service Agency	- Microloans program - Farm Storage Facility Loans
Food and Nutrition Service	- WIC and Senior Farmers' Market Nutrition Programs - SNAP (EBT) Equipment Funds and MarketLink - Farm To School Grants Program - Food Insecurity Nutrition Incentive Grants (Delegated authority to NIFA)
USDA Agency	Programs

National Institute of Food and Agriculture	- Beginning Farmer and Rancher Development Program - Sustainable Agriculture Research and Education Program - Small Business Innovation Research Program - Agriculture and Food Research Initiative - Community Food Projects
Rural Development	- Business and Industry Guaranteed Loans - Rural Cooperative Development Grants - Rural Economic Development Loan and Grant - Rural Business Enterprise Grants - Rural Business Opportunity Grants - Value-Added Producer Grants - Community Facilities Program
National Agricultural Statistics Service	- 2012 Census of Agriculture sector reports - Local foods follow on survey
Food Safety and Inspection Service	- Small Plant Help Desk - Cooperative Interstate Shipment program
Economic Research Service	- Research, seminars, and conference papers on local and regional food
Risk Management Agency	- Crop Insurance in Targeted States Program - Risk Management Education Partnerships Program
Agricultural Research Service	- Research and publications support local food producers and marketing
Natural Resources Conservation Service	- Conservation Stewardship Program - Conservation Technical Assistance - Environmental Quality Incentives Program - Farm and Ranch Land Protection Program
Forest Service	- Urban and Community Forestry Program - National Agroforestry Center - GreenSchools!

Other Federal agencies and programs that support local foods market development opportunities are:

Non-USDA Federal programs where some projects may support local food production, marketing and access opportunities	
Federal Agency	Programs
Department of Homeland Security	- Critical Infrastructure Resilience Center of Excellence (CIRC) Grants (definition of critical infrastructure includes food and agriculture).
Department of Commerce, National Oceanic and Atmospheric Administration	- Funding Opportunity Title: NOAA Climate Program Office - Understanding Climate Impacts on Fish Stocks and Fisheries to Inform Sustainable Management - National Sea Grant College Program 2014 Special Projects
Department of Commerce Economic Development Administration	- Public Works and Economic Development Program - Economic Adjustment Assistance Program
Department of Commerce National Institute of Standards and Technology	- National network of Manufacturing Extension Partnership centers
Environmental Protection Agency	- FY 2015 Brownfields Area-Wide Planning Grant
Department of Housing and Urban Development	- Community Development Block Grant Program - Rural Housing and Economic Development Program
Health and Human Services	- Community Economic Development Grants
Department of Transportation	- Transportation Investment Generating Economic Recovery (TIGER) grants
Department of Treasury	- Community Development Financial Institutions (CDFI) Program - New Market Tax Credits
USDA, EPA, DOT, ARC, DTA	- Local Food Local Places

Shell Egg Surveillance Program

Mr. Aderholt: Please explain how AMS's Shell Egg Surveillance Program provides the Food and Drug Administration (FDA) and/or the Food Safety and Inspection Service (FSIS) with support for the respective agency's food safety activities.

Response: AMS performs inspections each quarter on egg handlers and processors with over 3,000 birds for compliance with FSIS ambient temperature requirements for storing and transporting eggs to retail. Violations are reported to FSIS promptly to facilitate any follow-up activity that may be required of FSIS to ensure the safety of eggs. AMS reports promptly to FDA violations such as sanitation and good manufacturing practices that are observed during Shell Egg Surveillance visits to egg handlers and processors.

Mr. Aderholt: Please provide a five year history, including estimation for fiscal year 2014 that shows the number of handlers, total inspections, inspection rates, and compliance rates for both egg handling operations and hatcheries to control the disposition of certain types of under grade and restricted eggs.

Response: The information will be provided for the record.

[The information follows:]

Shell Egg Surveillance Program					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Number of Handlers	829	811	811	780	742
Number of Inspections	2,412	2,487	2,413	2,294	2,217
Compliance Rates	85%	95%	96%	96%	95%

Inspection Rates:

- Producers/packers/grading stations are inspected one visit per quarter.
- Hatcheries/egg breaking stations/cooked egg operations and inedible collection facilities are inspected once per year.

Pesticide Data Program

Mr. Aderholt: Please provide a summary of the results from the latest Pesticide Data Program annual report, including a summary of positive results/statistics and results needing further review or action.

Response: The latest Pesticide Data Program annual report summarizes data collected in 2012 and was published to the PDP website in February 2014. The summary of results for data collected in 2013 is expected to be released later this year.

In 2012, excluding water, residues exceeding the tolerance were detected in 0.53 percent (63 samples) of the total samples tested (11,893 samples). Of

these 63 samples, 54 were imported (86percent) and nine were domestic (14 percent). Residues with no established tolerance were found in 4.3 percent (508 samples) of the total samples tested. Of these 508 samples, 392 were imported (77 percent) and 116 were domestic (23 percent).

In 2012, 485 (treated and untreated) drinking water samples were collected at water treatment facilities in ten States and a total of 168 groundwater samples were collected from private domestic wells, school/childcare facilities, and municipal water facilities drawing from groundwater. Low levels of detectable residues, measured in parts per trillion, were detected in both drinking water and groundwater. The majority of pesticides, metabolites, and isomers included in the PDP testing profiles were not detected. During 2012, no detections in treated water or groundwater exceeded established Maximum Contaminant Levels, Health Advisories, and Human Health Benchmarks for Pesticides, or Freshwater Aquatic Organism criteria.

Although results for 2012 did not require further action, the Agency felt it was important to keep industry and regulatory agencies updated on findings. To this end, PDP reached out to stakeholders such as baby food manufacturers, crop group associations such as the Minor Crop Farmer Alliance, and the chemical industry including Crop Life America, Syngenta, and BASF to inform them of results and to provide data to address trade issues. PDP also prepared monthly pesticide tolerance reports for the Environmental Protection Agency, Food and Drug Administration, USDA's Foreign Agricultural Service, USDA's National Organic Program, and USDA's Office of Pest Management Policy.

Mr. Aderholt: Provide a table for the record showing the funding for the Pesticide Data Program since fiscal year 2008 to include estimates for fiscal years 2014 and 2015. Please include both direct and reprogrammed appropriations, if applicable.

Response: The information is submitted for the record.

[The information follows:]

Pesticide Data Program (Dollars in Thousands)	
Fiscal Year	Funding
2008[1/]	$15,348
2009	15,527
2010	15,908
2011[1/]	15,367
2012	15,330
2013[2/]	14,471
2014 Estimate	15,347
2015 Estimate	15,020

[1/] Net of Rescission

[2/] Net of Sequestration & Rescission

Mr. Aderholt: Please provide a complete list of states that are participating in the Pesticide Data Program and the amount of federal funds spent in each state for fiscal years 2008 through estimated fiscal years 2014 and 2015.If the Department spent additional funds for the testing ofwater; please include a list of those states and the amount spent per state for this same period.

Response: There are currently ten States participating in the Pesticide Data Program in FY 2014 and estimated in FY 2015.

[The information follows:]

Pesticide Data Program
Obligations in Participating States
(Dollars in Thousands)

State	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
California	$2,490	$2,600	$2,600	$2,624	$2,583	$2,680	$2,662	$2,662
Colorado	69	440	390	292	70	65	79	79
Florida	1,350	1,195	1,421	1,345	1,300	1,205	1,478	1,478
Maryland	85	93	85	80	85	85	85	85
Michigan	1,245	1,270	1,260	1,245	1,705	1,191	1,208	1,208
New York	1,655	1,625	2,075	1,976	2,047	1,830	2,011	2,011
North Carolina	0	0	26	20	20	13	24	24
Ohio	995	995	1,193	1,040	1,516	986	1,000	1,000
Texas	1,200	1,160	1,160	1,260	1,473	1,482	1,421	1,421
Washington	1,060	1,080	1,000	1,300	1,300	1,199	1,075	1,075
Wisconsin	90	98	98	92	80	50	0	0
SUBTOTAL, FOODS	$10,239	$10,556	$11,308	$11,274	$12,179	$11,044	$11,043	$11,043
Colorado	$321	0	0	0	0	0	0	0
Minnesota	395	320	345	335	348	127	0	0
Montana	399	360	365	335	335	132	0	0
New York	195	200	200	0	0	0	0	0
SUBTOTAL, WATER[1]	$1,310	$880	$910	$670	$683	$259	0	0
TOTAL	$11,549	$11,436	$12,218	$11,944	$12,862	$11,303	$11,043	$11,043

[1] PDP discontinued the water survey in May, 2013.

Mr. Aderholt: What data was provided to the Environmental Protection Agency (EPA) in fiscal year 2013 or fiscal year 2014 to date as it relates to dietary risk assessments?

Response: During FY 2013 and FY 2014, PDP provided data for 52 pesticides, plus their metabolites/breakdown products, that were scheduled for registration review by EPA and required pesticide residue data for dietary risk assessment.

These 52 pesticides included compounds in the following pesticide classes: carbonate insecticides, conazole fungicides, phenoxy acid herbicides, parathyroid insecticides, strobilurin fungicides, sulfonic urea herbicides,

and thiazine herbicides. PDP also supplied data for more than 400 additional pesticides, including metabolites/breakdown products, which are scheduled for EPA review after FY 2014 and whose assessments will include FY 2013 and FY 2014 PDP data.

Mr. Aderholt: Please describe what pesticide data is exchanged between AMS, FSIS, EPA, and FDA on a regular basis and for what purpose?

Response: PDP regularly provides data to EPA for use in dietary risk assessments. During FY 2013, EPA was provided PDP data for more than 400 pesticides, including metabolites/breakdown products, for use in dietary risk assessments. Annually, PDP provides EPA with all PDP calendar-year databases along with customized search software that allows the EPA staff to query the databases for selected commodity/pesticide pairs and generate formatted reports and datasets. PDP residue data for N-methyl carbonate (NMC) pesticides across all survey years were specifically provided to EPA to support its NMC cumulative risk assessment.

PDP provides data to FDA on presumptive tolerance violations via standardized monthly reports. FDA uses this data to assist in guiding its regulatory sampling and testing program. PDP provided FDA with sample information and residue data for reserve PDP infant formula samples that were shipped to FDA, where they will be analyzed for metals and used to test a new screening method. The latest PDP residue data for green beans were provided to FDA to support the review of a withdrawn chemical registration.

In return, EPA and FDA provide information to PDP on pesticide usage in countries other than the U.S., particularly where there is a significant import component for a given crop. PDP uses this information to include pesticides applied in other countries. These pesticides may not necessarily have a U.S. tolerance, and therefore would not normally be included in the PDP testing profile.

PDP exchanges methodology and technical information with FSIS - PDP provided analytical method training for testing meat and poultry to FSIS scientists for their implementation to expand their testing profiles to include new chemistries not previously tested by FSIS.

Mr. Aderholt: Please provide a table that shows spending, by agency, for pesticide use and data collection and analysis to include fiscal year 2013 actuals and fiscal years 2014 and 2015 estimates.

Response: AMS's Pesticide Data Program (PDP) conducts pesticide data collection and analysis through agreements with State, USDA and other partners. The details on spending are provided for the record.

[The information follows:]

Pesticide Data Program Obligations (Dollars in Thousands)			
Partners	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
States[1]	$11,303	$11,043	$11,043
AMS	2,981	3,878	3,551
AMS/NSL	100	396	396
NASS	30	30	30
GIPSA	131	0	0
Total	$14,545	$15,347	$15,020

[1] Total funding for states participating in the Pesticide Data Program. Refer to question 28 for further details.

National Organic Program

Mr. Aderholt: How many certifying agents have been accredited in the organic program to date? What is the estimated percentage of the organic industry with accreditation? Of the total number accredited, how many have been evaluated on-site?

Response: There are currently 81 certifying agents accredited under the National Organic Program (NOP). All certifying agents overseeing certified organic operations and products must be accredited. Therefore, 100 percent of certifiers identifying products as USDA organic are accredited and all certified organic producers and handlers are operating in accordance with the USDA organic regulations.On-site evaluations have been conducted on all 81 accredited certifying agents, and are repeated approximately every 2.5 years, at the midpoint and at the renewal point of the five-year accreditation term.

There are 25,000 organic producers and handlers certified under the NOP regulations around the globe with 18,525 within the U.S. All organic producers, except those that sell less than $5,000 worth of organic products, are required to be certified by an accredited certifying agent. Of the producers and processors that must be certified organic, 100 percent are certified and inspected at least annually.

Mr. Aderholt: Please update the table that appears in last year's hearing record showing how much has been spent by year for the Organic Certification Program, along with a brief description of the purpose.

Response: The information is provided for the record.

[The information follows:]

Organic Certification Program Activity	Year	Funding ($ in Millions)
The Department allocated $120,000 for NOSB activities, which included three NOSB meetings and eleven NOSB subcommittee meetings following Federal Advisory Committee Act (FACA) procedures. AMS continued to provide communication to the organic community and encouraged them to work together with the NOSB to assist the program.	1992	$0.12
The Department allocated $45,646 for NOSB activities which included three NOSB meetings. AMS continued to serve as liaison with other agencies and the organic community.	1993	0.05
AMS received $500,000 in Marketing Services for the National Organic Program (NOP) to arrange meetings, prepare public notices of the meetings, prepare minutes, and help private certifiers develop and submit technical dossiers. We arranged and conducted livestock hearings across the country, issued contracts to technical advisers to coordinate the materials review process, participated in international standards development at Codex, and coordinated with other agencies and Departments on program activities related to their missions. The Department allocated $57,571 for NOSB activities from the Department's advisory committee account for two Board meetings.	1994	0.50
AMS drafted regulations, communicated with the organic community on issues and concerns, provided mailings on USDA recommendations, and participated in development of international guidelines development under Codex. Coordinated and implemented the required Technical Advisory Panel reviews of substances under consideration for the National List of Allowed and Prohibited Substances. The Department allocated $40,000 for NOSB activities from the Department's advisory committee account for two Board meetings.	1995	0.54
AMS' NOP drafted regulations subsequent to NOSB recommendations for the program. Participated in a Codex meeting to develop international guidelines for organic production and processing, continued to provide support for the NOSB, and discussed the proposed organic rule with other agencies that may be affected, such as the Environmental Protection Agency and the Food and Drug Administration. The Department allocated $33,000 for NOSB activities from the Department's advisory committee account for one Board meeting.	1996	0.53
NOP continued drafting the proposed rule for publication and public comment. No additional funds were available from the Department's advisory committee account.	1997	0.50

Organic Certification Program Activity	Year	Funding ($ in Millions)
The proposed rule was published December 16, 1997. The public comment period was extended to April 30, 1998. NOP supported a meeting of the NOSB in March of 1998 to review the proposed rule.	1998	0.50
Over 275,000 public comments were received on the initial publication of the proposed rule, mostly in opposition. A second public comment period was opened for 45 days to receive input on three issue papers concerning animal confinement, animal medications, and termination of certification. NOP again participated in the Codex Committee on Food Labeling and provided support for two NOSB meetings.	1999	0.92
A re-proposed rule was published on March 7, 2000, with a 90 days public comment period. There were 40,774 public comments received during that period. In addition, NOP held three public meetings on organic seafood production. The program participated in one industry-only meeting sponsored by Alaska governor Tony Knowles and Senator Ted Stevens. NOP participated in the Codex Committee on Food Labeling, Organic Food Working Group in Ottawa, Canada, and supported three NOSB meetings.	2000	1
A final rule was published on December 21, 2000, became effective on April 21, 2001, and was fully implemented on October 21, 2002. Again NOP participated in the Codex Committee on Food Labeling. With additional funding approved, one full-time employee was hired to assist NOP staff with the accreditation of certifying agents. Initial accreditation began of domestic and foreign certifying agents and policy directives were developed and compiled into program manuals. In addition, there were three NOSB meetings this year.	2001	1.56
AMS continued the implementation process and announced the first group of accredited certifiers on April 21, 2002. Once these State and private certifying agents were certified, they began inspecting participating producers and handlers to certify compliance with the National Organic Standards. NOP continued to provide staff support for the NOSB which held two meetings this year. NOP staff assisted these Board meetings through review of substances for addition to the National List and publication of proposals to amend the National List.	2002	1.6

Organic Certification Program Activity	Year	Funding ($ in Millions)
AMS continued the implementation of the organic regulations including onsite evaluations of accredited certifying agents; developing organic standards equivalency Agreements with foreign governments; enforcement of the National Organic Standards; completion of guidance documents to clarify existing standards; consultations with industries on additional production and handling standards; identifying issues and developing curricula for regional training for accredited certifying agents; and the development of consumer information. NOP continued to provide staff support for the NOSB which held two meetings.	2003	1.52
AMS continued the accreditation process, including onsite evaluations of certifying agents to examine their operations and to verify compliance with the National Organic Standards. FY 2004 activities also included the accreditation of additional applicants; development of organic standards equivalency agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and rulemaking to clarify existing standards; continued development of production and handling standards; continued training for accredited certifying agents; and staff support for the NOSB which held two meetings. AMS used funding increase to hire additional staff, increase support activities for the NOSB and finance peer reviews and Technical Advisory Panel reviews of petitioned materials.	2004	1.97
AMS administration of NOP including, as a part of the accreditation process, onsite evaluations of accredited certifying agents to examine their operations and to verify their compliance with the National Organic Standards. Additional activities included: accreditation of additional applicants; development of organic standards, equivalency agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents to clarify existing standards; establishing task forces for the development of production and handling standards for aquatic species and pet food; and conducting training sessions for certifying agents. NOP continued to provide staff support for the NOSB which held three meetings during fiscal year 2005.	2005	1.98

Organic Certification Program Activity	Year	Funding ($ in Millions)
FY 2006 activities included the accreditation of additional applicants; continued development of organic standards equivalency/recognition agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and possible rulemaking to clarify existing standards; continued cooperation in the development of production and handling standards for aquatic species; regional training for accredited certifying agents; and development of consumer information. The NOP continued to provide staff support for the NOSB which held two meetings.	2006	1.99
FY 2007 activities included the accreditation of additional applicants upon completion of accreditation requirements; continued development of organic standards; development of additional recognition agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and rulemaking to clarify existing standards; continued cooperation in the development of production and handling standards for aquatic species and pet food; regional training for accredited certifying agents; and development of consumer information. The NOP continued to provide staff support for the NOSB which held two meetings.	2007	2.00
AMS continued NOP administration, including conducting an ongoing series of onsite evaluations of accredited certifying agents. Additional activities included: accreditation of additional applicants; continued development of organic standards; development of additional recognition agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and rulemaking to clarify existing standards; continued cooperation in the development of production and handling standards for aquatic species and pet food; training for accredited certifying agents; and development of consumer information. The NOP provided staff support for the NOSB which held one meeting along with an aquaculture symposium in November 2007 and conducted another board meeting in May 2008.	2008	3.13

Organic Certification Program Activity	Year	Funding ($ in Millions)
AMS conducted a series of onsite evaluations of accredited certifying agents; accredited additional applicants; continued development of organic standards; development of additional recognition agreements with foreign governments; enforced the National Organic Standards; developed guidance documents and rulemaking to clarify existing standards; continued cooperation in the development of production and handling standards for aquatic species and pet food; conducted training for accredited certifying agents; and development of consumer information. The NOP provided staff support for the NOSB which held two meetings.	2009	3.88
In FY 2010, AMS received a $3.1 million increase for the NOP which was used, in part, to hire 14 new staff to carry out the enforcement and administration needs of the program. NOP issued new operating procedures designed to increase the effectiveness of enforcing organic standards; increased the use of civil penalties, issuing eight civil penalties (more than all of the civil penalties issued during the first seven years of the program) and closed 123 complaint cases. The program conducted several international compliance assessments and audits, and published a Program Handbook, which provides those who own, manage, or certify organic operations with guidance and instructions to support regulatory compliance.	2010	6.97
In fiscal year 2011, the NOP continued accreditation, standards development and compliance and enforcement activities. This included new rulemaking related to the National List, new draft and final guidance documents for the NOP Program Handbook, ongoing accreditation activities, assessments related to international agreements, support for two NOSB meetings, and compliance and enforcement activities. The NOP received and began investigative activities on 181 complaints, representing a 15 percent increase from 2010. The NOP completed 128 complaint investigations, issued ten civil penalties for willful violations of the NOP regulations. The NOP also improved outreach, communication, and provided an on-line list of organic operations. The NOP Appeals team implemented process improvements that led to a reduced average appeal decision time from 709 to 416 days.	2011	6.91

Organic Certification Program Activity	Year	Funding ($ in Millions)
In FY 2012, the NOP continued its standards development activities, accreditation program, and compliance and enforcement activities. The NOP released several rules and guidance documents; conducted audits of USDA-accredited certifying agents, including 45 accreditation renewal audits, three midterm audits, two initial audits, three surveillance audits, and a recognition assessment audit; supported the launch of the U.S.-European organic equivalency agreement; and issued nine civil penalties totaling more than $120,000 through settlement agreements for willful violations of the USDA organic regulations. The NOP also supported two NOSB meetings.	2012	6.92
In FY 2013, NOP continued to administer the USDA organic regulations, including developing and releasing multiple rules, instructions, and guidance documents; managing the National List petition and evaluation process; overseeing accredited certify agents; conducting compliance and enforcement activities; supporting the NOSB meetings; conducting training programs with both certifiers and auditors. The NOP also manages the NOP appeals process and engages in a variety of communication and outreach activities to describe organic certification and educate stakeholders on the standards.	2013	6.53
In FY 2014, NOP has continued to clarify the USDA organic regulations, including maintaining the National List of Allowed and Prohibited Substances and releasing new Instructions and policy documents to support certification; auditing, overseeing, and training accredited certify agents; conducting compliance and enforcement activities; managing the appeals process; supporting the NOSB meetings; and continuing education and outreach. This year, the NOP placed particular focus on implementing its Sound and Sensible Initiative to help make organic certification more affordable, attainable, and accessible to farms and businesses wanting to pursue the organic option. With the additional funding, NOP is adding staff to support the increasing demands associated with a steadily growing organic industry. Particular focus is being given to accreditation oversight and compliance, international equivalency efforts, and enforcement activities.	2014	9.03

Organic Certification

Mr. Aderholt: How much do you plan to spend in the current year on organic certification implementation and for what purpose?

Response: For fiscal year 2014, $9.026 million and nine staff years have been budgeted for the National Organic Program (NOP). This funding

supports organic accreditation and certification oversight, standards development, and international activities (including equivalency agreement establishment and oversight), in addition to compliance and enforcement activities, appeals management, training and outreach, and support for the National Organic Standards Board. These activities ensure that certifying agents and certified operations clearly understand requirements and are implementing the organic standards with high levels of quality and integrity.

With additional funding this year, NOP is supporting the increasing demands associated with a steadily growing organic industry, and implementing its Sound and Sensible Initiative to make organic certification more accessible, attainable, and affordable for farms and businesses. Particular focus is being given to accreditation oversight and compliance, international equivalency projects, and enforcement activities.

Mr. Aderholt: Provide a table showing the resources, both dollars and staff, which have been expended on the Organic Certification Program since its inception, including fiscal year 2014 and 2015 estimates.

Response: The information is provided for the record.

[The information follows:]

Organic Regulatory and Certification Activities (Dollars in Millions)		
Fiscal Year	Staff Years	Funding
1992	2	$0.12
1993	2	0.05
1994	5	0.50
1995	7	0.54
1996	7	0.53
1997	7	0.50
1998	14	0.50
1999	15	0.92
2000	11	1.00
2001	15	1.56
2002	11	1.60
2003	13	1.52
2004	13	1.97
2005	11	1.98
2006	13	1.99
2007	13	2.00
2008	14	3.13
2009	19	3.88
2010	28	6.97
2011	32	6.91
2012	33	6.92
2013	33	6.53
2014 Est.	43	9.03
2015 Est.	43	9.15

Mr. Aderholt: AMS recently issued a temporary variance of the organic regulations for organic livestock producers in California given the drought and lack of access to pasture.When conditions like this exist, AMS can provide a temporary "waiver" of the organic standards.

How does AMS enforce these variances to make sure producers and processors are in compliance and not going beyond what is allowed?

Response: USDA-accredited certifying agents ensure that producers and processors comply with the USDA organic regulations and don't go beyond what is allowed. Accredited certifying agents inspect producers and processors annually to ensure compliance, including compliance with temporary variances. The National Organic Program (NOP) reviews accredited certifying agents including their oversight of temporary variances no less than every 2.5 years during the normal audit schedule and more often as necessary. In 2012, the NOP visited multiple farms in drought-affected areas to review temporary variance use. In 2013, the NOP provided training to the accredited certifying agents on the topic of temporary variances.

Mr. Aderholt: The organic label often brings a premium in the market place. How does AMS ensure consumers about the integrity of the organic program and the organic label when variances are granted?

Response: Consumers can be confident that products labelled as organic have been produced according to the USDA organic regulations, even when a variance is in place. The scope of variances allowed by the USDA organic regulations is very well defined and quite limited, ensuring that organic integrity is not compromised. Prohibited substances and methods may never be used, even under a variance. Variances are often approved for very specific counties, etc., limiting their use. Before a temporary variance request is granted or denied, it is carefully evaluated by the Agricultural Marketing Service, and granted variances are well defined in terms of geographic reach and applicability. For example, a number of recent variances have related to drought conditions in the west. While some pasture requirements have been modified through these variances, livestock must have access to the outdoors and must be fed organic feed.

Mr. Aderholt: Despite increases in funding for the National Organic Program (NOP) over the past several years, the FY 2015 President's Budget shows a decrease in compliance. The percentage of accredited certifying agents, foreign and domestic, in conformance with the NOP accreditation criteria dropped from 96 percent in 2012 to 90 percent in 2013 and then remains flat at 90 percent through 2015. Please explain this drop in performance.

Response: There has not been a drop in performance, and we apologize if there was a reporting error in the FY 2014 Explanatory Notes. Certifier conformance has not dropped to 90 percent. In 2012, foreign and domestic accredited certifying agents conformed to 95.7 percent of the criteria of the USDA organic regulations. In 2013, the number dropped slightly to 95.4 percent. We expect the number to remain at 95 percent or higher in FY 2014.

Mr. Aderholt: The Committee is aware of the U.S.-Korea equivalency agreement in place for organic processed products, and that this will expand trade opportunities for U.S. organic producers. Is USDA in the process of establishing similar equivalency agreements with other countries? If so, which countries? How is AMS enforcing these agreements to ensure both domestic and international growers and processors adhere to the agreed upon organic standards?

Response: The USDA is in the process of establishing a similar equivalency agreement with Switzerland. USDA has received requests for equivalency consideration from Costa Rica, Thailand, New Zealand, and Mexico and is considering these requests. The Agricultural Marketing Service's National Organic Program (NOP) ensures that both domestic and international growers adhere to the agreed upon organic standards. Internationally, the NOP conducts peer reviews of foreign control bodies with which the USDA has an equivalency agreement every two years. The foreign control bodies also conduct peer reviews of the USDA. Domestically, the NOP audits the accredited certifying agents no less than every 2.5 years. During audits, the NOP confirms that accredited certifying agents are following the requirements set by various equivalence arrangements. In turn, accredited certifying agents ensure that growers and processors adhere to the requirements of the equivalence arrangements.

Market News Service

Mr. Aderholt: Under Market News Services, how much did AMS spend for mandatory price reporting in FY 2012 and FY 2013 and how much does the Agency plan to spend in FY 2014 and FY 2015?

Response: The information is submitted for the record.

[The information follows:]

Agricultural Marketing Service
Market News Mandatory Reporting
(Dollars in Thousands)

Fiscal Year	Livestock Mandatory	Dairy Mandatory	Total Mandatory Market News[1/]
2012	$6,355	$588	$6,943
2013	5,923	556	6,479
2014 Estimate	6,167	575	6,742
2015 Estimate	6,351	675	7,026

1/ Funding for mandatory price reporting is included in the total Market News budget. Expenditures include dedicated reporting activities and reporting system costs.

Mr. Aderholt: Did AMS eliminate or consolidate any market news reports in fiscal year 2012 or 2013, or does the agency plan to do so in fiscal year 2014 or fiscal year 2015?

Response: In FY 2012 and FY 2013, AMS eliminated approximately 62 individual Livestock, Poultry, and Grain Market News (LPGMN) reports. Most of these reports were redundant or underutilized; several reports were discontinued due to the closure of the auction market covered. In almost all cases, the information contained in those reports is still being captured and is still available to users via the AMS Market News Portal database.

In FY 2012, Fruit and Vegetable Market News closed its Pittsburgh Wholesale Market office, eliminating 7 reports. In FY 2013, the program closed its Seattle Wholesale Market News office, eliminating another 7 reports. These offices were closed mainly due to a significant decline in size and importance of the markets. Cotton and Tobacco Market News eliminated the Long Staple Cotton Review report in FY 2012.

In FY 2014, AMS plans to eliminate or consolidate 20 more LPGMN reports. The majority of these reports will be consolidated into national or regional summary reports, eliminating any redundant individual reports. Dairy Market News plans to eliminate 2 reports with minimal impact. AMS does not currently plan to eliminate or consolidate any fruit and vegetable market reports.

For FY 2015, additional changes in the number of reports may occur depending on resources and the recommendations of an internal review committee, after consultation with stakeholders and report users.

Section 32

Mr. Aderholt: Please provide a ten-year table, including fiscal year 2013, showing Section 32 end-of-year unobligated balances.

Response: The information is submitted for the record.

[The information follows:]

Section 32 Commodity Purchases End-of-Year Unobligated Balances (Dollars in Thousands)	
Fiscal Year	Unobligated Balances
2004	408,051
2005	286,160
2006	146,760
2007	500,000
2008 1/	293,530
2009 2/	375,374
2010 3/	0
2011	0
2012	0
2013	0

1/ The 2008 Farm Bill (P.L. 110-246, Section 4222) required that all unobligated balances be transferred to the Food and Nutrition Service (FNS), effective FY 2009.

2/ The FY 2010 Appropriations Bill (P.L. 111-80) required a portion of this balance be transferred to FNS and the remaining amount was to be rescinded (Section 721).

3/ Beginning in FY 2010, this program no longer reports unobligated balances at the end of the fiscal year since all funds above the Section 32 authority are transferred to FNS the following fiscal year.

Mr. Aderholt: Please provide a ten-year table, including projected fiscal year 2014 and 2015, that shows total obligations for Section 32 purchases, and obligations that were incurred in September of each fiscal year for those ten years.

Response: The information is submitted for the record.

[The information follows:]

Section 32 Obligations (Dollars in Thousands)		
Fiscal Year	Total Purchases	
	Annual Obligations	September Obligations
2005	$548,817	$76,744
2006	630,802	144,273
2007	721,752	53,271
2008	699,369	95,549
2009	906,812	90,823
2010	939,658	201,323
2011	679,396	326,256
2012	796,811	269,305
2013	718,027	120,218
2014 Estimate 1/	770,119	201,585
2015 Estimate 1/	850,973	223,737

1/ Section 32 September purchases are estimated for FY 2014 and FY 2015 based on a five year average since purchasing decisions are dependent on market conditions which we are unable to predict. The annual purchase estimates do not include funds set aside for the removal of defective commodities, State Option Contracts, or disaster assistance. Note also that National School Lunch Program purchases support the operational schedule of the Nation's public school system.

Mr. Aderholt: How much did AMS spend in fiscal years 2008 through 2013 on removal of defective commodities? How much do AMS plan to spend on this effort in FY 2014 and 2015? Have any of these funds been obligated in fiscal year 2014 to date? Please include the definition of defective commodity and explain what AMS does with those commodities after they are removed.

Response: A defective commodity is defined as any commodity purchased for distribution under the various domestic nutrition assistance programs that the Secretary determines poses a health or safety risk. After a commodity has been removed for health or safety reasons, it is disposed of according to the type of commodity involved. For example, in fiscal year 2013, AMS spent $144,644 for the removal and destruction of peanut butter products that had the potential to be contaminated with *Salmonella*.

AMS uses Section 32 funds for the removal of all defective commodities delivered through USDA domestic nutrition assistance programs. At the

beginning of each year, the Secretary authorizes $2,500,000 for the removal of defective commodities, which is reserved in the event AMS has to respond quickly to a public health risk. Through August 6, 2014, no funds have been obligated for this activity.

[The information follows:]

Section 32 Defective Commodities (Dollars in Thousands)	
Fiscal Year	Amount
2008	$49,914
2009	29
2010	-
2011	-
2012	-
2013	145
2014 Estimate	2,500
2015 Estimate	2,500

Mr. Aderholt: How much did AMS spend in fiscal years 2008 through fiscal year 2013 to date on directed purchases, emergency surplus removal, direct payment program, and diversion payment program?

Please provide a breakout of these obligations by each of these categories and by commodity. How much does the Department expect to spend in all of these categories by the end of fiscal year 2014?

Response: AMS did not have any directed purchases or diversion payment programs in fiscal years 2008 through 2014 to date.

Emergency surplus removal activity is often seasonal in nature due to crops and environmental impacts. It is difficult to predict the need that will arise in a current year. See the table below for specific emergency surplus removal purchases. Direct payments to producers to restore purchasing power were made in fiscal years 2009, 2010, and 2011. Details are provided in the table below.

[The information follows:]

Emergency Surplus Removal (Dollars in Millions)							
Commodity	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (Thru April)
Apple Products	-	$13.9	$49.7	-	-	-	$20.0
Apricots	$5.2	-	-	-	-	-	-
Beans	-	24.9	-	-	-	-	-
Beef	-	-	37.4	-	-	-	-
Blueberries	-	11.0	7.0	-	-	$30.6	24.0
Catfish	-	5.0	8.3	-	$9.9	9.9	-
Cherries	11.2	-	33.1	-	-	-	23.0
Chicken	-	46.4	13.6	$39.9	50.0	50.0	-
Cranberries	-	-	17.9	-	-	5.0	28.0
Dates	-	-	2.7	-	-	-	-
Figs	-	-	5.0	-	-	-	-
Grape Products (incl. raisins)	-	-	-	-	-	-	47.9
Grapefruit Products	11.0	-	-	-	-	3.8	9.5
Lamb	0.6	3.3	1.9	-	11.8	5.0	-
Orange Juice	-	29.5	-	-	-	-	29.5
Peaches & Mixed Fruits	-	-	30.9	11.3	-	-	-
Pears	3.8	-	7.8	-	-	-	-
Plums	-	-	10.8	4.9	-	-	-
Pork	17.9	96.5	36.7	-	100.0	-	-
Potatoes (incl. sweet)	-	-	25.3	-	-	25.0	7.0
Salmon	-	-	-	-	-	-	20.0
Strawberries	-	-	7.0	-	-	2.0	-
Tomatoes	3.9	2.7	5.8	-	-	3.5	5.0
Turkey	-	58.6	-	-	-	65.0	-
Walnuts	-	27.7	-	-	-	-	-
Total	53.6	319.5	300.9	56.1	171.7	199.8	213.9

Direct Payment Program* (Dollars in Thousands)			
Description	FY 2009	FY 2010	FY 2011
Producers in North Dakota as a result of flooding that ravaged the region	$750	-	-
Support to South Dakota's Cheyenne River and Standing Rock Sioux Tribes as a result of severe winter weather conditions	-	$3,375	-
Poultry producers in Arkansas who suffered losses in December 2008	-	60,000	-
Farm-raised aquaculture producers in Arkansas during calendar year 2009	-	20,000	-
Support to producers of upland cotton, rice, soybeans, and sweet potatoes who suffered losses during the 2009 crop year	-	-	$268,000

* No direct payments were made in FY 2008, FY 2012 or FY 2013 and none will be made in FY 2014.

Mr. Aderholt: Please provide a table showing the amounts expended for Emergency Surplus Removal and Disaster Relief for fiscal years 2008 through 2013. Add a similar table showing the amounts expended from Section 32 to restore producer purchasing power.

Response: The information is submitted for the record.

[The information follows:]

Selected Section 32 Activities (Dollars in Thousands)						
Description	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Emergency Surplus Removal	$53,654	$319,513	$300,888	$56,115	$171,726	$199,845
Disaster Relief	1,722	-	282	4,321	447	4,039
Restore Producer Purchasing Power	-	750	83,375	268,000	-	-

Mr. Aderholt: The Secretary has the authority to use section 32 funds to remove surplus commodities from the market and bolster producer prices. Provide a list of each time the Secretary used this authority and the amount used for fiscal years 2008 through 2013, and to date in fiscal year 2014. Please describe the procedure by which USDA determines that a surplus exists in the marketplace.

Response: The information is submitted for the record.

[The information follows:]

Determination of Agricultural Commodity Surplus

USDA constantly evaluates individual commodity markets for cyclic downturns in prices and negative returns to producers that jeopardize the long- term viability of the Nation's production capacity. Agricultural production varies from year to year. Weather, growing conditions, and cyclical production patterns contribute to variations in supply. USDA conducts emergency surplus removal of commodities, also known as bonus commodity purchases, to help stabilize prices in agricultural commodity markets.

Decisions on whether or not to support a particular market through Section 32 purchases are based on an objective analysis of market factors. To determine the need for a specific surplus commodity purchase, AMS conducts an economic assessment of commodity market conditions. Demand factors such as domestic consumption and exports are examined in relationship to supply factors such as domestic production, imports, and inventories. Prices paid to producers relative to the cost of production also play an important role in determining whether the industry is in a state of excess supply. Recommendations for a surplus commodity purchase generally address current market conditions that can be improved in the short term by that purchase.

Emergency Surplus Removal (Dollars in Millions)							
Commodity	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (Thru April)
Apple Products	-	$13.9	$49.7	-	-	-	$20.0
Apricots	$5.2	-	-	-	-	-	-
Beans	-	24.9	-	-	-	-	-
Blueberries	-	11.0	7.0	-	-	$30.6	24.0
Cherries	11.2	-	33.1	-	-	-	23.0
Cranberries	-	-	17.9	-	-	5.0	28.0
Dates	-	-	2.7	-	-	-	-
Figs	-	-	5.0	-	-	-	-
Grape Products(incl. raisins)	-	-	-	-	-	-	47.9
Grapefruit Products	11.0	-	-	-	-	3.8	9.5
Orange Juice	-	29.5	-	-	-	-	29.5
Peaches & Mixed Fruits	-	-	30.9	$11.3	-	-	-
Pears	3.8	-	7.8	-	-	-	-
Plums	-	-	10.8	4.9	-	-	-
Potatoes (incl. sweet)	-	-	25.3	-	-	25.0	7.0
Strawberries	-	-	7.0	-	-	2.0	-
Tomatoes	3.9	2.7	5.8	-	-	3.5	5.0
Walnuts	-	27.7	-	-	-	-	-
Subtotal, Specialty Crops	35.1	109.7	203.0	16.2	-	69.9	193.9
Beef	-	-	37.4	-	-	-	-
Catfish	-	5.0	8.3	-	$9.9	9.9	-
Lamb	0.6	3.3	1.9	-	11.8	5.0	-
Pork	17.9	96.5	36.7	-	100.0	-	-
Salmon	-	-	-	-	-	-	20.0
Subtotal, Livestock & Seed	18.5	104.8	84.3	-	121.7	14.9	20.0
Chicken	-	46.4	13.6	39.9	50.0	50.0	-
Turkey	-	58.6	-	-	-	65.0	-
Subtotal, Poultry Products	-	105.0	13.6	39.9	50.0	115.0	-
Total, Surplus Removal	53.6	319.5	300.9	56.1	171.7	199.8	213.9

Mr. Aderholt: Provide a table showing the details of the administrative expenses account to include fiscal years 2009 through estimated 2014.

Response: The information is submitted for the record.

[The information follows:]

Section 32 Administrative Obligations (Dollars in Thousands)						
Activity	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Estimate
Commodity Purchase Services	$31,092	$22,276	$33,538	$27,151	$27,593	$34,622
Marketing Agreements and Orders	17,124	19,802	19,279	19,849	17,865	20,056
Total	48,216	42,078	52,817	47,000	45,458	54,678

Research and Promotion Programs

Mr. Aderholt: Please provide a status of AMS' actions as it relates to any OIG reports covering research and promotion reports in fiscal years 2013 and fiscal year 2014 to date. List all recommendations and a status of the recommendation.

Response: On March 29, 2013, OIG issued a report of its audit of beef promotion and research activities. The beef promotion and research program, or "checkoff" program, is administered by the Cattlemen's Beef Board (Beef Board) and is overseen by AMS. In April 2013, OIG received a complaint questioning the quality of the report. As a result, OIG processed the complaint under the guidelines of the Data Quality Act, finding that OIG failed to follow certain quality control procedures. OIG then re-engaged with AMS and conducted additional audit and quality control procedures from July through September 2013. OIG's additional review reaffirmed the conclusions and recommendations in the original report.

The report made two recommendations: (1) that AMS develop and implement oversight procedures specific to the Beef Board, and perform management reviews of the beef checkoff program; and (2) that AMS require the Beef Board to obtain detailed estimates from contractors of project implementation costs before authorizing projects.

AMS has fully implemented the recommendations. First, AMS conducted a management review of the Beef Board beginning in July 2013. The report was finalized in December 2013, with no reportable findings. Second, AMS developed supplemental management review procedures for the Beef Board to augment the current standard operating procedure (SOP) covering management reviews for all boards. These supplemental procedures will be used in future management reviews of the Beef Board. Finally, the Beef Board revised the form contractors use to request funds to include additional

information as recommended by OIG. The Beef Board's fiscal year 2014 began October 1, 2013, and AMS ensured that the Beef Board implemented this change prior to the September 2013 Beef Promotion Operating Committee meeting.

Mr. Aderholt: Provide a list of all research and promotion programs that receive funding from FAS, including how much each receives, for fiscal years 2012 and 2013 and estimated for 2014.

Response: Four research and promotion programs overseen by the Agricultural Marketing Service currently receive funding from the Foreign Agricultural Service (FAS). Funding levels for 2012 through 2014 are as follows:

Research & Promotion
FAS Funding - Market Access Program
(Dollars in Thousands)

Commodity Board	FY 2012	FY 2013	FY 2014 Est.
Blueberry Board	0	$75	$398
National Watermelon Board	$270	283	322
Popcorn Board	315	383	448
National Potato Promotion Board	4,796	4,460	6,000

Mr. Aderholt: Were any new research and promotion programs added in fiscal year 2012 and 2013?Does the Agency expect to add any in fiscal year 2014 or 2015?

Response: One new AMS research and promotion program was added in fiscal year 2012--the Raspberry Promotion Program. No new programs were added in 2013. Two programs, the Paper and Paper-based Packaging Program and the Christmas Tree Program, were added in fiscal year 2014.

AMS is evaluating the possibility of a Hardwood Lumber Program for fiscal year 2015. The proposed rule for a Hardwood Lumber and Hardwood Plywood Promotion, Research and Information Order was published in the November 13, 2013, Federal Register with a 60-day comment period. USDA reopened and extended the comment period for the proposed rule in the Jan. 16, 2014, Federal Register. The purpose of the 30-day extension was to allow additional time for industry stakeholders and others to review the proposal and provide feedback. The comment period ended Feb. 18, 2014 and AMS is evaluating the comments.

Research Cooperative Agreements

Mr. Aderholt: Provide a table that displays research cooperative agreements for FYs 2009 through 2013.

Response: Through the Transportation and Market Development Program, AMS enters into cooperative agreements that support applied research on marketing issues. Below is a listing of the agreements for fiscal year 2009 through 2013.

Fiscal Year 2009 Research Cooperative Agreements			
Agreement Number	Cooperator	Project	Amount
A-5068	Upper Great Plains Transportation Institute	Agricultural Transportation Information Center for Research and Policy	$34,470
A-5069	Agricultural Transportation Research Institute	Agricultural Shippers Workshop and Summary Report	8,900
A-5082	Fundacao de Estudos Agrarios Luiz de Queiroz,University of Sao Paulo, Brazil	Brazil Soybean Transportation Report - 2009	26,000
A-5104	Board of Trustees of the University of Illinois	5th National Small Farm Conference, Springfield, Illinois	10,000
A-5107	Pacific Coast Farmers' Market Association	Target marketing project with Pacific Coast Farmers Market Association	29,500
A-5194	Upper Great Plains Transportation Institute	Agricultural Transportation Information Center for Research and Policy	55,660
A-5195	Michigan State University	The 2010 National Survey of US Farmers Market Managers, Phase I	22,000
A-5197	Agricultural Transportation Research Institute	Agricultural Shippers Workshop and Summary Report	33,000

Fiscal Year 2009 Cooperative Research Agreements (cont'd)			
Agreement Number	Cooperator	Projects	Amount
A-5204	Graham Avenue business Improvement District	Strengthening the Graham Avenue Farmers Market: Increasing Healthy food Access and Enhancing Marketing Opportunity for Farmers Market Vendors	94,000
A-5205	FamilyFarmed.Org	Safeguarding Our Food - Preparing Farmers for Food Safety Audits	10,000
A-5222	Wallace Center at Winrock	Value Chain Research Collaboration Project	11,000
A-5092	Project for Public Space	7th International Public Markets Conference , San Francisco, CA	10,000
Total	[redacted]		$344,530

Fiscal Year 2010 Research Cooperative Agreements			
Agreement Number	Cooperator	Project	Amount
A-5254	Fundacao de Estudos Agrarios Luiz de Queiroz,University of Sao Paulo, Brazil	Brazil Soybean Report	$26,000
A-5263 Amend I and Amend II	Michigan State University	National Survey of U.S. Farmers Market Managers Phase II	106,800
A-5268	Agricultural Transportation Research Institute	Agricultural Shippers Workshop and Summary Report	39,000
A-5269	Wallace Center at Winrock	Value Chain Research Phase II	16,000
A-5277	Upper Great Plains Transportation Institute	Agricultural Transportation Information Center for Research and Policy	57,860
A-5355	Texas A&M AgriLife Research	Impacts of Improvements in Brazil's Transportation Infrastructure on the U.S. Cotton Industry	15,500
A-5358	Eastern Market Corporation	Detroit Fresh Food Network: Developing a Model Urban Healthy Food Hub	100,000

Fiscal Year 2010 Cooperative Research Agreements (cont'd)			
Agreement Number	Cooperator	Project	Amount
A-5388	Wallace Center at Winrock	Regional Food Hub Collaboration	37,400
Total	[redacted]		$398,560

Fiscal Year 2011 Research Cooperative Agreements			
Agreement Number	Cooperator	Project	Amount
A-5355 Amend 1	Texas A&M AgriLife Research	Impacts of Improvements in Brazil's Transportation Infrastructure on the U.S. Cotton Industry	$15,500
A-5388	Winrock International Wallace Center	Collaborate on research to understand the scope and scale of food hub operations	37,400
A-5478	Fundacao de Estudos Agrarios Luiz de Queiroz, University of Sao Paulo, Brazil	Brazil Soybean Transportation Report 2011	20,000
A-5480	Upper Great Plains Transportation Institute	Agricultural Transportation Center for Research and Policy	47,800
A-5481	Winrock International Institute for Agricultural Development(Wallace Center)	National Food Hub Phase II	30,000
A-5554	Agricultural Transportation Research Institute	Ag Shipper Workshops	37,500
A-5555	Texas A&M AgriLife Research	U.S. Grain and Soybean Exports to Mexico by Final Destination	25,000
A-5563	Soy Transportation Coalition	2012 Agricultural Transportation Conference	25,000
A-5567	Upper Great Plains Transportation Institute	Grain and Oilseed Export Profile	15,000
A-5568	Cornell University	Assessing the economic impact of food hubs	17,000
Total	[redacted]		$270,200

Fiscal Year 2012 Cooperative Research Agreements			
Agreement Number	Cooperator	Project	Amount
A-5388	Winrock International Wallace Center	Collaborate on research to understand the scope and scale of food hub operations	$37,400
A-5481	Winrock International Institute for Agricultural Development (Wallace Center)	National Food Hub Phase II	30,000
A-5568 Amend 1	Cornell University	Assessing the economic impact of food hubs	15,000
A-5624	Fundacao de Estudos Agrarios Luiz de Queiroz, University of Sao Paulo, Brazil	Brazil Soybean Transportation Report 2012	20,000
A-5625	Michigan State University	USDA National Farmers Market Directory - 2012 Update	40,500
A-5628	Board of Trustees of Tennessee State University	6th National Small Farms Conference, Memphis, TN	10,000
A-5629	Upper Great Plains Transportation Institute	Agricultural Transportation Information Center for Research and Policy	47,800
A-5631	Project for Public Space	8th International Public Markets Conference, Cleveland, OH	10,000
A-5633	Fresh Moves	Facilitating Expanded Food Access and Research Through Mobile Markets	45,000
A-5634	Gorge Grown	Facilitating Expanded Food Access and Research Through Mobile Markets	25,000
A-5636	Agricultural Transportation Research Institute	Ag Shipper Workshops	45,000
A-5637	University of Wisconsin- Madison	Measuring Effects of Mobile Markets on Healthy Food Choices	64,465
A-5639	University of Wisconsin- Madison	Local and Regional Food Supply Chain Match Making Event	45,000
A-5640	Kansas State University	U.S.-South America Ocean Grain Freight Spreads	20,000

Fiscal Year 2012 Cooperative Research Agreements (cont'd)			
Agreement Number	Cooperator	Project	Amount
A-5641	Michigan State University	USDA 's National Farmers Market Directory -- 2013 Continuous Update Form	131,000
A-5660	University of Kentucky Research Foundation	National Study of Community Supported Agriculture (CSA) Operations	49,840
A-5661	Lehigh University	Impacts of Relationship-Based Online Marketing and Social Media Use on CSA Programs	19,940
A-5662	University of Maryland	Impacts of Relationship-Based Online Marketing and Social Media Use on CSA Programs	39,800
A-5663	Farmers Market Coalition	Assessing the Return on Public Investment in the USDA Farmers Market Promotion Program	20,000
Total			$715,745

Fiscal Year 2013 Cooperative Research Agreements			
Agreement Number	Cooperator	Project	Amount
A-5629 Amend 1	Upper Great Plains Transportation Institute	Agricultural Transportation Information Center for Research and Policy	$36,400
A-5708	Fundacao de Estudos Agrarios Luiz de Queiroz, University of Sao Paulo, Brazil	Brazil Soybean Transportation Report 2013	20,000
A-5726	Agricultural Transportation Research Institute	Ag Shipper Workshops and Summary Report	45,000
A-5727	Washington State University, Freight Transportation Policy Institute	Agricultural Transportation Study	65,000

Fiscal Year 2013 Cooperative Research Agreements (cont'd)			
Agreement Number	Cooperator	Project	Amount
A-5728	Texas A&M AgriLife Research	Estimating Regional Truck Costs of Transporting Grains and Soybeans by Truck in the United States	53,700
A-5732	Arizona Board of Regents	Improving Market Coordination for Native American and Other Specialty Crop Producers Using LocalFresh.info	55,000
A-5730	Michigan State University	2014 USDA National Farmers Market Directory and 2014 National Farmers Market Manager Survey Enhancements and Implementation	89,000
A-5731	Public Health Solutions (School Food Focus)	Expanding Regional Produce Procurement in Detroit Public Schools	40,000
A-5734	Colorado State University	Building a Standardized Evidence-Based Economic Impact Assessment Toolkit for Food System Clusters	99,330
Total			$503,430

Plant Variety Protection Act

Mr. Aderholt: Provide a table for the Plant Variety Protection Act that shows the number of applications received, the number of applications pending action, the number of applications approved, the number of certificates issued, and the number that expired to include fiscal year 2013 and estimates for FY 2014. Also include the average time it takes AMS to approve of an application from the time of receipt to final approval.

Response: The information is submitted for the record.

[The information follows:]

Plant Variety Protection Performance Measure	FY 2013	FY 2014 Estimate
Applications Received	488	460
Applications Pending Action at Year End	642	282
Applications Approved	963	820
Certificates Issued	831	818
Certificates Expiring	112	44
Average PVP application processing time	2.78 years	2.43 years

Reimbursables

Mr. Aderholt: Please update last year's hearing record to show reimbursements made to the Office of the Chief Information Officer for support in fiscal years 2013 through estimates for fiscal year 2015?

Response: The information is submitted for the record.

[The information follows:]

AMS Reimbursements to OCIO (Dollars in Thousands)			
OCIO ACTIVITIES	FY 2013	FY 2014	FY 2015 Estimate
e-Gov Initiatives	$485	$836	$851
Network Services	788	850	865
Telecom Services	1,700	1,757	1,788
Enterprise Data Center Cost Management (NITC)	8,391	6,107	6,217
Total	$11,364	$9,550	$9,721

Standardization Program Costs

Mr. Aderholt: Please provide a table showing standardization program costs by commodity for fiscal years 2013, 2014, and 2015.

Response: The information is submitted for the record.

[The information follows:]

Standardization Program Cost (Dollars in Thousands)			
Programs	FY 2013	FY 2014 Estimate	FY 2015 Estimate
Cotton and Tobacco	$1,571	$1,636	$1,669
Dairy Products	593	365	372
Fruits and Vegetables	1,280	1,396	1,424
Livestock, Poultry and Seed	1,114	1,334	1,361
Science and Technology	109	245	250
Total	$4,667	$4,976	$5,076

Commodity Procurement Activities

Mr. Aderholt: What steps are being taken to correct and improve management controls, accountability for contaminated products, corrective actions, and sampling procedures concerning AMS' oversight of the commodity purchases? Please address each issue separately.

Response: All suppliers undergo pre-award plant surveys and/or capability assessments conducted by AMS certification agents (Fruit and Vegetable Program's Specialty Crop Inspection Division, or Livestock, Poultry and Seed Program's Quality Assessment Division). These assessments ensure that a prospective contractor's business practices will meet the technical, production, and transportation capabilities, and the quality assurance and production control procedures expected by the AMS. AMS Commodity Procurement Staff communicate with AMS Program area management on the eligibility status of new and existing suppliers.

Awarded contractors are obligated to meet the requirements set forth in the AMS Master Solicitation for Commodity Procurements, the applicable AMS commodity product specification, and/or the vendor's AMS-approved technical proposal. The AMS Master Solicitation mandates domestic origin traceability systems and food defense plans for all AMS contracted vendors. AMS specifications and technical proposal requirements mandate production/lot coding to facilitate product trace-back and recall; appropriate microbiological testing and reporting; production control measures (e.g. "plan/do, check, act"); processing, storage and transportation of the commodity product.

Contract compliance is further assured through AMS certification agents who monitor production and processing of the product either through continuous supervision or through audit-based verification. Continuous supervision includes online sampling and inspection conducted by the AMS agent for defects in quality and wholesomeness, packaging and packing, and storage.

Product which does not meet the contract requirements is rejected for use in fulfillment of an AMS contract.

Mr. Aderholt: Please provide the Subcommittee with information for fiscal year 2013 regarding schools ordering products containing lean finely textured beef as part of the National School Lunch Program.

Response: In fiscal year 2013, AMS purchased about 2.2 million pounds of products containing lean finely textured beef valued at almost $5.5 million for distribution to schools—which is approximately 1.8 percent of total beef purchases for schools.

Mr. Aderholt: Schools participating in the National School Lunch and Breakfast Programs are required to serve more fruits and vegetables.

How has this requirement affected USDA purchases of fruits and vegetables?

Response: In school year (SY) 2013/14, AMS purchased 20 percent more fruit and vegetables for schools than SY 2012/13. Though the purchases for SY 14/15 have just begun; AMS has already purchased 3 percent more fruit and vegetable products than the previous school year. Purchases for SY 2014/15 will continue through the new Fiscal Year.

Mr. Aderholt: Has AMS seen an increase in demand for these products from schools?

Response: Yes, the demand for SY 2013/14 was approximately 40 percent higher than the previous school year.

Mr. Aderholt: Has AMS been able to fulfill all purchase requests for fruits and vegetables?

Response: AMS had no issues purchasing vegetable products for school recipients in SY 2013/14. Last year, however, the California fruit industry (peaches, pears, apricots, and strawberries) experienced drought conditions, labor issues, and a movement by farmers to plant nut trees in lieu of fruit trees, and AMS was not able to purchase all of the apricot, peach, pear, and strawberry orders requested, even though AMS purchased almost 100 million pounds more than was purchased the previous year. All vegetable products and other fruit also saw an increase in orders, and AMS has been able to meet the growing demand for those products. AMS has already purchased approximately 2,000 more truckloads of apricots, peaches, pears, and strawberries for SY 2014/15 than SY 2013/14 - most of which were grown in California and in spite of the current drought conditions.

Mr. Aderholt: If not, how is AMS helping schools obtain more fruits and vegetables, or what advice are AMS providing schools?

Response: AMS representatives met with vendors and growers in California during the fall of 2013 to discuss the commodity program and identify areas for improvement - including different contract methods, timing of purchases, and specification issues. AMS also discussed the changing meal pattern requirements and the effect of increased demand with the industry. This enabled AMS to purchase substantially more of the desired peaches, pears, apricots, and strawberries for SY 2014/15 delivery.

AMS continually revises the contract method for fruits and vegetables to offer flexibility to the recipients while still meeting harvest periods of products. AMS has added quarterly purchases of some school products so that schools can order year round and make adjustments to entitlement as necessary, and to maximize the quantities purchased for schools.

AMS and the Food and Nutrition Service are working together to conduct the 2014 Pilot Project for Procurement of Unprocessed Fruits and Vegetables that will assist schools in receiving more fruits and vegetables while still using entitlement funds. This pilot allows AMS to establish and qualify products and suppliers without going through a Federal procurement. The procurement will take place at the local level, allowing schools to use entitlement funding if their procurement results in the use of suppliers approved by AMS.

Mr. Aderholt: How has this fruit and vegetable requirement in the school meals program affected other recipients of USDA commodities, such as food banks?

Response: It has very little direct impact since outlets such as food banks do not follow a defined meal pattern like schools. However there are residual impacts since food banks are offering more healthy choices such as fruits and vegetables. As USDA offers a larger variety of fruits and vegetables to schools many of those same products are also being offered to food banks.

Farmers' Market Promotion Program

Mr. Aderholt: Please update the Committee on the costs and activities of the Farmers' Market and Local Food Promotion program.

Response: The 2014 Farm Bill authorized $30 million for the Farmers' Market and Local Food Promotion Program (FMLFPP). As authorized, $15 million will be awarded through Farmers Market Promotion Program (FMPP) grants for farmer-to-consumer direct marketing projects such as farmers markets, community-supported agriculture programs, roadside stands, and agritourism.

The remaining $15 million will be awarded through Local Food Promotion Program (LFPP) grants to support the promotion of local and regional food business enterprises that do not provide products directly to consumers, but rather serve as intermediaries to process, distribute, aggregate, and/or store locally or regionally produced food products. A request for applications was announced on May 8, 2014. The FMLFPP received a total of 683 applications, which included 351 applications for FMPP requesting $30,083,394, and 332 applications for LFPP requesting $20,900,719. The applications are in peer review; awards will be made in late September 2014.

During FY 2015, AMS is planning to adopt a grants management system used in several USDA agencies that will improve AMS' tracking and reviews of grant applications, post-award management, audits, and reporting on the large number of new and ongoing Farmers Market and Local Food Promotion Program grants.

Payments to States

Mr. Aderholt: Provide for the record a state-by-state funding table for the Payments to States program to include fiscal years 2012, 2013, and estimates for 2014.

Response: FY 2014 obligations will not be made until the selection process is complete. The following States applied for FY 2014 funding: Alaska, Arizona, Arkansas, Connecticut, Florida, Hawaii, Idaho, Iowa, Kansas, Maryland, Minnesota, Missouri, Mississippi, Nebraska, Nevada, New Jersey, North Carolina, Tennessee, Texas, Vermont, Virginia, Washington, and Wisconsin. The total funding amount requested was $2.5 million, compared with $1.3 million available for awards. All funds available will be awarded.

[The information follows:]

FSMIP FY 2012 Grants	
District of Columbia	$34,500
Hawaii	28,100
Illinois	97,982
Kentucky	69,230
Massachusetts	53,560
Mississippi	52,920
Missouri	59,678
Montana	39,115
Nevada	45,747
New Jersey	62,713
New Mexico	43,000
North Carolina	30,000
Pennsylvania	94,947
South Dakota	31,725
Tennessee	90,000
Vermont	47,250
Virginia	108,039
Washington	143,969
Wisconsin	65,525
Total	$1,198,000

FSMIP FY 2013 Grants	
Arkansas	$49,700
Florida	69,500
Hawaii	75,000
Kansas	107,160
Massachusetts	37,374
Michigan	126,534
Minnesota	45,279
New York	106,258
North Dakota	78,298
Oregon	99,180
Texas	77,803
Vermont	88,500
Virginia	96,780
Washington	127,332
Wyoming	49,992
Total	$1,234,690

Mr. Aderholt: Please provide for the record a list of the projects that were approved for the Payments to States and Possessions program during fiscal year 2013. Also, provide a brief description of each project. Lastly, include a brief description of how AMS evaluates the merits of a proposal.

Response: In fiscal year 2013, AMS awarded $1,234,690 in Federal-State Marketing Improvement Program matching grants under this program.

[The Information follows:]

FY 2013 Awards through Federal-State Marketing Improvement Program

Arkansas - $49,700
Arkansas Agriculture Department, in cooperation with the East Arkansas Enterprise Community, Inc., to create wealth in the rural Eastern Arkansas area through local and regional food systems and value-added agriculture, by training producers on marketing, packaging and processing vegetables; developing an Arkansas Grown brand; identifying direct marketing barriers; and conducting a pilot project.

Florida - $69,500
University of Florida, to determine the impact of state-specific signs and labels on consumer demand for the U.S. and Florida grown tomatoes.

Hawaii - $75,000
Hawaii Department of Agriculture, in cooperation with the Aquaculture Program of the University of Hawaii, to interview and survey grocery retailers and restaurants in Hawaii to explore market acceptance, demand level, preferred product form, packaging and price point for produce and fish harvested by aquaporin farms and related food-safety requirements.

Kansas - $107,160
Kansas State University to study the current use by nurseries and garden centers of social media marketing, and to measure costs and potential economic impacts of adding a social media strategy to their marketing plans.

Massachusetts - $37,374
Massachusetts Department of Agricultural Resources, in cooperation with New Entry Sustainable Farming Project, to determine the best methods for expanding the existing business model to new markets by researching and identifying the needs of wholesale and institutional outlets and aggregation/distribution costs of the Food Hub, and address challenges in meeting new food safety requirements imposed by new markets as FDA's Food Safety Modernization Act is implemented.

Michigan - $99,879
Michigan State University, in cooperation with Purdue University, China Agricultural University, and Zhejiang University, to assess emerging demand for U.S. pork in China by evaluating urban Chinese consumer preferences for various product attributes using a well-established experimental economics methodology.

Michigan - $26,655
Michigan State University to investigate and refine measurements of the extent to which attention-capturing elements of retail displays of branded and non-branded food producing plants vary among consumers by the level of their gardening expertise.

Minnesota - $45,279
University of Minnesota, in cooperation with Midwest Dairy Foods Research Center, to identify a yield-maximizing process to convert acid whey to soluble dietary fiber, evaluate the economic feasibility of the process, and explore the market size and potential for growth in demand for the fiber.

New York - $106,258
Cornell University to better understand the roles and opportunities for small-scale farmer marketing cooperatives as food hubs in addressing growing demands for local, source-identified food products through intermediated marketing channels.

North Dakota - $78,298
North Dakota State University to support the commercialization of a new biofuel pathway by collecting and analyzing market information on energy beets, creating a demand schedule using an economic feasibility simulation models, and exploring the most cost efficient way of transporting energy beets or beet juice.

Oregon - $99,180
Oregon State University, to develop a method and manual to train entrepreneurial food producers and processors in the basics of conducting product sensory and consumer tests.

Texas - $77,803
Texas Tech University, to develop a profile and identify marketing strategies to reach an emerging yet sizeable market of wine consumers - the Hispanic wine consumer.

Vermont - $88,500
Vermont Agency of Agriculture, in cooperation with Shelburne Farms, Vermont Department of Tourism and Marketing, University of Vermont Extension, and Vermont Ag and Culinary Tourism Council, to amplify the economic impacts (and mitigate risks) of agricultural and culinary tourism for Vermont farms through research and evaluation of economic impacts; capacity development and risk management for producers offering on-farm experiences; coordinated marketing campaign to drive visitors to farm and food businesses offering authentic experiences; and leadership and network development to ensure the sharing of best practices and strong agricultural organizations.

Virginia - $39,580
Virginia Polytechnic Institute & State University to examine factors in business partnership selection and contractual relationships between small scale producers and middlemen in the market for specialty crops in order to increase the efficiency and profitability specialty crops markets through improved understanding and more effective use of business relationships and contracts.

Virginia - $57,200
Virginia State University to identify the deficiencies in the local food marketing system and develop marketing strategies that meet the needs of small farmers and consumers in selected counties in Virginia.

Washington - $76,633
Washington State University, in cooperation with an advisory team of stakeholders, to assess the feasibility of and develop the framework options for a farmer "verification" program for Washington State to ensure public trust in local products sold at the state's farmers markets.

Washington - $50,699
Washington State University to assess the impact of post-harvest labor shortages in the U.S. pome and prunes industries on profit and economic welfare, and determine the extent to which such labor shortages interfere with marketing, distribution, and delivery in domestic and foreign markets.

Wyoming - $49,992
University of Wyoming to measure pollination services' value in Wyoming's rural economy, assess Wyoming's pollination industry structure and organization and explore Wyoming beekeepers' openness to new marketing avenues.

FSMIP FY 2014 Proposal Selection Criteria

In 2014, FSMIP continued to implement a process improvement plan for proposal reviews to:

- Provide greater consistency and transparency in the review of proposals,
- Bring a high level of national expertise to improve the credibility and validity of the ranking and recommendations, and
- Improve the clarity and usefulness of feedback on the proposals of unsuccessful applicants.

Proposals are reviewed and evaluated by a team of subject-matter specialists selected by AMS for expertise and diverse representation. Individual

reviewers evaluate and score their assigned proposals and then, with other team members, derive a consensus score which serves as the basis for awarding FSMIP grant funds. Proposals are evaluated on the four criteria listed:

(1) OBJECTIVES (25 points) - the proposal is well-justified, addresses an important marketing barrier, challenge or opportunity, and contains a problem statement or clearly frames the issue to be studied; the literature review supports the need for research; and aligns well with FSMIP's legislative and program goals.

(2) APPROACH (25 points) - the goals, objectives, and work plan are clear, appropriate, and logical; personnel demonstrate appropriate qualifications, knowledge and experience necessary to conduct the research; research methodology is described and appropriate to answer research questions; and all budget items, both grant and match, are allowable, reasonable and clearly described.

(3) IMPACT (30 points) - the proposal describes the potential impact it will have on target producers and agribusinesses, and the potential for the proposal to provide new knowledge and lessons learned that could be applied in other States or regions of the country; estimated economic impact is described and supported by relevant data. For small-scale or pilot proposals, the proposal includes recommendations as to how the project could be scaled up or expanded to other States or regions. The proposal includes at least one quantitative metric to demonstrate impact.

(4) DELIVERABLES AND OUTREACH (20 points) - the proposal describes deliverables attributable to the project in addition to the final report; and outlines a plan to disseminate project results electronically and in person to the target audience, stakeholders, and interested parties beyond those directly served by the project.

Limitation on Administrative Expenses

Mr. Aderholt: Provide a table showing the object class breakout for the limitation on administrative expenses account to include fiscal year 2012 and 2013 actuals and fiscal years 2014 and 2015 estimates.

Response: The information is submitted for the record.

[The information follows:]

Limitation on Administrative Expenses
Cotton & Tobacco User Fee Activity - Object Class Breakout

		2012 Actual	2013 Actual	2014 Estimate	2015 Estimate
Personnel Compensation:					
11.1	Full-time permanent	$7,683,848	$4,988,471	$8,009,026	$8,403,790
11.3	Other than full-time permanent	6,896,937	7,952,690	11,749,952	11,803,224
11.5	Other personnel compensation	1,303,780	948,372	1,401,202	1,407,555
11.0	Total personnel compensation	15,884,565	13,889,534	21,160,180	21,614,569
12.0	Personnel benefits	3,178,264	2,884,703	4,900,748	4,284,419
13.0	Benefits for former personnel	1,532,853	1,459,090	2,155,778	2,165,552
	Total, personnel comp. and benefits	20,595,682	18,233,327	28,216,706	28,064,540
Other Object Classes:					
21.0	Travel 1/	928,124	582,013	859,913	863,812
22.0	Transportation of things	2,638,481	1,698,306	2,509,215	2,520,591
23.1	Rental payments to GSA	6,845	1,514,487	2,237,626	2,247,771
23.2	Rental payments to others	6,590,929	3,591,320	5,306,109	5,330,166
23.3	Communications, utilities, and misc. charges	2,196,227	677,820	1,001,466	1,006,007
24.0	Printing and reproduction	28,128	151,638	224,042	225,058
25.1	Advisory and assistance services	-	-	-	-
25.2	Other services from non-Federal sources	1,514,392	8,209,678	12,129,646	12,184,640
25.3	Other purchases of goods and services from Federal sources	1,326,764	2,103,216	1,830,160	2,121,552
25.4	Operation and maintenance of facilities	4,293	909,344	1,343,538	1,349,630
25.5	Research and development contracts	4,140	81,633	120,611	121,158
25.6	Medical care	531	2,023	2,989	3,002
25.7	Operation and maintenance of equipment	2,166,746	381,590	563,792	566,349
26.0	Supplies and materials	694,361	672,686	993,882	995,388
31.0	Equipment	4,675,673	2,086,988	3,083,486	3,097,466
32.0	Land and structures	-	-	-	-
41.0	Grants, subsidies and contributions	392,000	-	-	-
42.0	Insurance Claims and Indemnities	47,000	7,000	10,342	10,386
43.0	Interest and Dividends	1,684	1,000	1,477	1,484
	Total, Other Objects	23,216,317	22,670,741	32,218,294	32,644,460
Total, Limitation on Administrative Expenses		43,811,999	40,904,067	60,435,000	60,709,000

The limitation on administrative expenses applies only to the cotton and tobacco user funded activities. Obligations in this account fluctuate with crop size; the agency is expecting increased demand for services in fiscal years 2014 and 2015.

Federal-State Marketing Improvement Program

Mr. Aderholt: Please provide a table showing obligations by State to include fiscal years 2007 through estimates for 2014.

Response: FY 2014 obligations will not be made until the selection process is complete. The following States applied for FY 2014 funding: Alaska, Arizona, Arkansas, Connecticut, Florida, Hawaii, Idaho, Iowa, Kansas, Maryland, Minnesota, Missouri, Mississippi, Nebraska, Nevada, New Jersey, North Carolina, Tennessee, Texas, Vermont, Virginia, Washington, and Wisconsin. The total funding amount requested was $2.5 million, compared with $1.3 million available for awards. All funds available will be awarded.

[The Information follows:]

FSMIP Obligations by State							
STATE	2007	2008	2009	2010	2011	2012	2013
Alabama	$14,995						
Alaska	59,845	$45,750					
Arizona	49,275						
Arkansas	30,000				$60,660		$49,700
California			$198,250				
Colorado	58,000	30,500	48,500	$42,000			
Connecticut					89,320		
Delaware		64,170					
District of Columbia						$34,500	
Florida	72,000	27,600		118,915			69,500
Georgia		68,090		63,275	55,373		
Guam		26,900					
Hawaii	50,000	54,400	41,500			28,100	75,000
Idaho	54,500		48,000		67,220		
Illinois					55,000	97,982	
Indiana			60,500				
Kansas		83,150			144,200		107,160
Kentucky	33,375	55,780		38,550	49,000	69,230	
Louisiana			69,000	61,295	87,326		
Maine		55,805	65,000		64,145		
Maryland	50,000	50,800		121,445			
Massachusetts	105,425	37,520	38,000	38,870	24,640	53,560	37,374
Michigan	47,410	48,000		48,000	150,101		126,534
Minnesota			92,500		60,000		45,279
Mississippi	55,875		47,150	43,690		52,920	
Missouri		42,000			61,026	59,678	
Montana				142,085		39,115	
Nebraska		50,000		68,095	79,534		
Nevada						45,747	
New Jersey	85,000		89,000	51,215		62,713	
New Mexico	105,095		40,500			43,000	
New York			37,200	134,060	73,824		106,258
North Carolina	61,400					30,000	
North Dakota				59,735			78,298
Ohio	105,940			54,375			
Oklahoma	56,365		47,150				
Oregon	43,000	60,200		55,850			99,180
Pennsylvania						94,947	
Puerto Rico		34,500			21,000		
Rhode Island		54,780					
South Carolina		109,200	74,500	109,000			
South Dakota						31,725	
Tennessee						90,000	
Texas					77,588		77,803
Utah		44,985					
Virgin Islands		45,845					
Vermont		55,000	48,000			47,250	88,500
Virginia			152,000		75,150	108,039	96,780
Washington	183,500	107,185	87,250			143,969	127,332
West Virginia							
Wisconsin			50,000			65,525	
Wyoming	23,000	72,840		83,545	36,225		49,992
Total $ Grant	1,344,000	1,325,000	1,334,000	1,334,000	1,331,332	1,198,000	1,234,690

Transportation Regulatory Actions

Mr. Aderholt: How many transportation regulatory actions did AMS participate in during fiscal years 2012 and 2013? Please describe those actions and the results of those actions.

Response: AMS conducted economic analysis and participated in two formal Surface Transportation Board (Board) regulatory actions during fiscal year 2012, and 3 in fiscal 2013, as well as a number of other regulatory activities, with the following results:

Fiscal year 2012

- **Western Coal Traffic League, Petition for Declaratory Order, BNSF Railway Company Acquisition Premium, FD-35506** – AMS briefed the Under Secretary for Rural Development and filed comments with the Board on the $8.1 billion acquisition premium Berkshire Hathaway paid in the purchase of BNSF. USDA supports the petition that the premium not be included in the Board's regulatory calculations for rail costs and revenue. USDA, corn and wheat growers, and members of the House and Senate are concerned that the premium could increase rural electricity rates and limit the ability of captive rural electric utilities that receive coal, farmers, ranchers, ethanol producers, and manufacturers to appeal excessive freight rates. On February 4, 2014, the Board denied a request that the Board conduct a technical conference for petitioners to obtain Board staff's views on how the Board plans to use inputs from BNSF Railway Company's revised financial statements that have been certified as accurate and audited by the Board's accountants. The Board delayed the $8.1 billion markup of the rail assets until 2013 due to a noncompliance issue. To help protect captive shippers who may find their rates suddenly outside the Board's purview, the Board required BNSF to transition the full markup to its rail assets equally over a four year period, beginning with the data the carrier will file in 2014.

- **Competitive Switching Rules, EP-711 and Rate Regulation Reforms, EP-715** – AMS met with Board Chairman Daniel Elliott, along with members of Alliance for Rail Competition, and National Association of Wheat Growers to discuss ways the Board and AMS might collaborate to find better ways to resolve rail shipper issues. USDA is participating in the proceeding on rate regulation reforms. USDA grain, feed, fertilizer, and forest product producers' support for competitive switching is on record.

- **Assessment of Mediation and Arbitration Procedures, EP-699** – AMS filed comments in support of mediation and voluntary arbitration as potential lower cost alternatives for carriers and shippers. On May 13, 2013, the Board adopted final rules to increase the use of mediation and arbitration to resolve matters before the Board. To provide greater use of mediation, the Board may order parties to participate in the mediation of certain disputes. The Board also clarified and simplified its existing mediation rules. To encourage greater use of arbitration, the Board establishes a new arbitration program under which shippers and carriers may voluntarily agree in advance to arbitrate certain disputes with clearly defined limits of liability, and clarified and simplified its existing arbitration rules.

- **National Grain Car Council** – presented *Changes in Rail Market Share of Grain and Oilseed Transportation* to this Federal advisory committee to the Board.

AMS continues to participate on this committee and publish rail issue papers.

- **Rail Energy Transportation Advisory Committee** – AMS represented USDA at meetings of this Federal advisory committee to the Board concerned with rates and services for ethanol and coal for utilities. AMS continues to participate on this committee.

- **Confidential Carload Waybill Sample** – AMS met with Board economists to discuss improving analysis of rail traffic data. Each year AMS receives the latest sample under a confidentiality agreement.

- **Rail Rate Index** – AMS developed a comprehensive index of all three components of rail rates: rail tariff rates, fuel surcharges, and secondary rail market bids/offers. AMS continues to publish rail issue papers.

- **Short line Railroad Financing Conference Call** – at the request of the Office of the Secretary, AMS met with Federal Railroad Administration on the level of participation of short line railroads in the Railroad Rehabilitation and Improvement Financing Program. AMS continues to engage stakeholders in Government and industry.

- **Agricultural Hours of Service Exemption for Drivers Transporting Farm Supplies** – AMS met with the new Executive Director of the Agricultural and Food Transporters Conference of the American Trucking Associations regarding efforts to clarify the exemption for farm supplies supported by USDA since 1995. Comments in support of legislation were provided for OMB and the clarification was incorporated into the highway bill.

- **Exemptions for Certain Farm Vehicles and Drivers** – AMS provided comments for OMB in support of legislation that clarified and strengthened the existing farm exemptions from Commercial Driver's License requirements, which USDA has supported since 1988. A clarification was incorporated into the highway bill.

Fiscal year 2013

- **Petition for Rulemaking to Adopt Revised Competitive Switching Rules, EP-711** – AMS supports guidelines that would make switching to competing railroads available for all grain and oilseed shipments where the revenue to variable cost ratio is above 180 percent. In addition, AMS recommends that the Board use a rebuttable presumption that the shipper is entitled to receive competitive switching, with the burden placed on the railroads to prove otherwise. AMS also recommends using the average of Canadian railroad competitive switching access fees for such fees in the United States. After making these initial comments in February 2013, AMS submitted reply comments in May 2013, reaffirming the results of its empirical analysis that show competitive switching will have only minor effects on railroad revenues, traffic volumes, and efficiency. The Board held a hearing on March 25-26, 2014 which AMS attended, and is accepting additional comments and reviewing potential next steps.

- **Information Required in Notices and Petitions Containing Interchange Commitments, EP-714** -- AMS supports disclosure of anti-competitive terms in new interchange agreements between railroads, and asked the Board to apply these new disclosure rules to existing interchange agreements.

The board declined to apply the new disclosure rules to existing agreements and implemented them for new agreements effective October 15, 2013.

- **Rate Regulation Reforms, EP-715** -- AMS supports reforms, including removing the limitations on financial relief for shippers for certain rate cases and at least doubling the relief for other cases. AMS asked the Board to address the effects on rate cases when railroads increase rail rates across the board and recommended the Board forego changes that will complicate and increase the costs of pursuing rate relief. CSX Transportation, Inc. and Norfolk Southern Railway Company instituted court action on July 29, 2013, in the United States Court of Appeals for the District of Columbia Circuit, seeking judicial review of the Board's decision to raise the limitations on relief for rate reasonableness complaints brought by a shipper against a carrier under both of the agency's simplified procedures, along with the technical changes to the rate complaint procedures, changes to the interest rate that railroads must pay on reparations if they are found to have charged unreasonable rates, and the announcement of future proceedings on options for addressing cross-over traffic and on proposals to address the concerns of small agricultural shippers.

- **Rail Energy Transportation Advisory Committee** – AMS served as a non-voting member of this committee, established by the Board to provide advice and guidance and to be a forum for the discussion of issues regarding the transportation by rail of energy resources—particularly coal and biofuels, such as ethanol. AMS continues to participate in these meetings.

- **Stakeholder Meetings** – AMS met with attorneys and principals of the National Grain and Feed Association, Consumers United for Rail Equity, National Industrial Transportation League, American Chemistry Council, The Fertilizer Institute, and other shipper groups to discuss comments and data on competitive access to railroads in the proceeding before the Board. AMS staff briefed the AMS Administrator and Under Secretary for Marketing and Regulatory Programs for their meeting with Kevin Kaufman, Vice-President of Agricultural Products, and BNSF Railway. AMS met with members of the National Grain Car Council, established by the Board, and the Transportation, Elevator, and Grain Merchants Association. AMS drafted a briefing paper for the Secretary's meeting with the Governor of South Dakota to discuss the sale of part of the Dakota, Minnesota and Eastern Railroad by the Canadian Pacific Railroad. AMS met with Federal Railroad Administration staff to ensure viewpoints of railroads as well as stakeholders are conveyed in AMS rail issue papers. AMS continues to meet with stakeholders and publish additional papers.

- **Association of Transportation Law Professionals Transportation Forum IX** -- AMS participated in this discussion of Board proceedings on *Rate Regulations Reforms* and *Petition for Rulemaking to Adopt Revised Competitive Switching Rules*. Also discussed the post-election legislative and policy outlook, fuel surcharge litigation, as well as rate and unreasonable practice cases. AMS continues to meet with stakeholders and engage the Board on issues important to agriculture.

- **54th Annual Transportation Research Forum** -- Presented *Rail Market Share of Grain and Oilseed Transportation* in Annapolis, MD. AMS has since published a number of other rail issue papers on its website.

- **Hours of Service Exemption for Drivers Transporting Agricultural Commodities and Farm Supplies, and Exemptions for Certain Farm Vehicles and Drivers within States and Across State Lines** – AMS provided editorial comments to OMB to ensure that guidance drafted by USDOT's Federal Motor Carrier Safety Administration (FMCSA) did not limit the two statutory exemptions on hours of service of drivers and Commercial Driver's License requirements which USDA has supported since 1995 and 1988, respectively. FMCSA published a series of notices clarifying the scope and benefits of the exemptions to agriculture.

- **Hours of Service Exemption for Drivers Transporting Livestock Interstate –** In June 2013, AMS met with the Agricultural and Food Transporters Conference of the American Trucking Associations to discuss concerns about the impact on animal welfare prior to the hours of service of drivers rule 30-minute rest break requirement going into effect. AMS provided sources of information and advice on how to petition the FMCSA for relief. On July 11, 2013 the American Trucking Associations and the National Pork Producers Council expressed their gratitude "for the assistance of USDA Secretary Tom Vilsack in helping ensure the concerns of America's farmers were heard," after FMCSA granted a limited 90-day waiver from the 30-minute rest break provision of the Federal hours-of- service regulations for the transportation of livestock. FMCSA followed up with a one-year exemption on June 9, 2014. In granting the exemption, FMCSA noted the supportive data from the Livestock Marketing Information Center (LMIC). Six sub-agencies of the U.S. Department of Agriculture are members of LMIC, including AMS, Animal and Plant Health Inspection Service, and the Grain Inspection, Packers and Stockyards Administration. Many State extension services and land grant universities are also LMIC members.

- **FDA Sanitary Transportation of Human and Animal Food Regulatory Impact Analysis** – AMS provided comments for OMB on draft regulations, and sources of data on the transportation of food by trucks and rail to the economics team of the U.S. Food and Drug Administration (FDA) Office of Regulations, Policy and Social Sciences. The team had hoped to develop a list of firms by their size, gross annual revenues, number of trucks, shipments, and employees, and used the April 2010 multimodal *Study of Rural Transportation Issues* to better understand the structure of the transportation industry. The comment period for the proposed rule ended on July 30, 2014. AMS agreed to work with the transportation industry to update USDA's Agriculture Handbook 669, *Protecting Perishable Foodstuffs during Transport by Truck* to help shippers, receivers, and transporters use recommended best practice in line with the goals of the final rule.

- **East and Gulf Coast Container Port Facilities –** At the request of the White House and the Secretary, AMS worked with USDA's Offices of the General Counsel and Chief Economist to analyze trade impacts and draft a declaration for the Secretary in case the President determined it would be necessary to invoke the Taft-Hartley Act to either avoid or temporarily end a strike or lockout by the International Longshoremen's Association or the United States Maritime Alliance. About 21 percent of all U.S. agricultural exports move through the East and Gulf ports under the labor contract. The parties reached an agreement in March 2013, avoiding major transportation disruptions.

Grading Resources and Activities

Mr. Aderholt: Please provide a table showing the total number of grading employees broken down by Federal employees and Federally-supervised state employees for the past five fiscal years to include fiscal year 2013.

Response: The information is submitted for the record.

[The information follows:]

Agricultural Marketing Service
Grading Activities Performed by Federal Employees and Federally-Supervised State Employees

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Number of Federal Employees 1/	2,986	2,883	2,748	3,021	2,961
Number of Federally-supervised State Employees 2/	2,445	2,141	2,120	3,151	3,095
Cross-Licensed Employees of Other Programs or USDA Agencies 3/	28	30	15	12	28
Total	5,459	5,054	4,883	6,184	6,084

1/ All personnel are AMS employees. Includes seasonal and permanent employees.

2/ A Federally-supervised State employee generally works less than one full-time equivalent staff year. The number of Federally-supervised State employees varies based on program needs, which vary by State, including changes in crop size due to weather and demand.

3/ Reduction in fiscal years 2011 and 2012 is the result of changing customer needs.

Mr. Aderholt: Did any grading fee increase or decrease during fiscal year 2013? What was the amount of the increase or decrease and why?

Response: AMS dairy programs had a fee increase of 10 percent on August 1, 2013. The fee increase was the first part of a proposed two-tier fee increase. This fee had not been increased in the 6 years prior to fiscal year 2013. Changes in operations, increased salaries, technology investments, and general inflation resulted in the need to increase fees.

Mr. Aderholt: Does AMS plan to propose any fee increases in fiscal years 2014 and 2015?

Response: AMS implemented the second-tier of the proposed increase for dairy grading services, raising fees by an additional 10 percent on February 1, 2014. Based on the projected volumes of dairy product covered by services during this time period, increasing the fees resulted in an overall cost increase of less than $0.0004 per pound to the industry. No other grading fees were increased in FY 2014 and none are planned for FY 2015.

In order to provide both transparency and predictability to the industries served and to allow the Agency to effectively plan for staffing, investment in infrastructure and resources, AMS is seeking to establish a unified process whereby a standard formula will be used to establish fees for the majority of the Agency's voluntary user fee and trust programs and these rates would be expressed in the Federal Register on an annual basis. As one of the Secretary's Signature Process Improvement initiative within the Department, this new process will provide greater transparency to the customers we serve as to how the fees charged are derived. We expect publication of the proposed rule in late summer with a final rule in December 2014.

AMS User Fees

Mr. Aderholt: Did any user fees increase or decrease in fiscal years 2013 and 2014? If so, by how much?

Response: Other than the fee for the Dairy program, AMS did not increase or decrease any user fees in fiscal years 2013 or 2014.

Wholesale Market Development Activities

Mr. Aderholt: Please inform the Subcommittee of the goal and priorities of wholesale market development priorities.

Response: The goal of Wholesale Market Development is to improve marketing opportunities for small and midsized producers through a combination of facilitating applied research, developing marketing tools, and providing technical services (e.g., farmers market, food hub, and wholesale market architectural design support, equipment consulting, information sharing, etc.).

Priorities for Wholesale Market Development include:

- Conduct innovative research and case studies on local and regional food distribution models that can be used to improve agricultural business practices and support agricultural marketing research.

- Provide technical assistance (e.g., facility design, business planning, market research, green technology recommendations, best practices training, etc.) to agricultural businesses engaged in local and regional food distribution.

- Strengthen relationships with stakeholders to provide better support for USDA local and regional food initiatives, including Farm Bill grant

programs.

- Publish the results of the 2013 and 2014 Farmers' Market Manager surveys.

- Provide educational outreach and technical assistance to expand and improve community gardens with attendant benefits of food access, food education, and community building.

- Model best practices at the USDA Farmers Market and support farmers market development in nontraditional venues such as military bases.

- Establish a grants management and cooperative agreement information technology system to increase efficiencies of administering grants and cooperative agreements, and the availability and accessibility of data regarding such awards.

- Research the impacts of the grant investments made to new and expanding local food enterprises. Identify best practices and develop marketing tools and reports to share publicly.

- Use the National Farmers Market Directory as a model to develop and launch national directories of local food businesses (i.e., food hubs, CSAs, and on-site farm stores) that will increase visibility and marketing opportunities for those businesses.

- Conduct surveys of the local food businesses contained in the national directories to facilitate SWOT analyses and economic studies that will be used to develop educational, outreach, technical assistance, and research documents that support the growth of local food systems.

- Develop tools for economic impact assessment of local food systems and conduct outreach and education for broad constituencies who are interested in making investments in these systems.

- Create cooperative agreements that invest in the applied research of food value chains (i.e., strategic alliances between agricultural producers and other supply chain partners that deal in significant volumes of high-quality, differentiated local and regional food products), and development of practices that can be replicated by other local food enterprises throughout the country.

Mr. Aderholt: For the record, please provide the Subcommittee with a listing and status of all wholesale market development projects worked on in fiscal years 2012 and 2013 as well as those underway in fiscal year 2014. Please include the total cost of each project.

Response: The information is submitted for the record.

[The information follows:]

FY 2012 Projects:

Know Your Farmer, Know Your Food/Other Departmental Initiatives

- Provided data for the KYF Compass map of locations and descriptions of projects funded through the Farmers Market Promotion Program (FMPP) and the Federal-State Marketing Improvement Program (FSMIP) and of the locations of U.S. wholesale produce markets. Cost: 60 staff hours.
- Provided leadership and membership on several KYF subcommittees - Data Gathering, Research, and Infrastructure - and participated in KYF Task Force retreat to set priorities for 2013. Cost: 450 staff hours.
- Participated as reviewers for the 2012 Farm to School Grants Program. Cost: 160 staff hours.

Research and Information Collection

- National Study of Community Supported Agriculture (CSA) Operations: Emerging Marketing and Business Strategies and Implications for Business Resilience and Profitability. Use a combination of selected exploratory case studies and a national survey of CSAs in an effort to document the emerging marketing and business strategies in the CSA sector, with a focus on multi-farm operations. Cost: $50,000 Cooperative Agreement
- Measuring Effects of Mobile Markets on Healthy Food Choices. Evaluate and understand how mobile markets affect consumer behaviors and attitudes toward healthy food choices in urban and rural areas lacking access to healthy foods. Cost: $64,000 Cooperative Agreement
- Measuring Impacts of Relational Marketing Practices and Social Media Use on Community Supported Agriculture (CSA) Outcomes. Evaluate and understand how the use of relational marketing practices and social media technologies (Twitter, Facebook, blogs, etc.) affect the financial, operational, and consumer outcomes of farmer and coop-run Community Supported Agriculture (CSA) programs. Cost: $58,000 Cooperative Agreement
- National Farmers Market Directory. Update 2012 Directory and implement a web based portal and underlining databases to allow market managers to list their market for the first time or update their listing in the USDA National Farmers Market Directory. Initiate forms and online processing for data collection for the Farmers Market Manager Survey in electronic format. Cost: $117,000 Cooperative Agreement
- Assessing the Economic Impacts of Regional Food Hubs. Customer and vendor interviews and analysis of economic impacts for food hub in New York. Cost: $32,000 Cooperative Agreement

Market Support

- Tuscarora Organic Growers Cooperative, Fulton County PA. AMS created as-built floor plans of a highly successful food hub facility. This work is in support of an overall case study to provide technical development information for aspiring food hub developers. The TOG facility is a wood frame structure on a concrete slab that was built in phases as the needs changed and the financing became available. The process of facility development was "organic" in nature by which additions were added to the structure when needed for operations. Consequently the structure is piecemeal in nature. The overall layout is awkward but it uses its available space efficiently. The structure has 6 loading docks without shelters but it does have canopies over the overhead roll-up doors. Cost: 5 days staff time.

- Walterboro Farmers Market and Museum, Colleton County, South Carolina. AMS worked jointly with local landscape architect Thomas Angell and providing AutoCAD plans for the Colleton County Farmers Market and now includes the Museum. On March 3, 2110 the county received a Rural Business Cooperative Service Grant of $199,916. The grant was used to the Walterboro Farmers Market to include the construction of a shelter on the property acquired by the county at 506
- E. Washington Street in Walterboro. The market now provide retail opportunities for agricultural producers and serve as a local distribution center for locally grown fruits, vegetables, flowers, plants, crafts and prepared foods. One of the County's goals for the market is to improved productivity, profitability, and sustainability for existing small farms and an increased interest in local farming. This project provides a lively public space that enhances the cohesiveness of this community. Rural Business Cooperative Service Grant of $199,916. Cost: 10 days staff time
- Gettysburg Farmers Market, Gettysburg, PA. AMS architect provided technical assistance to help the community to make a vital site selection decision for their farmers market. It was observed that the Adams County Farmers Market Association operates three markets sites which actually functions in an ad hoc sort of fashion. Each site fulfills a different community need and serves their corresponding constituents. The city and the association are trying to consolidate the three sites into one to strengthen its appeal and simplify operations. The Farmers Market Association and the city are exploring three site options. Recently a tentative offer from the Gettysburg Outlet Mall was made for a permanent site. The offering includes moving the farmers market to a prime location in the mall. The incentive is encouraging for the farmers and very beneficial for the mall operations. The down side is that areas in the community may not be served by this move and may lose contact with existing customers. Funding for the market will be private and is unknown at this time. Cost: 7 days staff time.
- Project for Public Spaces. Co-sponsor 8th International Public Markets Conference to engage small farmers, market managers, community organizers, government officials, and others in discussions of local food access and distribution systems. Cost: $10,000 Cooperative Agreement.

Publications

- Moving Food Along the Value Chain. Publication serves as a "best practices and lessons learned" resource guide for small and mid-sized farmers. It used nine case studies of direct distribution models to inform farmers and food distributors about promising delivery mechanisms for locally grown food to retail and institutional clients. March 2012. Cost: 2,480 staff hours, $1,500 for printing.
- Food Hub Resource Guide. Publication that targets food entrepreneurs and their supporters who are interested in starting food hubs and operators of food hubs who are interested in expanding. This guide will also help philanthropic foundations, public agencies, lending institutions, and economic development organizations understand the nature, function, and operating models of food hubs, helping them to engage hubs in their areas. April 2012. Cost: 2,500 staff hours, $1,500 for printing.

FY 2013 Projects:

Know Your Farmer, Know Your Food/AMS Agency Initiatives

- Provided data for the KYF Compass map of locations and descriptions of projects funded through the Farmers Market Promotion Program (FMPP) and the Federal-State Marketing Improvement Program (FSMIP) and of the locations of U.S. wholesale produce markets. Cost: 60 staff hours.
- Provided leadership and membership on KYF Management Team and subcommittees. Cost: 220 staff hours.
- Participated as reviewers for the 2013 Farm to School Grants Program. Cost: 90 staff hours.
- Funded pilot project by AMS Fruit and Vegetable Program to provide Group GAP training for small farmers. Cost: $50,000 intra-agency agreement.

Research and Data Collection

- Philadelphia Wholesale Market Local Foods Flowthrough. USDA-AMS Market News data collection to track local foods flowing through the Philadelphia Farmers Market. Cost: 50 staff hours, $40,000 intra-agency agreement.
- USDA Local Foods Directories to develop national directories of food hubs, community supported agriculture enterprises, and on-farm markets to connect local food sellers to buyers and expand market opportunities for small and mid-sized farms. Cost: $89,000 cooperative agreement.
- Improving Market Coordination for Native American and Other Specialty Crop Producers Using LocalFresh.info. Expand training and use of online marketing and farm planning tool for connecting local farmers with their buyers to improve cost-efficiency and reduce product losses associated with transport and uncertain market demand. Cost: $55,000 cooperative agreement.
- Expanding Regional Produce Procurement in Detroit Public Schools. Develop supplier networks and track movement of local produce through Detroit Public Schools. Cost: $40,000 cooperative agreement.
- Building a Standardized Evidence-Based Economic Impact Assessment Toolkit for Food System Clusters. Working with a team of nationally recognized experts, develop a set of standardized methods for calculating the economic impact of local food systems investments. The set of methods will range in sophistication and data requirements so that everyone from farmers market managers to community planners can make assessments using best practices that will be supportable in internal budget discussions and loan applications. Cost: $99,330 cooperative agreement.
- Food Hub Cost Analysis and Facilities Design. Case studies of food hubs throughout the United States focusing on facilities design and cost estimates using economic and architectural staff input. Cost: 21 staff days.

Market Support

- Snohomish County Food Hub, May, 2013. AMS Architect and Economist met by tele-conference with Linda Nuenzig, Snohomish County Growers Association, and with Hui Tian of "Studio 19 Architects and Designers" to discuss development plans for the Snohomish County Food Hub. The proposed multi use facility has a total footprint on the first floor of 58,000 sq. ft. for the food hub with 5,500 sq. ft. set aside for commercial kitchen and processing, and 2,500 for the distribution/cooler area, room for 2 restaurants and the rest will be farmers market. The food hub will occupy

the entire first floor of the building; it will have 220 apartments built above it and two floors of underground parking. There will also be a three story parking garage across the street. This is a fully funded project using EB5 funds. Snohomish County Growers Alliance will be signing a master lease on the first floor containing the food hub. Our technical assistance has been requested to collaborate with the architects for design of the aggregation, processing, packing and community kitchen of the food hub. Dollar value of the project $1,584,000. Staff time on project: 12 days

- Orlando, FL Public Market March, 2013. AMS provided architectural planning support for a proposed public market facility in Orlando, Florida. The market will be located within the existing half vacant Festival Bay Mall structure in Orlando. The 25,000 square foot public market component will highlight Florida's agricultural products. The Mall is privately owned and operated by Paragon Outlet Partners LLC a commercial real estate development firm based in Baltimore, Maryland. AMS will collaborate with the local Architectural firm of Cuhaci & Peterson staff, Paragon Outlet Partners staff, and consultant Sharon Yeago. The proposed site potential includes: an active retail environment, favorable demographics, supportive employment pool and need for quality food retail. This project is a public/private enterprise to promote Florida agriculture. Work is ongoing. Dollar value of project: $5,913,600. Staff time on project: 6 days
- Brighton New York Farmers Market, December, 2012. A master plan concept was submitted to the town of Brighton New York for a multi-functional Farmers Market complex. The 50 acre site is located in Buckland Park formally 3 dairy farms. The city procured title to the farmland and annexed it into the city and is zoned parkland. The design concept for the market is unique and incorporates a restored barn for use as a farmers market. The AMS concept ties together multiple functions including a community garden, War Veterans Memorial, the historic/restored Buckland farm house and a city recreational complex. Our concept is based on the restoration of multiple structures to use a farm theme for agri-tourism or an educational demonstration dairy operation or to potentially convert the site into a food hub. The town of Brighton received a grant for New York State and is looking for additional funding to implement the work. Dollar value of project: $3,688,396. Staff time on project: 15 days
- Lyman South Carolina, Farmers Market October, 2012. Community Kitchen Design Proposal. AMS Architect staff provided technical support for the town of Lyman South Carolina by providing a design for a proposed community kitchen. The proposed multi use kitchen will serve the farmers market and the Lyman Event Center (civic center). The kitchen is designed to serve multiple functions including: farmer value added preparation, culinary training, demonstration, catering, nutrition programs, vending for the farmers market, and food service for civic and cultural events. The kitchen will be located in an existing historical facility which was a former military armory and is now city property. Dollar value of project: $171,360, Staff time on project: 4 days

Publications

- Assessing the Economic Impacts of Regional Food Hubs: The Case of Regional Access. December 2013. Cooperator Report. Publication that describes a method for calculating economic impacts of food hubs that accounts for direct and indirect costs of operation. Cost paid in 2012.
- Measuring Effects of Mobile Markets on Healthy Food Choices Report November 2013. Cooperator Report. Publication that documents reasons people shop

or do not shop at mobile produce markets, and describes healthy behavioral changes that results. Cost paid in 2012.

FY 2014 Projects Underway:

Know Your Farmer, Know Your Food/AMS Agency Initiatives

- Provide data for the KYF Compass map of locations and descriptions of projects funded through the Farmers Market Promotion Program (FMPP), Local Food Promotion Program (LFPP), and the Federal-State Marketing Improvement Program (FSMIP) and of the locations of U.S. wholesale produce markets. Cost: 60 staff hours.
- Provided leadership and membership on KYF Management Team and subcommittees. Cost: 220 staff hours.
- Participated as reviewers for the 2013 Farm to School Grants Program. Cost: 90 staff hours.
- Funded pilot project by AMS Fruit and Vegetable Program to provide Group GAP training for small farmers. Cost: $80,000 intra-agency agreement.
- Provided guidance for AMS Market News data collection of local foods prices. Cost: 55 staff hours.
- Provide information and write portions of Congressionally-mandated report on the status of the local foods sector. The report is being coordinated by the USDA Economic Research Service with participation from multiple agencies. Cost: 130 staff hours.

Research and Data Collection

- Food Safety for Food Hubs and Their Farmers. Develop a national business planning guide that helps food hubs assist farmers to meet the requirements for GAP certification and comply with the Food Safety Modernization Act. Cost: $85,000 cooperative agreement.
- 2014 National Food Hub Conference Sponsorship. Support the convening of food hub practitioners, researchers, and funders. Cost: $10,000.
- AMS Grant Writing Workshops and Technical Assistance. Through the USDA National Institute for Food and Agriculture and the USDA funded Regional Rural Development Centers, develop training program and conduct outreach, education, and technical assistance to cover every State, delivered to eligible applicants for AMS Grant Program Farmers Market and Local Food Promotion Program, Specialty Crop Block Grant Program and Federal State Marketing Improvement Program so that they can be better equipped for understanding, developing, submitting, and managing their Federal grant application (or grant). Cost: $1,000,000 interagency agreement.

Market Support

- Organic Sandy Produce, Sandy, OR. Provided technical assistances to build and develop a food hub in Sandy Oregon. Currently the food hub is aggregating produce from local organic farms and marketing the produce to local families and restaurants in the Sandy Oregon area. Organic Sandy was formed to provide families with year-round access to locally grown and regionally sourced organic produce, bulk grains, herbs and locally processed foods. We provide a conceptual design for the proposed food hub including a community kitchen, and cold storage. Est. construction cost: $634,000
- Down to Earth Markets, Village of Ossining, NY is redeveloping the

downtown and would like to be the first community in Westchester County to develop an open air market pavilion. Est. construction cost: $454,000

- City of Carbondale, IL, Our office provided technical assistance for Carbondale to develop a central farmers market. The existing Farmers Market has been operating for 38 years and is well-established in the region. Currently the market is set up to accommodate 30 seasonal vendors and another 15-20 weekly vendors. Over the past several years the city has seen an emergence of many other small, sustainable farms that now are in a position to participate in the farmers market. Our consultation with local officials and architects provided guidance as the community seeks a design and site selection for their market. Est. construction cost: $2,731,000
- Rural Development Center, Salinas, CA (ALBA Headquarters). ALBA's mission is to advance economic viability, social equity and ecological land management among limited-resource and aspiring farmers. Their facility needs to expand its loading docks, coolers, cooled staging area, and an extension of the wet/dry rooms. Our office provided design guidance for the facility. Est. construction cost: $323,000
- Nevada MO, Farmers Market, TMP received a technical assistance request from the town of Nevada Missouri to assist in the planning and design of a farmers market to include a community kitchen and gardens. Our office provided case studies of other farmers markets as a guide. The city is working with Cerner Health Community Corp. to build a new model of health and care that will seamlessly integrate the two environments. The project a "Healthy Nevada" is focused on creating a culture of health in the community through education, incentives, and infrastructure. The project includes: a) Encouraging healthy eating and activity with walk to work/school programs, healthy snack carts, easily accessible Farmer's Markets and community gardens; b) Improving the city layout through initiatives like increasing ADA accessible sidewalks and adding bike lanes; c) Partnering with local restaurants and grocery stores to offer healthy choices. Est. construction and infrastructure cost: $5,380,000
- Moore Street Public Market, Brooklyn NY, AMS Architect has provided technical assistance for the first USDA certified, all locally sourced processing facility and meat counter in New York City, to be called the "Tiberio Custom Meat Shop" located in the Moore Street Public Market. The mission of the meat food hub is to support small regional farms and make local meat more affordable. This project is under auspices Brooklyn Economic Development Corporation and supported by the Bob Lewis of NYS Department of Agriculture and Markets and Darryl Cook architect of record. AMS provided a conceptual design for the wholesale meat processing operation and for a meat retail sales stand (butcher shop). Est. construction cost: $1,380,000
- Greenwood SC Farmers Market, AMS Architect traveled to Greenwood SC to provided technical assistance for the development of a multi-functional farmers market on a 2.5 acre site. The proposed market site is located on a traditional Main Street. The propose site was originally the location of the town's railroad train station. The community is actively working to reinvigorate its downtown with increase economic development activity through the Uptown Greenwood Development Corporation (UGDC). The proposed Greenwood Farmers market is a major part of the redevelopment plan to create a sense of place and community. Currently providing third party review of local

architects design proposals. Est. construction cost: $2,870,000

- Fallbrook Village, CA Our office provided technical design assistance to plan the expansion of the market into the county ROW (Right of Way) to include additional farmers. Our office provided a market traffic plan to provide safety for vendors and customers. Est. signage cost: $12,000
- Crossroad Community Farmers Market, Takoma Park, MD, Market manager requested technical design assistance to plan market expansion into the county ROW (Right of Way) to include additional farmers. Layout was prepared for the community to maximize the use of the site and provide vendor and pedestrian safety. Est. signage cost: $3,000
- Lancaster SC, Farmers Market, Requested Technical assistance for establishing a farmers market in downtown Lancaster as part of their revitalization plan. Est. construction cost: $2,400,000
- Georgetown SC Farmers Market, In the City of Georgetown, which is 60 miles north of Charleston on the coast, there's a large park adjacent to the bay. It is utilized as the county farmer's market about 8 months of the year. The current setup has temporary tents. The City is working with the County to develop a master plan for the park that will include community facilities, athletic fields. They requested conceptual plans an efficient setup for farmer's market and included other facilities like restrooms, sitting areas, etc. Est.construction cost: $2,400,000
- Charlotte, NC State Farmers Market, North Carolina Dept. Of Agriculture is requesting technical assistance to conduct a land use analysis of the Charlotte market and for the creation of a master plan to guide the growth of the market. Est. construction and infrastructure utility cost: $12,400,000
- City of Lauderdale Lakes, FL Farmers Market, Our office provides a series of green shelter designs for the market. The city is now planning to develop a food hub facility which will incorporate a greenmarket and a community kitchen and which will function as a jobs incubator. Est. construction cost: $654,000
- A Community Farmers Market Atlanta, GA, Requested Technical Assistance to develop a farmers market as part of a large residential development. This org. has a facility available for a potential market use. He is interested in renovating to accommodate a market. Est. construction cost: $754,000
- Farmers Market, Town of Bozrah, CT, Market manager contacted our office requesting technical support to help design a new facility in the city own farmer property. She referred to the facility as a barn but it would be substantially more than a barn and finished out as a public Market. Est. construction cost: $1,454,000
- Ypsilanti MI, Farmers Market, The town is now in the planning stages for a much-needed project in the heart of downtown. Ypsilanti, like many other Michigan cities, has been hard hit by the downturn in manufacturing, primarily automotive manufacturing. They are thinking big: create a market district that will be a community gathering place and will include an event rental space and garden supply store. They are seeking technical assistance. Est. construction and infrastructure utility cost: $5,400,000
- New Albany MS Farmers Market, Our office is currently providing technical design assistance for the proposed city market in their downtown. The community envisions a mixed-use; p u blic/private development on property that is adjacent to the Tallahatchie River adjacent a public park and arboretum with a walking and biking trail that connects the town's sportsplex and tennis facilities. The

farmers market is the central to this development. Est. construction and infrastructure utility cost: $4,400,000

- Frederick MD, Farmers Market, The market manager is interested in securing an empty local downtown building for conversion into a farmers market. He is requesting technical assistance to develop this facility. He is also interest in securing funding for implementing adaptive reuse of this facility. Est. construction cost: $2,400,000

Publications

- Guía informative del centro regional de distribución de productos alimentarios. Spanish translation of Regional Food Hub Resource Guide. March 2014 Cost: $12,000
- Traslado de productos alimentarios a través de la cadena de valor: Innovaciones en la distribución regional de alimentos. Spanish translation of Moving Food Along the Value Chain. March 2014. Cost: $17,380
- Food Value Chains: Creating Shared Value To Enhance Marketing Success. May 2014. Both a theoretical model and a "how to" guide for local food enterprises who want to share more equitably the profits and risk of distributing local foods with partners who share the same business values. Cost: 4,250 hours of staff time, $3,500 for printing.

Wholesale Market Development Activities

Mr. Aderholt: Does AMS have any proposals to do additional wholesale market development projects in fiscal years 2014 and 2015?

Response: AMS plans to initiate additional market development projects in fiscal year 2014 that will continue into fiscal year 2015. Planned projects include:

- National Mobile Markets Survey of Farmer and Consumer Participation. To detail the level of involvement and factors in success of mobile farmers markets as a distribution system for fresh local foods. Cost: $100,000.
- Sustainable Agriculture and Food Systems Funders Forum. To support a convening of major funders of for profit and nonprofit sustainable local food projects to discuss metrics of successful investments. Cost: $10,000.
- Latino Farmers and Ranchers Conference. To support discussions of local food marketing opportunities among this diverse audience. Cost: $10,000.
- Multi-media Presentations of Grants Program Impacts. To develop presentations in multiple formats that describe the successful results of local food projects funded by AMS grant programs and share lessons learned with a broader audience. Cost: $120,000.
- Establishing Farmers Markets on Military Installations. To fund development of a "how to" guide for setting up farmers markets on military bases, drawing from successful operations started in the pilot program under the Department of Defense Healthy Base Initiative. Cost: $80,000.

Staff Years and Positions

Mr. Aderholt: Please provide a table showing the number of staff years and positions under AMS from all funding sources for fiscal years 2009 through estimated 2015.

Response: The information will be submitted for the record.

[The information follows:]

AMS Staff Years by Funding Source							
Funding Source	2009	2010	2011	2012	2013	2014 Est.	2015 Est.
Marketing Services - Appropriated	445	453	441	416	402	425	425
Reimbursed (R&P)	27	26	27	25	23	27	27
Payments to States & Possessions (FSMIP)	0	0	0	0	0	1	1
Sec. 32 - Appropriated	155	162	160	171	160	172	172
Reimbursed (Federal)	8	6	4	9	9	9	9
Farm Bill (FMPP/SCBG)	6	8	8	9	2	23	23
PACA	82	78	75	72	71	77	77
Fees for Grading Cotton & Tobacco	360	393	421	341	382	421	421
Grading of Farm Products	1,348	1,324	1,332	1,328	1,318	1,338	1,338
Total	2,431	2,450	2,468	2,371	2,367	2,493	2,493

APHIS Budget Proposal

Mr. Aderholt: APHIS proposed reductions for a number of accounts as a result of a requirement for more cost share on the behalf of the beneficiary. However, the Agency lacks consistency when applying this principle - some programs require more cost share while other programs require the federal government to pay 100 percent of the entire cost for a service. What is the Administration's policy? When does APHIS decide to pay 100 percent of a service, when does the Agency require partial cost-share, and when does APHIS require 100 percent of the service to be paid by the private or public recipient?

Response: APHIS works as a partner with its cooperators at the State, local, and industry levels to achieve overall program goals. This is especially true for pest and disease control and eradication programs. 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 appropriate that all parties will accept their share of the responsibility by devoting resources to address the outbreak before significant economic damage occurs.

The Federal government can accomplish more when program partners help support the programs that directly benefit them. Factors considered when determining an appropriate level of cost share to pursue include, among other things, whether it is a new threat or a longstanding program effort, whether the pest or disease spreads quickly, and whether commercial interests are at stake.

U.S. Trade Facilitation

Mr. Aderholt: Please describe the efforts over the past two years to increase focus on overseas technical support, including details on the use of dollars, FTEs and other related sources.

Response: APHIS has made capacity building a pillar of its strategic plan and conducts capacity building activities to assist developing countries strengthen and/or establish animal and plant health regulatory systems and infrastructure. With a regulatory infrastructure in place, developing countries have the ability to import agricultural goods from other countries, including the United States. This assistance also helps prevent animal and plant health diseases from spreading into the United States.

To accomplish its capacity building efforts, APHIS conducts training courses, and on-site technical assistance at the request of other U.S. agencies, including the Department of Defense, U.S. Agency for International Development, and USDA's Foreign Agricultural Service. APHIS also aligns its efforts to global initiatives sponsored by the Food and Agricultural Organization of the United Nations, the World Organization for Animal Health, and the International Plant Protection Convention to increase the impact of individual projects. APHIS devotes resources and effort to reviewing requests and aligning capacity building projects with strategic, high-priority goals, such as conducting projects in areas where pests and diseases have likely pathways to the United States and/or countries are likely to become a trading partner.

In FY 2013, APHIS used $2,067,998 in appropriated funds, $4,120,749 in reimbursable funds, and 23 Full Time Equivalent FTEs for capacity building activities. In FY 2014, APHIS anticipates using $4,020,000 in appropriated funds, $4,190,000 in reimbursable funds, and approximately 26 FTEs to support these activities. The FTEs include animal and plant health subject matter experts from various APHIS programs who provide overseas technical support.

Mr. Aderholt: The Subcommittee noted the Department's progress last year related to resolving sanitary and phytosanitary trade barriers, which included opening new markets and retaining and expanding existing markets access for U.S. agricultural products. Working with a foreign country to expand export markets for U.S. farmers and ranchers seems like a pretty good way to grow jobs. Can you explain to me why USDA does not request more resources for this type of investment?

Response: Working with a foreign country to expand export markets for U.S. farmers and ranchers is an effective way to grow jobs. One way APHIS tries to do this is by protecting U.S. agriculture from pests and diseases to give our exporters a competitive advantage over others in the global marketplace. APHIS' primary role is to ensure that America's agricultural animals and plants are protected from pests and diseases, and certify that

the millions of U.S. agricultural and food products shipped to markets abroad meet the importing countries' entry requirements. We need to ensure that products can continue to move both domestically and internationally.

USDA is continually looking for ways to perform program activities more effectively and efficiently to reduce government spending and save the taxpayer money. These actions include coordinating with other trade agencies, like the U.S. Trade Representative's Office and USDA's Foreign Agricultural Service, using available technology, and employing non-regulatory solutions. As we move into FY 2015 and beyond, APHIS will consider funding levels and continue to analyze ongoing priorities and related global dynamics. We aim to gain access to emerging markets, enhance resolution of trade issues, remove trade barriers, and increase the capacity of our international trading partners in order to grow the wealth and livelihood of U.S. agricultural producers.

Mr. Aderholt: What role does the MRP mission area have in the technical support for the two ongoing free trade agreement discussions - Trans Pacific Partnership and the Transatlantic Trade and Investment Partnership? Please provide specific examples.

Response: As part of a U.S. government, interagency team led by the U.S. Trade Representative's Office (USTR), APHIS provides the technical expertise needed to successfully address animal and plant health regulatory issues associated with these free trade agreement negotiations. APHIS fully supports the Trans Pacific Partnership (TPP) and the Transatlantic Trade Investment Partnership (TTIP). Since the first round of negotiations in March 2010, APHIS has provided: 1) technical support in addressing bilateral sanitary and phytosanitary (SPS) issues, and 2) guidance to the U.S. government team regarding negotiating criteria for animal and plant health components of the text of the SPS chapter of the agreement. As part of the MRP mission area, APHIS is directly responsible for protecting the animal and plant health resources of U.S. production agriculture and natural resources. APHIS' participation in the negotiation helps ensure that the SPS framework incorporated into the agreement is compatible with U.S. animal and plant health quarantine policies, while promoting the export interests of U.S. agricultural producers. In consultation with USTR and U.S. industry groups, APHIS has identified specific SPS issues to resolve or substantially advance with individual countries as the agreements are finalized. These include issues such as removal of trichinae testing requirements for shipment of U.S. fresh pork to Chile, Peru, and Singapore; expanded access for U.S. potatoes to Mexico, cattle to Chile and Peru, peaches and nectarines to Australia, table grapes to Australia and offal products to Vietnam.

APHIS and other regulatory agencies have attended 15 of the 18 TPP rounds of negotiations that have occurred, and APHIS has attended all of the four TTIP rounds of negotiations to provide technical support to the USTR-led team for both free trade agreements.

To date, bilateral discussions with TPP partners have resulted in: (1) new access for peaches and nectarines to Australia worth $3 million; (2) market expansion for table grapes to the state of Western Australia worth $6 million; and, (3) removal of Vietnam's import suspension on U.S. offal products worth $30 million. After years of negotiations and coordination, APHIS is pleased that Mexico just issued its final rule that will expand the exports of U.S. potatoes to that country. APHIS also published a final rule

allowing the export of fresh potatoes from Mexico to the United States. APHIS looks forward to these rules going into effect and the opportunities they will bring for producers on both sides of the border.

On July 8, 2013, the United States and the European Union (EU) began the first round of negotiations in pursuit of a comprehensive, trans-Atlantic free trade agreement. The EU is the world's largest importer of agricultural products and food.

On February 4, 2014, APHIS participated in a video conference call with the EU to discuss the SPS Chapter outline for the TTIP. In addition, APHIS has attended weekly interagency meetings at the offices of the USTR to discuss preparations for the fourth round of negotiations held in March 2014, related to the SPS and Regulatory Cooperation chapters. The two days of SPS negotiations in Brussels have helped to begin a dialogue that is helping resolve the ongoing bilateral SPS trade issues.
The United States is expected to continue to push the EU to open up their rulemaking system to more transparency and broader input that would include a regular mechanism for public comments to be solicited and taken into account in developing regulations. APHIS will continue to pursue opening new markets for U.S. agricultural exports with the EU, the largest importer of agricultural products and food.

Mr. Aderholt: Some sanitary/phytosanitary trade barriers hinder U.S. agricultural exports and strain relations with major trading partners. What else can APHIS do to help overcome these trade barriers? Please provide recent examples.

Response: USDA and APHIS successfully resolve trade barriers related to animal and plant health concerns, participate in the development of international standards, and promote the understanding of sanitary and phytosanitary principles at home and abroad. Generally speaking, APHIS partners with other agencies, such as the Foreign Agricultural Service and United States Trade Representative, in taking a proactive approach to systematically address barriers that arise and have the potential to significantly impact U.S. exports. APHIS has done this with a number of past and present issues, including H1N1, bovine spongiform encephalopathy, and avian influenza.

When animal or plant health concerns potentially limit the movement of a commodity in international trade, APHIS scientists and technical staff enter into discussions with their foreign counterparts on the scientifically identified risks related to the movement of the product. APHIS exchanges technical information with our trading partners to address the health concerns of the countries involved and enables trade to take place. In addition, APHIS attachés posted overseas play an active role by resolving urgent problems involving U.S. shipments detained at foreign ports of entry. The exchange of technical and scientific information can often convince an importing country that the risk associated with imported products is less than had been perceived or can be safely addressed through certain risk mitigation measures.

In FY 2013, APHIS resolved approximately 200 trade-related issues involving agricultural exports, allowing trade worth more than $2.9 billion to occur. These export accomplishments include opening new markets for a variety of U.S. products, such as animal products (hides, skins, dairy products etc.) to

South Africa worth $60 million; dairy cattle to Jordan worth $15 million; aquatic animals to China worth $10 million; and peaches and nectarines to Australia worth $3 million. We also retained key markets around the world for products ranging from cotton to Egypt worth $47 million and poultry meal to Chile worth $6.8 million. In addition, APHIS expanded opportunities for several U.S. products such as pet foods to Mexico worth $50 million, and table grapes to New Zealand worth $18 million. APHIS just recently cleared the way for U.S. exports of potatoes to Mexico. In FY 2013, APHIS attachés successfully obtained the release of more than 280 individual shipments of U.S. agricultural products worth more than $34 million. U.S. agricultural exports reached $141 billion in 2013, the highest total on record, and an historic achievement for our farmers, ranchers, and agribusiness.

The World Organisation for Animal Health (OIE) and the International Plant Protection Convention (IPPC) are recognized by the World Trade Organization as the definitive global bodies responsible for establishing science-based sanitary and phytosanitary standards that promote free and balanced trade of agricultural products. Because of its regulatory expertise, APHIS is the lead U.S. government agency for negotiating international animal and health standards under the IPPC and OIE. In FY 2013, the OIE adopted more than 18 new or revised international standards. Examples include the adoption of a chapter on the evaluation of veterinary services and newly adopted chapters in the aquatic code.

International Programs

Mr. Aderholt: Through your international program, APHIS maintains a presence in countries that are significant agricultural trading partners. For the record, please provide a list of all countries where APHIS has personnel, the number of employees in that country and a brief description of the work conducted in that country. Were any countries added or deleted in fiscal years 2012 and 2013, or planned 2014?

Response: APHIS' overseas officials support the Agency's pest and disease exclusion efforts through various activities. They are vital in resolving sanitary and phytosanitary issues, negotiating new markets, and retaining existing markets. APHIS' presence overseas is critical in resolving problems with delayed shipments due to agricultural health or documentation concerns. Overseas officials provide expertise to our foreign counterparts on animal and plant health issues. APHIS officials operate preclearance programs funded through trust funds in approximately 20 countries to ensure products destined for the United States are inspected before departure and meet U.S. entry requirements. These officials cooperate with foreign counterparts to keep informed of the regional plant and animal health issues. The collected information helps regular assessment of import and inspection policies, validate risk assessments, and identify pests and diseases to target for surveillance.

In addition, our officials help developing countries strengthen their regulatory infrastructures and enhance their pest and disease control programs. These activities assist U.S. producers to access export markets while protecting U.S. agricultural health.

Agency officials also work with international organizations such as the World Organization for Animal Health to develop science-based standards for international trade and conduct projects to improve regulatory

infrastructures in other countries. APHIS works with foreign governments to control the Mediterranean fruit fly in Mexico, Belize, and Guatemala and to prevent the screwworm from spreading into Panama and further northward from South America. These activities control the pests and diseases at their source and prevent them from spreading to the United States through natural means or trade.

In FY 2012, as part of the Blueprint for Stronger Service, APHIS closed offices in Burma, Cambodia, Indonesia, and Laos. These offices were primarily dedicated to avian influenza surveillance and monitoring. Additionally, APHIS reduced cooperative animal disease surveillance activities with Nicaragua and no longer needs an employee in that country. APHIS continues to evaluate overseas operations and post locations on an ongoing basis to make sure our resources are strategically located to reduce risks to U.S. agriculture and to facilitate safe agricultural trade.

In FY 2013, APHIS closed offices in Canada, Honduras, and Sao Paulo, Brazil. The Agency determined that it could consolidate its trade and safeguarding activities through other offices and provide a more cost-effective service.

The following table provides a list of all countries where APHIS has staff and the number in each. Appropriations, user fees, reimbursable agreements, and trust funds fund these personnel, which includes American direct hires, locally employed staff, and employees funded by outside sources, trust funds and reimbursable agreements. APHIS is considering additional changes for FY 2014.

[The information follows:]

APHIS Staffing by Country

Region	Country	FY 2012	FY 2013	FY 2014 (est)
Africa	Senegal	3	3	3
	Egypt	3	4	4
	Kenya	1	1	0
	South Africa	4	3	4
Asia/Pacific	Afghanistan	2	1	1
	China	6	5	6
	India	3	3	3
	Japan	4	4	4
	Pakistan	1	2	1
	Philippines	4	4	4
	South Korea	4	3	3
	Taiwan	2	2	2
	Thailand	4	3	3
Caribbean	Dominican Republic	5	3	3
	Haiti	12	13	13
	Jamaica	4	5	4
	Trinidad/ Tobago	1	1	1
Central America	Belize	1	1	1
	Costa Rica	4	4	4
	Guatemala	21	21	20
	Honduras	1	1	0
	Nicaragua	1	0	0
	Panama	17	20	20
Europe/Near East	Austria	2	1	1
	Belgium	5	5	5
	France	1	1	1
	Germany	1	1	1
	Italy	2	2	2
	Netherlands	4	4	2
North America	Canada	2	1	0
	Mexico	132	104	103
South America	Argentina	5	7	4
	Bolivia	1	1	1
	Brazil	4	3	3
	Chile	22	21	16
	Colombia	4	3	4
	Ecuador	1	1	1
	Peru	2	2	2
	Uruguay	1	1	1
Total		297	265	251

International Cooperative Administrative Support Services (ICASS)

Mr. Aderholt: How much does APHIS expect to reimburse the Department of State for shared administrative costs in fiscal years 2013 or and 2014? How does this compare to previous years?

Response: APHIS pays the United States Department of State for International Cooperative Administrative Support Services (ICASS). The ICASS system is the principal means by which the U.S. Government provides and shares the cost of common administrative support needed to ensure effective operations at diplomatic and consular posts abroad.

[The information follows:]

STATE DEPARTMENT REIMBURSEMENTS

Fiscal Year	Reimbursement amount
2007	$3,385,655
2008	3,405,388
2009	3,296,911
2010	3,794,227
2011	3,749,488
2012	3,390,079
2013	3,246,618
2014(est)	2,978,654

The amount paid is based on actual services provided during the prior year and per capita charges. APHIS closed several offices in FY 2012 and FY 2013, and has not filled certain vacancies as overall cost-cutting measures have been implemented, which has led to relatively lower ICASS payments for FY 2014.

Trust Fund Agreements

Mr. Aderholt: Please list the trust fund agreements that APHIS has with major exporting groups.

Response: The following table represents FY 2013 agreements, as the amount of the FY 2014 agreements will be based on services provided and are not available at this time.

[The information follows:]

APHIS TRUST FUND AGREEMENTS

Trust Fund Agreement	Country	FY 2013 Amount	Major Commodity
Asociacion de Export de Chile	Chile	$1,965,452	Multiple Commodities
Association Nationale des Export	Haiti	492,490	Mangoes
Valexport	Brazil	451,488	Mangoes
Bond Van Bloembollenhandelaren (ANTHOS)	Netherlands	520,399	Bulbs & Perennials
Jamaican ministry of Agriculture	Jamaica	339,703	Multiple Commodities
Deciduous Fruit Producers Trust	South Africa	265,639	Apples, Oranges, Clementines, Grapes, Pears
Association Peruana de Exportadores de Mango	Peru	135,001	Mangoes
Fundación Mango Ecuador	Ecuador	274,514	Mangoes
Ibertrade Commercial Corporation	Spain	144,869	Oranges, Lemons, Clementines
Pipfruit New Zealand	New Zealand	176,997	Apples, Pears
National Agricultural Cooperative Federation	Korea	291,482	Apples, Sandpears, Chestnuts
Copexeu	Argentina	417,620	Apples, Cherries, Nectarines, Pears, Plums, Peaches, Blueberries
Empacadoeras de Mango de Exportacion, AC EMEX	Mexico	289,462	Mangoes
Asociacion de Empacadores y Productores, Exportadores de Aguacate Michoacan A.C. APEAM	Mexico	350,591	Avocados
Total		$6,115,707	

Feral Swine Program

Mr. Aderholt: Congress provided APHIS $20 million to start a new comprehensive feral swine control program. Feral swine can cause significant economic and ecological damage and are present in 44 states.

What activities have been conducted to address the threats to and from zoonotic disease in the new feral swine program, as well as other Agency programs?

Response: APHIS' Wildlife Disease Monitoring and Surveillance program has historically monitored feral swine for zoonotic diseases. Under this previous program, sampling was based on opportunistic sampling of feral swine collected in the vicinity of farms. Under the new National Feral Swine Damage Management Program, APHIS is conducting targeted, risk-based sampling for zoonotic diseases that impact human health and to assess disease risk in

areas in close proximity to domestic pork production facilities. Targeted sampling serves to improve the understanding of risks and to develop mitigation measures for reducing disease threats that feral swine pose. Annually, APHIS is testing for zoonotic diseases collected from more than 2,800 feral swine. In addition to the national zoonotic diseases of concern (e.g., swine brucellosis, avian influenza) APHIS also is specifically focusing on other zoonotic diseases, such as E. coli, leptospirosis, Hepatitis E., and tuberculosis.

APHIS' Zoonotic Disease Management program monitors national and international environments for health events that may benefit from APHIS involvement. Once events are identified, APHIS engages as the situation warrants. While issues/events addressed vary each year, core ongoing surveillance activities do not. To date, the program has participated in collaborative efforts and activities to prevent outbreaks of salmonella infections in humans associated with contact with live poultry from mail-order hatcheries, and provided field and laboratory support to the Centers for Disease Control and Prevention during the investigation of a multistate Q fever outbreak associated with exposure to infected goats. APHIS' Veterinary Biologics program licenses products used to control and prevent zoonotic diseases such as rabies and influenza. In FY 2013, APHIS' Center for Veterinary Biologics licensed the first vaccine for Rift Valley Fever, a zoonotic, foreign animal disease of economic and strategic significance.

Mr. Aderholt: Please provide specific details on the major activities within this program, including the estimated breakout of dollars and FTEs for each type of activity for FY 2014 and FY 2015.

Response: APHIS is serving as the lead Federal agency in a cooperative effort with other Federal, State, tribal, and local entities that share a common interest in addressing this issue. Since environmental conditions and laws governing feral swine vary considerably among States, APHIS' strategy is to provide resources and expertise at a national level, while allowing flexibility to manage operational activities from a local or State perspective. APHIS is reviewing information gathered through the National Environmental Policy Act process to determine further implementation strategies that meet the needs of individual States. The program is based on an integrated approach to controlling feral swine damage, and it will include four key components: field operations, disease and population monitoring, research, and communication and outreach.

[The information follows:]

Feral Swine Program Activity
(Dollars in Thousands)

	FY 2014		FY 2015 (est)	
Activity	Funding	FTEs	Funding	FTEs
Field operations	$16.718	81	$16.718	81
Disease and population monitoring	1.477	8	1.477	8
Research	1.505	5	1.505	5
Communication and outreach	.300	1	.300	1
Total	$20.000	95	$20.000	95

Mr. Aderholt: What has the program accomplished to date with regard to controlling feral swine?

Response: APHIS' approach to controlling the impacts of feral swine includes operational activities or the removal of animals, monitoring for diseases of national concern, and, research and developing new tools and techniques to further reduce the impacts of feral swine. The success of all these approaches includes the coordination and cooperation of critical State and Federal partners. Therefore, APHIS has worked cooperatively with State agencies to form State-level task forces where there are recognized feral swine populations. The establishment of these task forces accounts for variation in individual State interests, regulations, along with habitats and resources. Together, the task forces are developing State level management control plans that outline management goals and objectives, which range from total elimination to management on individual populations. Together, in cooperation with our partners, we have begun to conduct operational activities. In FY 2014, APHIS and its cooperators are conducting operational activities on approximately 110 million acres. Furthermore, these cooperators are contributing more than $7 million towards the project, and an additional $1 million in in-kind services. APHIS is building upon previous successes, such as the 2013 New Mexico feral swine eradication project. Through this continuing effort, APHIS has removed feral swine from more than 5.4 million acres in New Mexico.

Another important accomplishment for FY 2014 is the establishment of three regional helicopter support teams in Tennessee, Oklahoma, and Texas. These helicopter teams provide support to all States and serve as an important strategy in meeting our goal of eliminating feral swine from 2 States by FY 2019 and then continuing to eliminate feral swine from two additional States every three years. Ensuring animals do not translocate into States without feral swine is another goal of the program. Therefore, APHIS has established the capacity to detect emerging populations and respond to sightings of feral swine in these States.

Another key part of the national program includes surveillance and disease monitoring to protect the health of our domestic swine. APHIS is testing feral swine for diseases of concern for U.S. pork producers, such as classical swine fever, which does not exist in the United States, as well as swine brucellosis, porcine reproductive and respiratory syndrome, swine influenza, and pseudorabies. APHIS is currently establishing procedures for disease monitoring, including the development of new surveillance and vaccination methods.

APHIS is beginning to conduct research to develop and evaluate new and emerging tools to further reduce damage inflicted by feral swine. Examples of potential tools that could dramatically influence the population growth of feral swine include toxicants and fertility control agents, along with safe delivery systems to implement these methods. Finally, APHIS is working closely with the National Agricultural Statistics Service, as well as universities with close contact to limited resource farmers to implement a survey in January 2015 that will provide additional information to the Agency on the impact of feral swine to agricultural producers.

Avian Health

Mr. Aderholt: The APHIS budget notes that the poultry industry is valued at $35 billion or more. When you look at the total economic activity of the industry, economists have calculated the total estimated impact on the U.S. economy at around $257 billion. Not only is this industry a vital part of our national economy and the economies of my district in northern Alabama, it provides many Americans and people across the world with an affordable source of valuable protein. We need to ensure that the animals and animal products are healthy and free of disease and your Department plays a critical role here.

How can USDA justify a request for decreased avian health funding in FY 2015 if we continue to be threatened by avian influenza all over the world? There have been cases in a number of countries - both low pathogenic and highly pathogenic avian influenza in countries such as Mexico, the Netherlands, South Korea, and elsewhere.

Response: At the requested funding level, APHIS will still be able to maintain program activities designed to protect domestic poultry (e.g., commercial production and live bird markets) and detect disease introduction into U.S. poultry. While APHIS has proposed a reduction for our avian health program, there is no reduction in our emphasis on poultry health activities, which remain an extremely high priority for us. The Agency can achieve a very modest amount of cost savings for several reasons. First, our FY 2015 budget request, although $2 million less than our FY 2014 appropriated level, is still $2 million more than we had in FY 2013. Second, we are spending a lot less on domestic, low path avian influenza (LPAI) indemnities. Over the last two years, we have spent a minimal amount on LPAI indemnities, which shows that there is less LPAI circulating in the United States, and it allows us to spend less money, saving taxpayer funds. Also, the reduction would not impact the Agency's support for the National Poultry Improvement Plan. We will continue placing a very high priority on this program.

Should there be a surge in avian influenza problems the Department has the authority to use emergency and contingency funds. APHIS continues to work closely with stakeholders to address emerging issues and ensure our program activities are sufficient to protect the health of U.S. poultry.

Mr. Aderholt: What is USDA doing overseas to bolster the overall effectiveness of U.S. avian health programs?

Response: USDA officials overseas facilitate agricultural trade, maintain contact with agricultural officials where they are posted, monitor agricultural health, and lead efforts in sanitary and phytosanitary standard setting. USDA works closely with the U.S. Trade Representative's Office to maintain a coordinated, strategic approach to resolving plant and animal health issues that affect U.S. exports. APHIS maintains seven offices in Asia to provide points of contact for U.S. agricultural interests and help collect relevant real-time information such as updates on avian health. For example, APHIS' office located in Bangkok, Thailand, focuses on avian health in Southeast Asia's lesser-developed economies. APHIS conducts surveillance, capacity building, training and oversees monitoring, epidemiology, and diagnostic testing throughout the region. USDA works closely with the World Organization for Animal Health and other international organizations to assist with disease prevention, management, and eradication activities in

regions affected with highly pathogenic avian influenza. Assisting other countries reduces the risk of the disease spreading from overseas to the United States.

To open markets for U.S. poultry, APHIS negotiates protocols for trade of poultry and related products. When markets close to certain States or regions in response to low pathogenic avian influenza detections, APHIS provides science-based rationales to reopen the market, coordinates informational visits and exchanges, facilitates the U.S. industry's access to decision-makers, and participates in negotiations.

Exports of live poultry continue to be strong. In FY 2013, the United States exported $6.5 billion worth of poultry and poultry products throughout the world. This represents a $300 million increase from total FY 2012 exports. The values of poultry exports to China, Japan, and Taiwan were approximately $529 million, $175 million and $128 million, respectively.

In FY 2013, APHIS was successful in gaining new markets and retaining existing export markets for U.S. poultry worth $148 million. Some notable retained and expanded poultry exports include approximately $12 million to markets in the Western Hemisphere; $60 million to Europe/Africa/Middle East, and $76.3 million to Asian-Pacific markets. In addition, APHIS was able to open markets to three countries (Belarus, Kazakhstan, and Russia) for day-old chicks and hatching eggs. These market expansions increased U.S. exports by an estimated $20 million a year. APHIS also directly contributed to growth of U.S. poultry exports by removing long-standing technical trade restrictions. Specifically, we were able to remove avian influenza related trade restrictions on certain States previously imposed by China, Japan, and Taiwan. APHIS will continue to support poultry and poultry product exports.

As of February 28, 2014, poultry exports for the first five months of FY 2014 totaled $2.6 billion and were on target to match or exceed total FY 2013 exports. APHIS' ongoing efforts to maintain and enhance avian health programs in the U.S. are an important foundation for ensuring continued growth in U.S. poultry and poultry product exports.

Mr. Aderholt: Please provide details as to which foreign markets currently block U.S. exports of poultry as a result of non-tariff trade barriers? Also, describe any recent activities and support provided by APHIS to the U.S. trade agencies to open these markets to U.S. poultry and/or poultry products.

Response: Several countries restrict U.S. exports of poultry or poultry products as a result of non-trade tariffs barriers. This includes sanitary and phytosanitary issues that APHIS addresses as well as food safety issues addressed by USDA's Food Safety and Inspection Service (FSIS). Concerns over avian influenza (AI) and exotic Newcastle disease have caused some countries (including Argentina and Uruguay) to refuse to allow imports of fresh, frozen, and chilled poultry from the United States. Morocco restricts imports of U.S. poultry and poultry products due to concerns about AI and *salmonella*, which falls under the purview of FSIS. In response to detections of low pathogenic notifiable AI in the United States, Japan will issue State-specific import suspensions for poultry meat and poultry products, including egg products, and these State-based suspensions will remain in place until APHIS provides confirmation that the presence of the disease has been eliminated. China, Colombia, and Russia restrict market

access to raw poultry due to zero tolerance policies with regard to pathogens such as *salmonella* and *listeria*. Russia and the European Union also restrict U.S. poultry products related to the use of pathogen reduction treatments.

APHIS has been actively engaged with the Office of the United States Trade Representative (USTR) and USDA's Foreign Agricultural Service (FAS) to ensure that U.S. poultry and poultry products gain and retain access to foreign markets. APHIS provides scientific information about the health status of U.S. poultry and potential regional situations regarding potential outbreaks of poultry diseases. Because issues affecting poultry exports are complex and involve both animal and human health concerns, APHIS works very closely with FSIS, FAS, and USTR.

Historically, detections of low pathogenic avian influenza (LPAI) in the United States have caused some foreign markets to maintain precautionary measures that unnecessarily impede U.S. poultry exports. Through APHIS-led efforts, however, various bilateral protocols have been established to minimize the impact of LPAI-related trade suspensions on U.S. exporters. In FY 2013, through the exchange of information regarding Federal, State, and industry safeguarding measures to detect and prevent the spread of avian influenza in the United States, APHIS retained market access for U.S. poultry worth $103.3 million.

Biotechnology Review in APHIS

Mr. Aderholt: Over a year ago, USDA announced process improvements to the biotech petition regulatory review program intended to significantly reduce the time for review and approval of new traits in seed products. Despite the fiscal challenges, Congress recognized the importance of supporting APHIS and the corresponding potential for biotech crops by providing the Agency with the necessary resources.

Up until recently, USDA leadership and APHIS have maintained a focus on the importance of science in determining the safety of biotechnology. However, many in Congress are concerned that the politics of this technology may be interfering with the scientific review process. Last year, you told this Subcommittee that the goal was to get approvals done in about a year. However, USDA's own data shows that it took on average almost 900 days for the eight products approved in 2013. USDA also committed to eliminating the backlog of 22 petitions in "about a year." In two years, USDA was able to decrease the backlog by on six petitions.

Where in the process is the review taking more time than promised? Is it at APHIS USDA headquarters, or outside of USDA? If the delays in the review process are not the fault of USDA, can you tell us who is responsible for the delays in what should be science-based decisions?

Response: Sound science and science-based decisions remain the basis for USDA's regulatory decisions about genetically engineered crops. Our goal for the biotechnology regulatory determinations is to reduce the time required for review from an average of 3 years to 13 or 15 months depending on the Agency's familiarity with the product. The first petition to reach a determination of nonregulated status from start to finish under the improved process did so 376 days sooner than the average time under the previous process.

Prior to process improvement implementation in March 2012, USDA had a backlog of 23 petitions. Seven of these petitions are currently still in review and are simultaneously traveling through the same stage, environmental documentation, of the improved process. APHIS is preparing environmental impact statements (EIS) for six petitions at this stage. Petitions that require preparation of an EIS take longer to complete and could not be completed in the timeframes established. Nevertheless, we have aggressive schedules to complete these petitions requiring an EIS. Since implementation, USDA has also received 10 new petitions that are all following the improved process. Though we have not yet reached our overall timeline targets, we have made significant progress in decreasing timelines. USDA expects to complete the remaining backlogged petitions in early 2015 and begin meeting our new timelines with new petitions submitted in 2015.

Mr. Aderholt: Are the FY 2014 and FY 2015 budgets sufficient to ensure future regulatory decisions are made in a more timely and predictable manner?

Response: USDA appreciates the efforts of Congress to provide the necessary resources to USDA's biotechnology program and its continuing efforts to oversee certain genetically engineered (GE) organisms that might pose a risk to plant health. The level requested in the President's FY 2015 budget proposal for biotechnology regulatory services will provide sufficient funding to meet the new process timelines and ensure future regulatory decisions are made in a more timely and predictable manner.

Mr. Aderholt: What can USDA do to clear the previous backlog in biotech reviews by the end of FY 2014 or during FY 2015?

Response: Prior to process improvement implementation in March 2012, USDA had a backlog of 23 petitions. Since implementation, USDA has also received 10 new petitions that also follow the improved process. USDA has reduced its backlog from 23 petitions to 7, while also managing 10 new petitions since implementation. USDA expects to complete the remaining backlogged petitions in early 2015. Completion timelines will continue to decrease as the backlog is cleared. Though we have not yet reached our overall timeline targets, we have made significant progress in decreasing timelines. For example, completeness reviews have decreased from 324 days to 67 days; and plant pest risk assessment preparation has decreased from 143 days to 90 days. We remain committed to meeting the target timelines.

Mr. Aderholt: When will APHIS expect to show more improvements from the revised process and the increased investment? Please provide specific targets.

Response: In November 2011, USDA announced improvements to its process to grant nonregulated status for genetically engineered organisms, and published the implementation of this process in a *Federal Register* notice in March 2012. The goal of these efforts was to significantly decrease the length and variability of the process without compromising the quality of the analyses that support our decisions. APHIS ensures that its environmental analyses and plant pest risk documents are thorough and accurate and can withstand legal challenges. Our process improvement analysis revealed an estimated timeline of 13-16 months (390 to 480 days) is required to conduct quality analysis to support our decisions and protect plant health. Prior to

the announcement of this process improvement, the average completion time for petitions was nearly 3 years (1,034 days).

Prior to implementing our process improvements in March 2012, USDA had a backlog of 23 petitions. USDA has reduced its backlog from 23 petitions to 7 petitions and expects to complete the remaining backlogged petitions in FY 2015. Completion timelines will continue to decrease as the backlog is cleared. Examples of current progress in various steps of the petition review process are below:

1. Review of 9 petitions for completeness resulted in an average time savings of 257 days.
2. Publication of the petition for 60-day public comment occurred for 16 petitions.
3. Preparation of 12 plant pest risk assessments (PPRAs) resulted in an average time savings of 53 days.
4. Preparation of 10 environmental assessments (EAs) took an average of 267 days for each (the target is 180 days). USDA expects completion times to decline towards the 180 day target as the backlog is cleared. USDA has prepared 10 EAs under the new process. USDA had recently improved the EA-preparation process, and since 2005 was completing them in an average of 213 days. The present slow-down is attributed to the large petition backlog moving nearly synchronously through the EA-drafting phase.
5. Publication of PPRAs and EAs has two possible paths:
   Path 1: This path is for petitions involving GE organisms that raise no substantive new issues. USDA publishes the PPRA and EA for a 30-day public review in the Federal Register with a preliminary determination. The target timeline for Path 1 petitions is just shy of 14 months (420 days). Five petitions completed Path 1 in an average of 798 days. Two of these petitions were the first to go from start to finish under the improved process, and they completed the process in 658 days (1.8 years), about a year faster than the old process.
   Path 2: This path is for petitions involving GE organisms that raise substantive new issues. USDA publishes the PPRA and EA for 30-day public comment in the Federal Register, revises the documents based upon public input, then publishes a final PPRA, EA and determination in the Federal Register. The target timeline for Path 2 petitions is about 15 months (460 days). Two petitions transitioned into the improved process completed Path 2 in 1,364 days. To date, no petitions completed Path 2 from start to finish.

Mr. Aderholt: Is APHIS currently cooperating with any other non-U.S. governments on the biotech review process used in the United States? If so, please provide details.

Response: APHIS engages in formal and regular interactions with several key countries. These interactions promote U.S. exports of genetically engineered (GE) products by ensuring that trading partners understand and accept the U.S. system for regulating GE crops. For example, in FY 2013, APHIS worked closely with Mexico and Canada towards harmonization of regulatory policies and procedures. With colleagues in the Environmental Protection Agency, the Food and Drug Administration, and USDA's Foreign Agricultural Service, APHIS participated in bilateral discussions and regulatory workshops with Chinese biotechnology regulators and developers.

APHIS participates in the North American Biotechnology Initiative, a policy forum that facilitates information sharing and cooperation between the three countries (United States, Canada, and Mexico). APHIS also currently serves as the Chair of the Working Group for Harmonization of Oversight for Biotechnology within the Organization for Economic Cooperation and Development. This forum develops consensus documents for the evaluation of new biotechnology products. APHIS also participates and provides technical expertise in risk assessment as it impacts a regulatory structure in the Ad Hoc Technical Experts Group on Risk Assessment, a working group under the auspices of the Cartagena Protocol for Biosafety under the United Nations Convention on Biological Diversity. APHIS provides subject matter experts for international workshops, seminars, and conferences on biotechnology regulation.

APHIS meets with foreign visitors who are interested in learning more about how the United States regulates the safe use of biotechnology derived crops. These interactions include foreign visitors representing the press, politicians, government ministry officials, scientists, and consumer groups. In FY 2013, APHIS provided information about USDA's biotechnology regulatory policies and procedures to officials from 20 countries, including the Brazil, China, European Union, India, and Japan. APHIS also provided information to visiting regulatory officials of Colombia, Kazakhstan, Serbia, Turkey, and Vietnam. These activities are intended to help other countries develop regulatory systems for biotechnology-derived crops and allow them to make informed regulatory import decisions.

Mr. Aderholt: One reason for the long review times in this process goes back to the environmental impact assessment. The Secretary made a commitment along with the EPA Administrator, to improve coordination between the USDA and EPA agencies. Has USDA made any improvements in this part of the process with EPA so that thorough reviews are performed in a quicker manner? Are the two agencies working better than they had before?

Response: USDA and EPA are working closely to enhance coordination of regulatory reviews. In December 2012, APHIS and EPA held the first of regular discussions to lay out a strategy to improve collaborations and coordination between the two agencies for the review of new uses of existing herbicides (under EPA's authorities) and genetically engineered crops resistant to those herbicides (under APHIS' authorities). The two agencies reviewed processes and identified opportunities to improve coordination that would ultimately lead to timely sharing of information and the synchronization of decisions. APHIS' improvements in its petition process will reduce the time it takes to complete its review process. The new timelines are very similar to EPA's registration timelines under the Pesticide Registration Improvement Act. As a result, the two agencies have developed joint timelines for reviews that highlight critical information sharing points and public engagement that would increase the likelihood of synchronous approvals. To date, EPA and APHIS have implemented this approach in our respective reviews for Dow AgroSciences' 2,4-D (Enlist) resistant soybean and corn products, and Monsanto's dicamba resistant soybean and cotton products.

Mr. Aderholt: Please inform the Subcommittee of how many products are awaiting approval, in accordance with the Plant Protection Act, from APHIS and the average length of time new product approval requires.

Response: The "backlog petitions," or as we generally refer to them "legacy petitions," totaled 23 in March 2012. Any petition received after that date was not counted as part of the backlog because they were new petitions.

The 23 petitions considered as part of the backlog are:

03-104-01p* Scott's/Monsanto HR Creeping Bentgrass
03-323-01p Monsanto glyphosate-tolerant sugar beet (Partial Dereg)
09-015-01p BASF imidazolinone tolerant soy
09-055-01p Monsanto drought tolerant corn
09-063-01p Stine Seed GT corn (extension)
09-183-01p Monsanto stearidonic acid soy
09-201-01p Monsanto modified-oil HT soy
09-233-01p* Dow AAD-1 HT corn
09-328-01p Bayer glyphosate/isoxaflutole tol soy
09-349-01p* Dow 2,4-D glufosinate soybean
10-070-01p Virginia Tech blight resistant peanuts
10-161-01p* Okanagan non-browning apple
10-188-01p* Monsanto Dicamba soybean
10-281-01p Monsanto MS glyphosate tolerant corn
10-336-01p Syngenta's Rootworm Resistant Corn
11-019-01p* ArborGen cold-tolerant eucalyptus
11-063-01p Pioneer GT Canola
11-182-01p Simplot Low-Browning Potatoes
11-188-01p Monsanto GT Canola
11-202-01p Monsanto Increased-yield Soybean
11-234-01p* Dow 2,4-D, glyphosate, glufosinate soybean
11-244-01p Pioneer BT/GT corn
11-342-01p Genective glyphosate resistant corn

The petitions above highlighted with an * are still pending. These account for 7 of the 23 backlog petitions. The remaining items have been completed; that is, we have made a determination of nonregulated status or they were withdrawn by the submitter. Out of the total backlog of 23 petitions, we have completed 16 backlogged petitions. Of the 7 still in review, Okanagan Apples is the only one that is not associated with an environmental impact statement (EIS), which are not subject to the timeline goals of the petition process improvements and take significantly longer to complete. We expect to complete that petition sometime during 2014. With this determination, all petitions that do not require an EIS will be cleared from the backlog.

Six of our petitions require an EIS; in its November 2011 announcement regarding the process improvements, USDA indicated that petitions that require an EIS will take more time and could not be completed in the timeframes established. With respect to the petitions associated with an EIS, we anticipate making final determinations on the following petitions by the end of FY 2014:

- Dow's ADD-1 HT corn
- Dow's 2,4-D, Glufosinate soybean
- Dow's 2,4-D, Glyphosate, glufosinate soybean

In addition, we expect to complete Monsanto's Dicamba soybean petition by the end of the calendar year. Finally, we are projecting a final determination on ArborGen's cold-tolerant eucalyptus petition in early calendar year 2015. With this determination, APHIS will have cleared the backlog of petitions. Though we have not yet reached our overall timeline targets, we have made significant progress in decreasing timelines. The determinations in FY 2013 for nonregulated status occurred, on average, 12 months faster than the issuance of nonregulated status for petitions from FYs 2009 - 2012. Specifically, completeness reviews have decreased from 324 days to 67 days, and plant pest risk assessment preparation has decreased from 143 days to 90 days. We remain committed to meeting the target timelines.

Mr. Aderholt: Please provide the Subcommittee with a table showing the staffing and funding for the Biotechnology Regulatory Services for the past five years as well as planned expenditures for fiscal years 2014 and 2015. Please note any reprogramming or transfers included in these amounts.

Response: The information is submitted for the record.

[The information follows:]

BIOTECHNOLOGY REGULATORY SERVICES
FUNDING AND STAFF YEARS
(Dollars in Thousands)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 (budget)
Funding	$12,877	$13,322	$13,037	$18,135	$16,738	$18,135	$18,135
Staff Years	79	81	81	92	90	92	92

Mr. Aderholt: Please provide the Subcommittee with an update on APHIS animal-related biotechnology activities.

Response: The Animal Health Protection Act provides authority for regulating animals, including insects that pose a risk to the health of livestock. APHIS does not differentiate between genetically engineered (GE) and non-GE animals and has no separate regulation to specifically address genetically engineered animals. Thus, APHIS regulates certain animals, including insects, whether GE or non-GE, that may pose a risk to animal health under its existing animal health regulation. The Food and Drug Administration (FDA) has rigorous regulations over GE animals under the new animal drug provisions of the Federal Food, Drug, and Commerce Act that, among other things, consider animal health. APHIS coordinates with FDA on issues related to GE animals and animal pests on a case-by-case basis.

Mr. Aderholt: Please inform the Subcommittee of all payments made by USDA to outside organizations as a result of legal challenges to any aspect of the biotechnology review process at USDA or USDA agencies. The response should include the names of all organizations receiving payment, the respective dollar amounts, and the account from which the payment was made.

Response: In FY 2008, APHIS paid $443,327 to Earth Justice for authorizing tests of pharmaceutical plant varieties. In FY 2009, APHIS paid $85,141 to the International Center for Technology Assessment for creeping bentgrass. In FY 2012, APHIS paid two separate legal settlements to the Center for Food Safety in the amounts of $1.20 million and $2.21 million for RoundUp Ready Alfalfa and RoundUp Ready Sugar Beets litigation respectively. APHIS' Biotechnology Regulatory Services annual appropriations funded all of the payments for its legal challenges. In all these cases, APHIS paid plaintiffs' attorney fees pursuant to the Equal Access to Justice Act for litigation brought successfully against the Agency. Since FY 2012, APHIS has not paid anything as a result of legal challenges.

Methyl Bromide Phase-out

Mr. Aderholt: Please update the Committee on the agency's activities related to the Montreal Protocol and methyl bromide. What specific activities are planned for fiscal years 2014 and 2015?

Response: USDA works closely with the State Department to provide support to the U.S. delegation for the Parties to the Montreal Protocol on critical uses, and quarantine and pre-shipment uses of methyl bromide. Although quarantine and pre-shipment uses of methyl bromide are exempt from phase out, APHIS continues to conduct and collaborate on research investigating alternatives to methyl bromide to control quarantine pests in agricultural imports and exports. In addition to the exemption for quarantine and pre-shipment uses of methyl bromide, the Montreal Protocol allows exemptions for "critical uses," such as fumigations to address non-quarantine pests during agricultural production for which there are no other practical treatments. These critical use exemptions are granted on an annual basis by the Parties to the Montreal Protocol. With the Agricultural Research Service (ARS) as the lead Agency and APHIS providing support, USDA supports U.S. growers through providing data and justification for the U.S. request for critical use exemptions. At the Meeting of the Parties to the Montreal Protocol in October 2013, the U.S. delegation secured its full request for critical use exemptions for methyl bromide for calendar year 2015, including for example, strawberries and cured pork. USDA will continue to work closely with the State Department on methyl bromide issues in FY 2014-2015. APHIS also is continuing to support ARS in securing critical use exemptions for calendar year 2016, while strawberry growers (who account for the vast majority of critical use exemptions in the United States) continue to identify effective alternatives.

Brown Marmorated Stink Bug-Invasive Species

Mr. Aderholt: Please provide the Subcommittee with an updated status on what APHIS and its federal and non-federal partners are doing to control the spread of the brown marmorated stink bug. The response should note whether or not APHIS is using a containment policy or a policy aimed at eradicating the pest.

Response: Due to the pest's wide distribution, APHIS and other Federal and State officials have determined that a traditional regulatory approach is not practical for the pest. Through research, APHIS has concluded that enforcing regulations to prevent the spread of the brown marmorated stink bug (BMSB) is not possible due to the pest's ability to spread to new areas by

hitchhiking on any mode of transportation. Attempts to do so would cause additional economic hardship to growers. Additionally, this pest survives the winter by hiding in natural habitats, such as cracks and crevices in rock faces and the inside of homes and buildings.

APHIS continues to partner with USDA's Agricultural Research Service (ARS) and other cooperators to support evaluation of potential biological control agents for environmental release. ARS has identified several species of parasitic wasps that are important natural enemies of BMSB in Asia. With State and university partners and support from APHIS, ARS is conducting studies to ensure that the wasps would not become pests in their own right or have other, unintended consequences. Because some stink bugs are beneficial predators of other pests, studies are underway to determine whether or not these non-target stink bugs would be attacked by the wasps. ARS may submit petitions for field trials in FY 2015 if the results of the studies show that the wasps will only attack BMSB. ARS also has recently identified pheromones that can be used to bait traps to detect BMSB in the field. This development will assist in monitoring BMSB populations across the United States and gather baseline data to document the impact of biological control agents, when they are available for widespread use. ARS is conducting additional work to develop guidelines for using the trap and pheromone for decision-making in the field. APHIS will provide assistance in implementing a biological control program when it is developed.

APHIS Vehicle Inventory

Mr. Aderholt: Please describe and quantify any actions or measures by APHIS over the past two years to reduce the cost of its vehicle inventory.

Response: During FY 2013, APHIS began implementation of a Vehicle Allocation Methodology (VAM) that allowed the Agency to continue to reduce the size of its motor vehicle fleet. The VAM facilitates closer management of the fleet, including the identification of under-utilized vehicles, allowing APHIS to reduce the size and cost of its fleet, while still meeting the needs of its programs and allowing it to serve the taxpayers in the most effective way possible. APHIS expects that additional VAM-related reductions in APHIS' vehicle fleet will occur in FY 2014, although they will not be as significant as those that occurred in FY 2013. Additionally, during FYs 2012-2013, two of APHIS's largest program units underwent reorganizations to simplify and streamline the organizations and allow for the best programmatic and administrative practices to be adopted across them, which also resulted in combined offices and assets, reduced staff, and more shared vehicles.

As a result of these two activities, APHIS achieved a net reduction to its fleet of 765 vehicles, equivalent to 14 percent of the total fleet, between FY 2011 and FY 2013 (425 vehicles/8.3 percent in 2013). APHIS reduced its vehicle acquisitions over the same time period by 50 percent.

In FY 2014, APHIS received 2 funding increases that included additional staff years and vehicle needs: $20 million for the new feral swine initiative, which included a need for 53 additional vehicles, as well as $3M for implementation of the retail pet store rule, which included the need for 9 additional vehicles. Due to improved processes for identifying vehicles that can be re-purposed within the Agency, APHIS expects to meet these increased needs while maintaining the fleet inventory at the FY 2013 level.

Boll Weevil and Pink Bollworm Eradication

Mr. Aderholt: Please provide the Subcommittee with the latest assessment of boll weevil eradication efforts, including a timeline and estimate of resources required to eradicate the pest?

Response: The Cotton Pests program works with States, the cotton industry, and Mexico to eradicate the boll weevil from all cotton-producing areas of the United States and northern Mexico. APHIS provides national coordination, operational oversight, and technology development for this program. In addition, the Agency provides technical advice on trapping and treatment protocols to our partners in Mexico for their eradication efforts. The eradication effort involves mapping cotton fields, using pheromone traps to evaluate weevil presence, and applying pesticides. Once we eradicate the boll weevil, we will conduct long-term surveillance to guard against re-infestation and to take action if re-infestation occurs. After the boll weevil is eradicated from an area, cotton growers rely far less on insecticides, thus reducing their production costs.

APHIS and cooperators have eradicated boll weevil from 99.5 percent of the 16 million acres of U.S. cotton. Of the three remaining zones in the Texas boll weevil program, the two zones outside the Lower Rio Grande Valley (LRGV) were negative for boll weevil in 2013. The last remaining zone is located along the border with Mexico where eradication efforts have been impacted by security concerns and high winds that move populations. Boll weevil also is present in adjacent areas in Tamaulipas State, Mexico. Until the boll weevil population is eradicated in the Mexican States of Durango, Coahuila, and the area bordering Tamaulipas in the LRGV, cotton will be subject to reintroductions of boll weevil either through normal migration north or tropical weather events such as hurricanes. To address this issue, APHIS partnered with an international technical advisory committee (ITAC) comprised of cotton growers in the infected areas, State cotton associations, University researchers, and representatives from USDA and Mexico's department of agriculture. The ITAC was formed in 2011 at the recommendation of the National Cotton Council's Boll Weevil Action Committee to develop strategies to eradicate boll weevil from the LRGV and neighboring Tamaulipas, Mexico and ensure that eradication efforts are effectively coordinated. APHIS officials, and their counterparts in Mexico, work together to coordinate these efforts.

The ITAC identified strategies that involve synchronizing eradication activities used by both Mexico and the United States in Tamaulipas and Texas. Eradication of boll weevil involves mapping, trapping, timely treatments training, communications, oversight, and quality control. In FY 2013, APHIS provided two employees to help oversee boll weevil treatment operations in Tamaulipas. To date, these efforts resulted in a 92 percent reduction in the total boll weevil captures in Tamaulipas, Mexico, and a 69 percent reduction in the LRGV. APHIS and Mexico will continue using these strategies to ensure further reduction in boll weevil captures in the LRGV and the infested areas of Mexico.

Additionally, APHIS provides funding as well as advice and technical assistance on boll weevil eradication efforts in areas of Mexico west of Tamaulipas, where continuing boll weevil populations can be spread toward the LRGV by tropical storms or by natural migration. This includes conducting training for field personnel on trapping, timely treatments, quality control,

and the use of geographic information system mapping and eradication software to track boll weevil detections.

Security concerns at the Mexican border have prevented cooperators from timely inspections of traps and treatment of infested fields in Tamaulipas. As a result, ongoing treatments and activities will be necessary in the LRGV to eradicate the boll weevil. The overarching program goal is to eradicate boll weevil from all cotton-producing areas of the U.S. and adjacent areas of northern Mexico; APHIS is unable to predict a specific year when we can complete boll weevil eradication efforts in the United States given the security issues that exist at the Mexican border. APHIS expects to spend approximately $7.6 million on boll weevil in FY 2015.

Mr. Aderholt: Please provide a table showing boll weevil funding, to include fiscal year 2012 and 2013 actuals and estimates for 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

Boll Weevil Eradication Program Obligations
(Dollars in Thousands)

FY 2012	$11,319
FY 2013	9,202
FY 2014 (est.)	7,632
FY 2015 (est.)	7,632

Mr. Aderholt: Please indicate which states have received boll weevil funding since 2009 and the amounts received by each.

Response: The information is submitted for the record.

[The information follows:]

Boll Weevil Funding by State
(Dollars in Thousands)

State	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (est.)
Arizona	$84	$84	$84	$117	$313	$313
Arkansas	0	0	31	43	202	202
California*	762	757	352	491	55	55
Kansas	0	0	34	47	17	0
Louisiana	0	0	0	0	0	0
Mississippi	0	0	0	0	0	0
Missouri	0	0	0	0	0	0
New Mexico	108	107	96	134	0	0
Oklahoma	0	0	0	0	0	0
Tennessee	0	0	0	0	0	0
Texas	15,612	11,842	9,902	10,487	8,615	7,062
Total	$16,566	$12,790	$10,499	$11,319	$9,202	$7,632

*Includes funds spent in northern Mexico to protect California cotton-producing areas.

Mr. Aderholt: What activity has there been in the boll weevil loan program over the past three years?

Response: There have been no new loans issued over the past three years, and the only remaining loans are with Texas and Arkansas. Texas and Arkansas have balances remaining on their loans with the Farm Services Agency in the amounts of $4.9 million and approximately $3.9 million, respectively. Texas also has a Commodity Credit Corporation loan balance of approximately $8.3 million.

Mr. Aderholt: Please provide the Subcommittee with the latest assessment of pink bollworm eradication efforts, including a timeline and estimate of resources required to eradicate the pest?

Response: In partnership with the cotton growers and States, APHIS has eradicated the pink bollworm (PBW) from California, New Mexico, large areas of Arizona, and the El Paso/Trans Pecos area of Texas, representing 99.9 percent of infested cotton acreage. APHIS provided sterile moths and assisted with payment for aerial releases during the active eradication phase of the program. The four State program areas are now in the Confirmation of Eradication phase, and while sterile moths are not needed at this time, APHIS continues to maintain the PBW moth colony at the Phoenix, Arizona, rearing facility. The adjacent Mexican border program areas are also in the Confirmation of Eradication phase with the last known native moth capture occurring in 2012.

In compliance with the Confirmation of Eradication phase strategy, the PBW eradication program will continue to survey for the presence of PBW, and respond accordingly if native moths are detected. This phase will last for three years. During this time, APHIS will need to maintain the ability to ramp up sterile moth production in a short time period to respond to native moth detections. These activities will require approximately $3 million per year to maintain the PBW Rearing Facility and its ability to respond rapidly. After PBW is eradicated from an area, cotton growers rely far less on insecticides, thus reducing their production costs. Over the course of the eradication effort, the program has increased growers' global competitiveness on the world export market. The program protects $66 worth of cotton production per appropriated dollar spent.

Mr. Aderholt: Please provide a table showing pink bollworm funding, to include fiscal year 2012 and 2013 actuals and estimates for 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

Pink Bollworm Eradication Program Obligations
(Dollars in Thousands)

Fiscal Year	Obligations
FY 2012	$8,541
FY 2013	4,760
FY 2014 (est.)	5,088
FY 2015 (est.)	1,423

Animal Disease Traceability

Mr. Aderholt: Please provide the latest operating status of the Animal Disease Traceability network?

Response: APHIS is continuing to implement the animal disease traceability (ADT) regulations, address concerns stakeholders had with the previous efforts, and implement timely and effective solutions to respond to animal diseases. In addition, the program has worked to increase producers' choice of and access to official identification devices. We also are helping producers learn how they can support ADT goals while protecting their animals. By delaying enforcement of the program for the first year, we have provided producers with flexibility to help minimize costs and reduce their burden as they adapt their operations to the new rule. We are currently implementing enforcement activities and will assess penalties to repeat offenders. The new system allows Federal, State, Tribal, and private animal health professionals to work together to identify diseased animals, quickly trace their movements, and control disease spread to protect the livestock industry. It requires all States and Tribes receiving cooperative agreement funding to implement traceability activities and solutions at the local level. We will document their progress and demonstrate the value of the ADT. All of these actions will help ensure a strong system and a rapid response to animal diseases when they occur. Our objective is to decrease the time needed to trace animals, and we have developed a performance-based approach to direct these efforts accordingly. A disease trace can be conducted much quicker when official identification is used; responding quickly to an outbreak and lessening its impact is vital to protecting markets and the industry's profitability. In FY 2015, APHIS is proposing a $2.55 million increase for ADT activities for a total funding of $14.866 million. This additional funding will enhance ADT implementation by improving data access, testing tag retirement strategies, supporting enforcement efforts, and supporting States and Tribes as they expand their ADT activities. We anticipate the States and Tribes receiving cooperative agreement funds that have ADT strategic plans will increase from 75 percent in FY 2013, to 95 percent in FY 2015. This funding level accurately reflects program needs to carry out essential activities and retain the advances made to date.

Mr. Aderholt: Please provide a full funding history for the animal disease traceability network or the previous equivalent of the animal disease traceability system (National Animal Identification System) since 2004.

Response: The table below represents the APHIS funding history since 2004 and projected to FY 2014 for animal disease traceability.

[The information follows:]

FEDERAL ANIMAL DISEASE TRACEABILITY FUNDING
(Dollars in Millions)

Fiscal Year	Total
2004*	$18.7
2005	32.9
2006	33.0
2007	33.1
2008	9.7
2009	14.5
2010	5.3
2011	5.3
2012	8.3
2013	13.0
2014(est.)	13.0
Total	$186.8

*Total represents CCC funds received to initiate the development of the infrastructure for an animal identification system.

Mr. Aderholt: How much did APHIS spend in fiscal year 2013 on the traceability network from all sources and how much does it plan to spend in fiscal year 2014 and fiscal year 2015?

Response: APHIS spent approximately $14.4 million on Animal Disease Traceability in FY 2013, and plans to spend a similar amount in FY 2014. These amounts include carryover funding. In FY 2015, APHIS plans to spend approximately $14.9 million.

Mr. Aderholt: How much do States plan to spend on this system in fiscal year 2014?

Response: State contributions vary depending on how each State develops and implements their animal disease traceability activities to comply with Federal regulations and accompanying standards. At this time, we are unable to estimate States' contributions for FY 2014; however, we will have this information at the close of the fiscal year.

Mr. Aderholt: The President's fiscal year 2014 budget included an increase request of $5.192 million in order to implement the Animal Disease Traceability Network. The President's fiscal year 2015 budget requests $2.55 million again for the Animal Disease Traceability network. Please provide an explanation as to the differing activities supported in the FY 2014 request and the FY 2015 request.

Response: The $2.55 million increase requested in the FY 2015 President's budget would elevate total availability for the Animal Disease Traceability (ADT) framework to approximately $14.9 million. With this increase, APHIS would enhance ADT implementation by improving data access through increased integration across information systems, by testing the feasibility of tag retirement strategies, and by providing additional support

to States/Tribes as they expand their ADT efforts. The FY 2014 request included approximately $12.3 million for ADT activities, which were supplemented by approximately $2 million in carryover funds. The FY 2015 request was designed to allow APHIS to maintain the level of infrastructure from FY 2013, and to maintain the progress in premises registration and data collection and management. With this increase, our projected spending for FY 2015 would be similar to the projected amount for FY 2014. The main difference between the activities conducted in the two years is that the FY 2015 proposal includes an additional $500,000 to be offered to States through cooperative agreements for State-operated ADT activities.

Mr. Aderholt: Provide for the record a list of all states or organizations that have received funding for this effort and the status of the states' system.

Response: The information is submitted for the record.

[The information follows:]

STATES AND ORGANIZATIONS RECEIVING
NATIONAL ANIMAL IDENTIFICATION SYSTEM FUNDING

Awardee	Award FY 2004 CCC Amount	Award FY 2005 Appropriated Amount	Award FY 2006 Appropriated Amount	Award FY 2007 Appropriated Amount	Award FY 2008 Appropriated Amount	Award FY 2009 Appropriated Amount
Alabama Department of Agriculture	$115,000	$245,000	0	$276,000	$165,630	$52,536
Alaska Department of Natural Resources	0	34,710	0	60,660	42,400	34,800
Arizona Department of Agriculture	0	169,000	$84,351	160,200	111,650	141,771
Arkansas Livestock and Poultry Commission	115,000	281,000	203,000	249,300	174,500	167,975
California Department of Agriculture	670,072	625,000	696,909	698,080	361,900	296,900
Colorado Department of Agriculture	1,214,579	255,904	486,293	758,463	263,200	215,800
Connecticut Department of Agriculture	0	0	0	20,000	39,785	60,800
Florida Department of Agriculture and Consumer Services	531,840	273,000	98,720	184,510	176,645	167,446
Georgia Department of Agriculture	77,480	42,173	198,899	197,891	134,620	102,311
Hawaii Board of Agriculture	0	98,316	0	61,121	55,600	46,600
Idaho State Department of Agriculture	1,164,000	230,783	60,348	267,826	194,600	159,572
IDairy	975,000	0	0	0	0	0
Illinois Department of Agriculture	130,000	245,000	141,000	180,000	134,620	103,200
Indiana State Board of Animal Health	106,493	150,457	80,331	503,090	133,872	111,208
Iowa Department of Agriculture	130,000	410,878	0	525,150	481,800	272,085
Kansas Animal Health Department	1,246,430	685,000	0	3,564,900	210,000	196,680

Awardee	Award FY 2004 CCC Amount	Award FY 2005 Appropriated Amount	Award FY 2006 Appropriated Amount	Award FY 2007 Appropriated Amount	Award FY 2008 Appropriated Amount	Award FY 2009 Appropriated Amount
Kentucky Department of Agriculture	269,093	326,276	0	375,000	280,459	213,150
Louisiana Department of Agriculture and Forestry	12,247	0	0	82,704	78,310	64,200
Maine Department of Agriculture, Food, and Rural Services	78,343	94,000	21,500	80,000	41,250	0
Maryland Department of Agriculture	105,000	85,952	0	81,000	53,915	56,181
Massachusetts Department of Agricultural Resources	0	95,348	0	80,000	59,831	14,359
Michigan Department of Agriculture	120,000	206,952	0	179,000	183,872	100,404
Minnesota Board of Animal Health	434,578	339,140	202,957	278,914	193,814	147,298
Mississippi Board of Animal Health	153,327	170,129	43,294	171,882	133,872	115,618
Missouri Department of Agriculture	484,874	496,973	72,931	0	150,956	275,389
Montana Department of Livestock	431,928	349,000	0	251,100	176,000	144,600
Nebraska Department of Agriculture	125,401	672,000	448,000	672,000	470,400	385,700
Nevada State Department of Agriculture	97,939	128,241	80,000	76,903	57,400	47,100
New Hampshire Department of Agriculture, Markets, and Food	0	17,547	0	35,000	0	0
New Jersey Department of Agriculture	100,000	92,000	72,108	80,000	59,831	45,471
New Mexico Livestock Board	0	244,000	203,000	1,206,324	246,350	202,000

Awardee	Award FY 2004 CCC Amount	Award FY 2005 Appropriated Amount	Award FY 2006 Appropriated Amount	Award FY 2007 Appropriated Amount	Award FY 2008 Appropriated Amount	Award FY 2009 Appropriated Amount
New York Department of Agriculture	93,000	204,152	178,791	275,980	183,400	156,433
North Carolina Department of Agriculture and Consumer Services	111,630	196,989	0	179,000	133,872	95,711
North Dakota Department of Agriculture	515,000	176,225	0	160,856	193,900	167,200
Ohio Department of Agriculture	117,135	192,560	112,786	275,283	206,418	171,470
Oklahoma Department of Agriculture, Food, and Forestry	675,000	629,000	166,860	517,500	362,200	297,006
Oregon Department of Agriculture	0	169,322	0	75,815	192,194	158,886
Pennsylvania Department of Agriculture	614,146	257,000	142,238	404,865	139,087	105,691
Puerto Rico and the U.S. Virgin Islands	0	58,593	7,380	39,811	19,903	15,415
South Carolina Clemson University	186,728	139,000	141,000	177,000	132,377	100,550
South Dakota Animal Industry Board	505,240	334,277	0	426,000	298,200	252,900
Tennessee Department of Agriculture	130,000	264,611	82,678	394,073	209,000	156,817
Texas Animal Health Commission	1,000,000	1,038,975	201,065	1,175,616	756,000	619,900
Tribal Nations	500,000	716,870	698,288	322,400	375,540	130,000
Utah Department of Agriculture and Food	149,586	194,000	0	179,000	125,300	102,700
Vermont Agency of Agriculture, Food, and Markets	84,059	104,125	0	0	0	29,220
Virginia Department of Agriculture	297,807	237,831	0	353,293	207,126	181,247

Awardee	Award FY 2004 CCC Amount	Award FY 2005 Appropriated Amount	Award FY 2006 Appropriated Amount	Award FY 2007 Appropriated Amount	Award FY 2008 Appropriated Amount	Award FY 2009 Appropriated Amount
Virgin Islands Department of Agriculture	0	0	0	0	40,000	40,000
Washington State Department of Agriculture	104,313	206,000	60,854	179,000	240,800	197,400
West Virginia Department of Agriculture	95,090	108,861	58,942	155,488	132,377	109,953
Wisconsin Department of Agriculture	500,000	243,605	0	1,621,000	265,468	122,192
Wyoming Livestock Board	361,929	302,000	141,000	248,000	173,600	142,400
Totals	$14,929,287	$12,837,775	$5,185,523	$18,516,998	$9,253,844	$7,294,245

The following cooperative agreements support the framework announced on February 5, 2010.

STATES AND ORGANIZATIONS RECEIVING
ANIMAL DISEASE TRACEABILITY FUNDING

Awardee	Award FY 2010 Appropriated Amount	Award FY 2011 Appropriated Amount	Award FY 2012 Appropriated Amount	Award FY 2013 Appropriated Amount
Alabama Department of Agriculture	$44,125	$26,832	$41,954	$48,817
Alaska Department of Natural Resources	26,000	15,500	40,000	30,000
Arizona Department of Agriculture	105,000	60,000	130,000	78,282
Arkansas Livestock and Poultry Commission	225,000	135,000	290,000	280,000
California Department of Agriculture	217,000	96,089	212,000	230,000
Colorado Department of Agriculture	160,000	85,000	180,000	179,000
Connecticut Department of Agriculture*	53,080	32,270	46,217	70,014
Delaware Department of Agriculture	0	0	15,000	18,000
Florida Department of Agriculture and Consumer Services	142,755	86,810	142,790	171,348
Georgia Department of Agriculture	76,733	48,637	105,322	138,000
Hawaii Board of Agriculture	35,000	15,000	30,150	26,667
Idaho State Department of Agriculture	118,000	40,000	80,000	66,667
Illinois Department of Agriculture	77,250	0	60,000	21,760
Indiana State Board of Animal Health	93,500	60,796	99,982	150,000
Iowa Department of Agriculture	200,000	122,000	260,738	260,000
Kansas Animal Health Department	146,000	67,000	140,000	140,000
Kentucky Department of Agriculture	179,724	109,433	180,000	200,000
Louisiana Department of Agriculture and Forestry	48,000	23,000	35,874	0

Awardee	Award FY 2010 Appropriated Amount	Award FY 2011 Appropriated Amount	Award FY 2012 Appropriated Amount	Award FY 2013 Appropriated Amount
Maine Department of Agriculture, Food, and Rural Services	25,853	15,531	25,468	15,086
Maryland Department of Agriculture	42,228	19,595	43,000	51,600
Massachusetts Department of Agricultural Resources	10,912	0	0	0
Michigan Department of Agriculture	84,659	54,716	90,000	108,000
Minnesota Board of Animal Health	111,946	69,407	124,200	149,040
Mississippi Board of Animal Health	93,726	60,796	92,120	110,450
Missouri Department of Agriculture	201,000	110,000	200,000	200,000
Montana Department of Livestock	106,000	66,000	150,000	149,000
Nebraska Department of Agriculture	280,000	165,000	360,000	350,000
Nevada State Department of Agriculture	35,000	22,000	50,000	50,000
New Jersey Department of Agriculture	34,557	22,799	37,500	45,000
New Mexico Livestock Board	150,000	65,000	130,000	0
New York Department of Agriculture	118,000	73,160	120,000	144,001
North Carolina Department of Agriculture and Consumer Services	71,784	0	75,000	90,000
North Dakota Department of Agriculture	124,000	37,000	84,000	90,000
Ohio Department of Agriculture	138,454	49,649	79,000	94,800
Oklahoma Department of Agriculture, Food, and Forestry	215,000	125,000	270,000	270,000
Oregon Department of Agriculture	118,000	70,000	150,000	150,000
Pennsylvania Department of Agriculture	67,014	33,540	100,000	122,435

Awardee	Award FY 2010 Appropriated Amount	Award FY 2011 Appropriated Amount	Award FY 2012 Appropriated Amount	Award FY 2013 Appropriated Amount
Puerto Rico and the U.S. Virgin Islands	12,997	9,372	12,331	18,492
Rhode Island Department of Environmental Management Division of Agriculture	25,000	15,126	25,000	30,000
South Carolina Clemson University	76,418	48,637	80,000	96,000
South Dakota Animal Industry Board	189,000	0	95,000	95,000
Tennessee Department of Agriculture	119,177	72,946	119,985	143,966
Texas Animal Health Commission	450,000	255,000	500,000	500,000
Tribal Nations	187,300	41,000	30,000	44,600
Utah Department of Agriculture and Food	77,000	46,000	105,000	105,000
Vermont Agency of Agriculture, Food, and Markets	35,013	0	34,990	79,707
Virginia Department of Agriculture	152,824	94,233	155,000	188,435
Virgin Islands Department of Agriculture	33,145	19,736	30,099	31,035
Washington State Department of Agriculture	146,000	85,500	180,100	179,000
West Virginia Department of Agriculture	89,616	57,730	71,138	119,992
Wisconsin Department of Agriculture	103,030	62,638	103,030	145,200
Wyoming Livestock Board	50,000	0	0	0
Totals	$5,721,825	$2,890,478	$5,811,988	$6,074,394

Note: The table above reflects data based on a review conducted of all cooperative agreements. FY 2014 awards are expected to total approximately $7 million.

Cooperative agreements have provided funding for activities such as pilot projects and field trials for identification processes and technologies; supported State and Tribal premises registration and enhancements of animal tracing capabilities; communication infrastructure, including Web sites and information sharing mechanisms with industry organizations, press contacts,

and local governments; and, supported States and Tribes in forming industry identification working groups. States and Tribes that receive cooperative agreement funding are required to provide quarterly reports on their progress of achieving objectives within their strategic plan. Communication and outreach efforts include reaching out to the livestock industry, and State and Federal disease traceability staff; equipping partners to answer traceability questions for State residents; conducting monthly conference calls; and using a collaborative Website to exchange data.

Animal Disease Traceability

Mr. Aderholt: Please describe in detail how the new animal disease traceability system works and explain how APHIS ensures quality data.

Response: Unless specifically exempted, livestock moving interstate must be officially identified and accompanied by documentation, such as owner-shipper statements or brand certificates. The new system allows the use of brands, tattoos, and accompanying registration as official identification when accepted by the shipping and receiving States or Tribes; clarifies that all livestock moved interstate to a custom slaughter facility are exempt from regulation; and exempts chicks moved interstate from a hatchery from the official identification requirements.

Additionally, beef cattle under 18 months of age are exem5pt from the official identification requirement unless they are moved interstate for shows, exhibitions, rodeos, or recreational events. Beef cattle under 18 months of age are considered lower risk, as they do not frequently move or change ownership. APHIS will address traceability requirements for this group of cattle in separate rulemaking.

Previously, the largest traceability gaps in our regulations occurred with cattle, and, consequently, the traceability requirements have more impact on cattle than on other species. For species other than cattle, the rule largely maintains and builds on the identification requirements of existing disease program regulations.

The rule provides standards for official identification and movement documentation for livestock moving interstate, but does not prescribe identification or movement requirements for any State or Tribal jurisdiction. APHIS will ensure quality data through cooperative efforts with States and Tribes by measuring our baseline tracing capability and establishing performance standards. The baseline tracing capability will be measured by evaluating activities that animal health officials would typically conduct during an investigation of livestock that have moved interstate. APHIS will use the information determined during the baseline tracing activities to establish performance standards at a later date. In doing so, APHIS will ensure the necessary data is available to objectively define and establish those performance standards. As we continue to implement the rule, APHIS will continue to work with States and Tribes to measure tracing capabilities. Comparing the results obtained earlier in the implementation with those over time will help document the progress being made.

Mr. Aderholt: Now that the traceability network is operational, please describe the benefits of the current system and future benefits of a system with increased participation.

Response: The national Animal Disease Traceability (ADT) framework allows Federal, State, Tribal, and private animal health professionals to work together to identify diseased animals, quickly trace their movements, and control disease spread to protect the livestock industry. Knowing where diseased and at-risk animals are located helps preserve animal health; reduce the number of animal illness and deaths if outbreaks occur; ensure a rapid response in case of an animal disease event; and decrease the cost to producers, consumers, and the government. Such a system also assures our trading partners of USDA's commitment and ability to rapidly contain an animal disease event should one occur.

We continue to make progress toward developing a system that is flexible and increases the timeliness of retrieving traceability data. APHIS has implemented several improvements this past year in this regard. For example, we are working with States and industries to increase the availability of electronic interstate certificates of veterinary inspection (ICVI). ICVIs are the primary documents used to obtain animal movement information. They are easier to search than paper documents when animals need to be traced, and will improve the efficiency for tracing animals by animal health officials. APHIS has also expanded the availability of official animal identification eartags for the ADT program. The use of eartags continues to increase. Other USDA-approved identification methods, including radio frequency tags, are available for producers to purchase to ensure the identification options work best for their individual management system.

Although APHIS offers cooperative agreements to all States and tribes, not all of our offers are accepted. We believe that increased participation will enable us to track animals more rapidly during disease events. The new traceability rule provides States with the flexibility to implement traceability solutions that work best for local producers. APHIS will continue to make education and communication of the rule a priority, and we are currently implementing enforcement actions to ensure high compliance levels.

Mr. Aderholt: What are the range of costs for several different options of expanding the current traceability system?

Response: We have not formally developed options or funding levels for significantly expanding our traceability program. However, we have had preliminary considerations that would support options to collect and record animal identification numbers on movement documents using more advanced technology, in particular electronic identification. The difficulty of manually recording identification numbers movement documents and retiring those numbers after slaughter is becoming more apparent. At this time, there is merit to consider cost-share options with producers and other industry sectors to establish a more advanced traceability infrastructure. These alternatives will be examined more fully as technical solutions are better established in the marketplace. These advancements would enhance our ability to quickly and efficiently trace animals and monitor their status, but implementing them may be cost-prohibitive, even if a cost-share arrangement is included. Currently, APHIS is conducting demonstration projects to study the feasibility of using newer electronic tags.

Foot and Mouth Disease

Mr. Aderholt: APHIS works with Central and South American countries to meet the Pan American Health Organization goal for foot-and-mouth eradication. What is the status of these initiatives as well as their costs?

Response: APHIS continues to support, and co-sponsor with international partners, the participation of Latin American colleagues in annual U.S.-based trans-boundary animal disease and epidemiology courses to help them address foot and mouth disease (FMD) and other devastating animal diseases in their countries. As of FY 2013, the Agency no longer provides cooperative agreement funding for FMD surveillance and control and trans-boundary animal diseases in the western hemisphere. After many years of infrastructure support and capacity building from APHIS, these countries have the ability to continue conducting their own FMD monitoring and surveillance efforts. However, APHIS continues to maintain personnel to provide technical assistance and advice to partners on the highest risk diseases.

Central America:

FMD is not present in Central America, but continued surveillance is important given its shared borders with South America, where the disease still exists. APHIS has participated in public outreach activities on the prevention of and surveillance for FMD and other exotic animal diseases in several Central American countries.

South America:

South America has had great advances in FMD eradication. Most South American countries still have an FMD vaccination program because of the presence of the virus, and because of potential illegal movement of cattle. APHIS continues to collaborate with the Pan American Center for Foot and Mouth Disease (PANAFTOSA), which is part of the Pan American Health Organization. APHIS scientists interact frequently with their PANAFTOSA counterparts and participate actively in annual meetings of the South American Commission for the fight Against Foot-and-Mouth Disease.

While APHIS is no longer providing funding to foreign countries for surveillance and monitoring of FMD, APHIS employs a veterinarian in Bolivia, a key country in the effort to help with education and collaboration with the local animal health authorities (or local veterinary services) to eradicate FMD from South America. While the APHIS veterinarian does some collaboration to contribute to the final stages of FMD eradication, the person in this position does not work solely on FMD activities. Maintaining this position costs approximately $215,000 in FY 2014 and includes all direct and indirect costs, including those related to State Department's International Cooperative Administrative Support Services, the Capital Security Cost Sharing program, salary and benefits, travel and other direct costs. While APHIS has eliminated cooperative agreement funding to address FMD in the Americas, it leverages its resources through its involvement with regional and international animal health organizations to provide influence and receive current information on the status of FMD in South America.

Asian Longhorned Beetle

Mr. Aderholt: Please update the Subcommittee on the status of Asian longhorned beetle infestation, including a status of the emergency eradication program. What is the overall status of efforts to combat the Asian Longhorned Beetle?

Response: APHIS is conducting Asian longhorned beetle (ALB) eradication activities in New York, Massachusetts, and Ohio. These activities support an area-wide integrated pest eradication strategy to eliminate the ALB from the United States and prevent future introductions. This strategy has enabled APHIS and cooperators to eradicate ALB infestations in Chicago, Illinois; Islip, New York; and Jersey City, New Jersey; and, just recently in March 2013, Union and Middlesex Counties in New Jersey.

APHIS and its cooperators conduct surveys, remove infested trees, and apply chemical treatments to host trees within one and a half miles of an infested tree. ALB can be declared eradicated from an area only after several years of negative surveys and control activities, regardless of the size of the infestation. In addition to survey and control activities, regulatory actions must be taken to minimize the human-assisted spread of the pest.

The program continues to conduct final surveys in Eastern Queens and Long Island, New York, and in Norfolk and Suffolk counties in and around Boston, Massachusetts. APHIS provides ongoing support to evaluate new methods and protocols to combat regulated pests and tailors project responses to site-specific conditions, resulting in a more efficient program. In FY 2013, the program worked to examine new detection technologies (such as traps and detector dogs), the impact of beetle biology and the time elapsed between surveys on survey effectiveness, and the impact of extending the timeframe for the application of preventive treatments. The program expects the infestation around Worcester, Massachusetts to be delimited in FY 2014. APHIS projects to declare ALB eradicated from Norfolk and Suffolk Counties in and around Boston, Massachusetts in 2014.

APHIS measures performance by tracking progress toward eradication. The program met its targets for FY 2013, and has completed 100 percent of the New Jersey program, 74 percent of the New York program, eight percent of the Massachusetts program and one percent of the Ohio program. Because of required treatment cycles, programs only show improvement in this indicator after an area has been treated for approximately three years. The Ohio program is still in the early stages and will not likely show progress toward eradication for some time.

In New York, APHIS declared ALB eradicated from Manhattan and Staten Island in New York City in 2013. Surveys in Brooklyn, Queens, and Long Island are continuing. Surveys in Long Island resulted in discovery of a new infestation in 2013. APHIS will expand the quarantine area on Long Island by 28 square miles for a total of 51 square miles of quarantine. In Massachusetts and Ohio, APHIS and cooperators are continuing to delimit the infestations and remove host trees in infested areas. Currently, 120 square miles are quarantined in Massachusetts and 61 square miles in Ohio. The delimitation survey in Ohio is ongoing. Completing the delimiting surveys is essential to ensuring that all infested trees are found and removed and that the treatment and regulated areas are accurately defined.

Mr. Aderholt: How much has been spent to date on the Asian Longhorned Beetle by APHIS? (Please distinguish appropriated funds from CCC funds.)

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Response: As of April 2, 2014, APHIS has spent approximately $528.4 million on Asian Longhorned Beetle eradication activities since the program began in FY 1997. Of this total, $346.1 million is from appropriated funds, $180.5 million is from emergency funds transferred from the Commodity Credit Corporation (CCC), and $1.8 million is from CCC funding authorized in Section 10201 of the 2008 Farm Bill.

Mr. Aderholt: How much have states contributed to Asian Longhorned Beetle management and eradication to date (please specify by state)?

Response: The information is submitted for the record.

[The information follows:]

STATE CONTRIBUTIONS TO
ASIAN LONGHORNED BEETLE MANAGEMENT AND ERADICATION
(Dollars in Millions)

Dates	Amount	State
FY 1997 - 2014	$89.6	New York
FY 1998 - 2007	7.7	Illinois
FY 2002 - 2012	7.4	New Jersey
FY 2009 - 2014	12.5	Massachusetts *
FY 2011 - 2014	2.3	Ohio

*Includes contributions from Massachusetts and neighboring States

Please note: Figures that include 2014 are based on estimates of how much cooperators will spend during the entire fiscal year.

Animal Welfare

Mr. Aderholt: Please provide details on the actions and planned actions to date regarding the Animal Welfare Scientific Forum. Note the dates when the forum met formally and informally and the attendees at the meetings.

Response: In July 2014, APHIS will be holding an Animal Welfare Scientific Forum focusing on the health and well-being of lions, tigers and bears regulated by the Animal Welfare Act. APHIS is involving stakeholders, including the Association of Zoos and Aquariums, the Humane Society of the United States, and Global Federation of Animal Sanctuaries, in selecting discussion topics and speakers. APHIS also is seeking additional input for specific speakers from the Zoological Association of Americas and the animal entertainment industry. APHIS' intention is to bring together a wide array of stakeholders to ensure that all viewpoints are included. The goal of the symposium is to present the emerging science on the care for lions, tigers and bears to ensure the animals' welfare, as well as ensure the safety of the public. The topics will include behavior, disaster planning, fiscal responsibility, nutrition, transportation, safety, and veterinary care.

Mr. Aderholt: In addition to the establishment of the Animal Welfare Scientific Forum, has USDA established any new outreach or communication efforts relating to animal welfare?

Response: APHIS is using new techniques to conduct outreach to ensure we are reaching all stakeholders. In FY 2013, the Agency increased its transparency and enhanced communication with many diverse stakeholders by proactively disseminating information directly through an electronic delivery system. Now, members of the public can sign up for emails and/or texts from APHIS that are tailored to their specific interests.

Since FY 2012, APHIS has expanded collaborative efforts with Iowa State University to develop prelicensing education materials. These materials have been designed to bring clarity and consistency to the licensing process. APHIS routinely uses these materials to educate potential licensees on their responsibilities under the Animal Welfare Act (AWA).

More recently, APHIS has sought input from the dog breeder organizations to determine opportunities for improving communications with them. As a result, the Agency has met with the dog breeder groups through association meetings and small group meetings to answer questions from licensees, potential licensees, and their veterinarians. APHIS has received positive feedback for these efforts. Additionally, APHIS held a face-to-face meeting in May 2013 where AWA licensed facilities discussed preparing and responding to emergencies and disasters, and other topics. The Agency is using ideas generated at this meeting to consider topics for another session in late 2014.

In FY 2013, APHIS worked with the University of Kansas to develop an interactive educational module aimed at appropriate procedures for safely transporting dogs as cargo on airplanes. The module, designed for use by counter and baggage personnel, is under review by airline industry stakeholders to provide ideas on enhancing the module, as well as input on the best way to distribute. APHIS hopes to distribute the module to the airline organizations in FY 2015.

Mr. Aderholt: Please provide a table showing, by state, the number of staff years assigned to the animal welfare program and the number of animal care facilities, in each state for fiscal years 2012 and 2013 as well as estimated for fiscal years 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

APHIS STAFF YEARS
AND
LICENSED ANIMAL CARE FACILITIES
BY STATE

STATE	FY 2012		FY 2013	
	STAFF YEARS	LICENSED FACILITIES	STAFF YEARS	LICENSED FACILITIES
Alabama	1.8	60	0.6	59
Alaska	0.2	18	0.1	19
Arizona	1.4	54	0.6	50
Arkansas	3.5	213	2.5	164
California	10.6	536	6.6	474
Colorado**	22.9	108	40.1	89
Connecticut	1.2	81	0.8	70
Delaware	0.2	10	0.2	8
District Of Columbia*	1.1	12	0.1	11
Florida	7.9	456	5.1	377
Georgia	1.8	156	0.7	131
Hawaii	0.2	40	0.2	36
Idaho	0.0	26	2.8	25
Illinois	4.9	228	1.7	201
Indiana	4.3	240	2.6	209
Iowa	3.9	355	4.5	289
Kansas	4.1	266	2.8	210
Kentucky	2.1	54	0.7	41
Louisiana	1.2	84	1.6	74
Maine	0.2	25	0.8	23
Maryland*	32.4	89	27.5	80
Massachusetts	3.7	155	0.9	139
Michigan	2.4	183	1.8	164
Minnesota	4.9	178	2.4	146
Mississippi	1.2	42	2.2	33
Missouri	21.5	899	25.8	707
Montana	1.2	29	0.5	23
Nebraska	3.6	109	1.2	84
Nevada	0.1	55	1.3	41
New Hampshire	1.2	32	1.1	28
New Jersey	3.4	107	1.1	98
New Mexico	2.4	37	0.6	30
New York	4.6	324	1.8	286
North Carolina**	22.0	146	38.5	132

STATE	FY 2012		FY 2013	
	STAFF YEARS	LICENSED FACILITIES	STAFF YEARS	LICENSED FACILITIES
North Dakota	1.1	25	0.4	21
Ohio	7.9	307	7	288
Oklahoma	7.4	294	3.2	226
Oregon	2.1	74	1.9	67
Pennsylvania	4.3	348	4.2	297
Rhode Island	0.4	14	0.3	16
South Carolina	1.2	99	0.6	76
South Dakota	1.2	91	2.7	72
Tennessee	1.2	142	1	120
Texas	6.6	482	4.5	413
Utah	1.2	41	0.5	36
Vermont	0.1	13	0	10
Virginia	1.8	132	0.7	119
Washington	2.5	104	1.1	85
West Virginia	1.8	17	0.3	11
Wisconsin	4.6	195	2.7	168
Wyoming	0.1	11	0	7
Guam	0.1	3	0	3
Puerto Rico	0.1	6	0.1	9
Virgin Islands	0.1	1	0	1
Total	224.0	7,806	213.0	6,596

STATE	FY 2014		FY 2015	
	STAFF YEARS (est)	LICENSED FACILITIES (est)	STAFF YEARS(est)	LICENSED FACILITIES (est)
Alabama	0.6	65	0.6	65
Alaska	0.1	20	0.1	20
Arizona	0.6	56	0.6	62
Arkansas	2.5	174	2.5	174
California	6.6	490	6.6	491
Colorado**	43.6	96	43.6	96
Connecticut	0.8	76	0.8	76
Delaware	0.2	12	0.2	12
District of Columbia*	0.1	11	0.1	11
Florida	5.1	410	5.1	410
Georgia	0.7	143	0.7	143
Hawaii	0.2	36	0.2	36

	FY 2014		FY 2015	
STATE	STAFF YEARS (est)	LICENSED FACILITIES (est)	STAFF YEARS(est)	LICENSED FACILITIES (est)
Idaho	2.8	26	2.8	26
Illinois	1.7	218	1.7	218
Indiana	2.6	220	2.6	222
Iowa	4.5	301	4.5	305
Kansas	2.8	217	2.8	219
Kentucky	0.7	48	0.7	49
Louisiana	1.6	81	1.6	82
Maine	0.8	24	0.8	24
Maryland*	27.5	83	27.5	83
Massachusetts	0.9	143	0.9	143
Michigan	1.8	172	1.8	172
Minnesota	2.4	158	2.4	158
Mississippi	2.2	34	2.2	34
Missouri	25.8	756	25.8	798
Montana	0.5	25	0.5	25
Nebraska	1.2	91	1.2	91
Nevada	1.3	43	1.3	43
New Hampshire	1.1	28	1.1	28
New Jersey	1.1	107	1.1	107
New Mexico	0.6	35	0.6	35
New York	1.8	303	1.8	304
North Carolina**	40	145	40	146
North Dakota	0.4	22	0.4	22
Ohio	7	311	7	311
Oklahoma	3.2	237	3.2	242
Oregon	1.9	69	1.9	69
Pennsylvania	4.2	314	4.2	315
Rhode Island	0.3	17	0.3	17
South Carolina	0.6	81	0.6	82
South Dakota	2.7	73	2.7	73
Tennessee	1	127	1	129
Texas	4.5	441	4.5	444
Utah	0.5	38	0.5	39
Vermont	0	10	0	11
Virginia	0.7	126	0.7	126
Washington	1.1	90	1.1	90

STATE	FY 2014 STAFF YEARS (est)	FY 2014 LICENSED FACILITIES (est)	FY 2015 STAFF YEARS(est)	FY 2015 LICENSED FACILITIES (est)
West Virginia	0.3	12	0.3	12
Wisconsin	2.7	178	2.7	178
Wyoming	0	7	0	7
Guam	0	3	0	3
Puerto Rico	0.1	10	0.1	10
Virgin Islands	0	1	0	1
Total	218	7,014	218	7,089

* includes Headquarters offices
**includes State and Regional offices

Mr. Aderholt: Provide a table showing inspection activities of the Animal Welfare Program for fiscal year 2009 through 2014 to date. Provide a definition of the column headings to better explain the data.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2009

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections
Dealers	4,529	1.20	5,438
Research Facilities	1,157	1.42	1,644
Exhibitors	2,432	1.45	3,518
In-transit Handlers	78	2.23	174
In-transit Carriers	115	5.30	609
Subtotal, Compliance Inspections	8,311	1.37	11,383
Other Inspections			
Pre-licensing and Pre-registration Inspections, License or Registration Issued			1,479
Pre-license Inspection Conducted, Issuance of License Pending			70
Attempted Inspections			1,391
Subtotal, Other Inspections			2,940
Total Inspections Conducted, FY 2009			14,323

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2010

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections
Dealers	4,235	1.12	4,730
Research Facilities	1,230	1.37	1,685
Exhibitors	2,773	1.33	3,700
In-transit Handlers	188	1.38	260
In-transit Carriers	284	2.76	783
Subtotal, Compliance Inspections	8,710	1.26	11,158
Other Inspections			
Pre-licensing and Pre-registration Inspections, License or Registration Issued			1,428
Pre-license Inspection Conducted, Issuance of License Pending			89
Attempted Inspections			1,393
Subtotal, Other Inspections			2,910
Total Inspections Conducted, FY 2010			14,068

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2011

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections
Dealers	3,415	1.33	4,543
Research Facilities	1,131	1.40	1,585
Exhibitors	2,430	1.52	3,682
In-transit Handlers	84	2.07	174
In-transit Carriers	115	6.63	763
Subtotal, Compliance Inspections	7,175	1.49	10,747
Other Inspections			
Pre-licensing and Pre-registration Inspections, License or Registration Issued			1,293
Pre-license Inspection Conducted, Issuance of License Pending			94
Attempted Inspections			1,468
Subtotal, Other Inspections			2,855
Total Inspections Conducted, FY 2011			13,602

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2012

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections
Dealers	2,902	1.18	3,437
Research Facilities	1,111	1.36	1,506
Exhibitors	2,478	1.52	3,782
In-transit Handlers	71	2.08	148
In-transit Carriers	113	5.39	609
Subtotal, Compliance Inspections	6,675	1.42	9,482
Other Inspections			
Pre-licensing and Pre-registration Inspections, License or Registration Issued			1,293
Pre-license Inspection Conducted, Issuance of License Pending			1
Attempted Inspections			1,467
Searches*			142
Subtotal, Other Inspections			2,903
Total Inspections Conducted, FY 2012			12,385

*Starting in FY 2012, APHIS inspection data includes searches performed to determine whether activities conducted are regulated under the AWA.

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2013

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections
Dealers	2,634	1.36	3,596
Research Facilities	1,088	1.34	1,458
Exhibitors	2,445	1.46	3,579
In-transit Handlers	74	2	148
In-transit Carriers	121	4.64	562
Subtotal, Compliance Inspections	6,362	1.47	9,343
Other Inspections			
Pre-licensing and Pre-registration Inspections, License or Registration Issued			731
Pre-license Inspection Conducted, Issuance of License Pending			240
Attempted Inspections			1,458
Searches			146
Subtotal, Other Inspections			2,575
Total Inspections Conducted FY 2013			11,918

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2014

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections (as of April 2, 2014)
Dealers	1,518	1.38	2,097
Research Facilities	565	1.02	581
Exhibitors	1,528	1.24	1,896
In-transit Handlers	53	1.09	58
In-transit Carriers	200	1.05	210
Subtotal, Compliance Inspections	3,864	1.25	4,842
Other Inspections			
Pre-licensing and Pre-registration Inspections, License or Registration Issued			476
Pre-license Inspection Conducted, Issuance of License Pending			26
Attempted Inspections			502
Searches			16
Subtotal, Other Inspections			1020
Total Inspections Conducted as of April 2, 2014			5,862

The Animal Welfare Act (AWA) requires people and businesses that use certain animals for research, exhibition, sold wholesale for use as pets, and transported in commerce to be licensed or registered with APHIS. A license is required for entities that breed and raise animals, purchase and/or resell animals, or show or display animals to the public. Registrations are typically required for research facilities, carriers, intermediate handlers, and certain exhibitors whose primary business is not previously mentioned. The Agency's Animal Welfare program ensures that the animals receive humane care and treatment by performing compliance inspections and providing education. Prior to providing a license or registration to a facility, APHIS determines whether a license is needed, and if so, conducts announced inspections to ascertain compliance with AWA regulations and standards. These pre-licensing inspections are required; pre-registration inspections are not required but conducted if requested by the applicant. The number of pre-licensing and pre-registration inspections conducted annually by the program is included in the "Other Inspections" table.

Once a license is issued, the program conducts unannounced inspections to help determine the facility's compliance with the AWA regulations and standards. The frequency of inspection for each facility is based on a Risk Based Inspection System (RBIS). The program uses the RBIS to support its focused inspection strategy, allowing more frequent and in-depth inspections at problem facilities and fewer at those that are consistently in compliance. The system uses several objective criteria, including past compliance history, to determine the inspection frequency at each licensed and registered facility. The "Compliance Inspections by Business Type" table shows the total number of unannounced compliance inspections conducted during the fiscal year for each type of regulated business. Please note that the

program defines a facility as a holder of the license or registration. Each facility may have only one license or registration number but may be physically divided into two or more sites.

Because the compliance inspections are unannounced, an inspector may travel to the site to conduct an inspection only to find that the licensee is not present at the facility. The inspector is then unable to conduct the inspection, causing a delay. The program classifies these as attempted inspections and is included in the "Other Inspections" table.

Animal Welfare

Mr. Aderholt: Please provide a table showing the funding levels, both dollars and staff, obligated for Animal and Plant Health Regulatory Enforcement and Animal Care for fiscal years 2009 through 2013 and estimated for fiscal years 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL AND PLANT HEALTH REGULATORY ENFORCEMENT
FUNDING AND STAFF YEARS
(Dollars in thousands)

Fiscal Year	Funding (Appropriated)	Staff Years
2009	$13,694	132
2010	15,483	*154
2011	15,455	**142
2012	16,275	142
2013	15,021	138
2014	16,224	142
2015 (est)	16,224	142

ANIMAL CARE
FUNDING AND STAFF YEARS
(Dollars in thousands)

Fiscal Year	Funding (Appropriated)	Staff Years
2009	$21,522	204
2010	24,479	*242
2011	24,435	**219
2012	27,087	224
2013	25,000	213
2014	28,010	219
2015 (est)	28,010	219

* In FY 2010, the Secretary used his interchange authority to redirect $2.5 million from the Avian Influenza program to address OIG concerns regarding problematic dog dealers.

** In FY 2011, $2.5 million was permanently redirected from Avian Influenza to allow continuation of activities initiated with the Interchange funding from FY 2010. Also, in FY 2011, APHIS determined that staff years reported in FY 2010 were overstated and adjusted them to more accurately reflect program activities.

Mr. Aderholt: Also provide a table that shows the number of: dealer facilities; complaints registered against these facilities; inspections and re-inspections that took place; cases submitted by Animal Care to Regulatory Enforcement for review and action; and each case resolution to include fiscal years 2009 through 2014 to date.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL CARE INSPECTION ACTIVITIES

Category	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012*	Fiscal Year 2013	Fiscal Year 2014 (as of April 2, 2014)
Total Number of Dealer Facilities	12,488	11,866	11,529	10,857	10,423	10,408
Number of Complaints Registered Against Facilities	461	503	442	520	564	307
Number of Inspections/ Re-inspections	14,323	14,068	13,602	12,385	11,918	5,862
Number of Cases Submitted for Enforcement	358	573	802	315	137	95
Number of Resolutions: Official Warnings Issued	433	663	579	745	295	340
Number of Stipulations Settled	49	74	38	22	82	35
Total Stipulated Penalties (in dollars)	$117,609	$233,316	$305,873	$407,251	$407,865	$191,151
Formal Administrative Law Judge (ALJ) Decisions Issued	10	19	42	99	55	56
Civil Penalties Issued by ALJ (in dollars)	$414,050	$239,993	$494,662	$449,513	$925,932	$253,386
Total Number of Suspensions/Revocations	46	44	39	58	37	18

* In FY 2012, APHIS began improving business processes to expedite processing times for enforcement actions and significantly reduce the backlog of enforcement cases. As a result, APHIS reduced the burden on compliant facilities and focused enforcement actions on the highest risk facilities. This approach continues in FY 2014.

Mr. Aderholt: How many unannounced inspections of registered in-transit carriers and in-transit intermediate handlers were conducted in fiscal year 2013 and how many do you expect to conduct in fiscal years 2014 and 2015?

Response: The information is submitted for the record.

[The information follows:]

UNANNOUNCED INSPECTIONS
OF IN-TRANSIT CARRIERS
AND IN-TRANSIT INTERMEDIATE HANDLERS

	FY 2013	FY 2014 (Est.)	FY 2015 (Est.)
In-transit carriers	562	598	632
In-transit intermediate handlers	148	191	206

Carriers are operators of any airline, railroad, motor carrier, shipping line, or other enterprise that is engaged in the business of transporting animals for hire. Intermediate handlers are any persons, including a department, agency, or instrumentality of the United States or of any State or local government (other than a dealer, research facility, exhibitor, any person excluded from the definition of a dealer, research facility, or exhibitor, an operator of an auction sale, or a carrier), who are engaged in any business in which they receive custody of animals in connection with their transportation in commerce.

APHIS works collaboratively with the Department of Transportation to help ensure the humane transportation of pets. This is accomplished by requiring airlines to report any cases of loss, injury or death of cats and dogs being transported regardless of whether the cat or dog is transported as a pet by its owner or as part of a commercial shipment (e.g., shipped by breeder). Frequent analysis has determined that in-transit carriers and in-transit intermediate handlers have a lower risk of non-compliance than other classes of licensees.

Mr. Aderholt: Please provide the Subcommittee with the most recent activities and plans to regulate Class B dealers. How much was spent on this activity in fiscal years 2012 and 2013 as well as planned expenditures in FY 2014 and 2015?

Response: APHIS regulates the activities of 756 Class B dealers whose business includes the purchase and/or resale of any animal such as, but not limited to, dogs, cats, nonhuman primates, guinea pigs, hamsters, rabbits, or any other warm-blooded animals that are used or intended to be used for research, teaching, testing, experimentation, exhibition purposes, or as a pet. APHIS will continue to inspect these business facilities in future years to ensure that the animals receive humane care and treatment. Of the 756 Class B dealers, 4 buy and sell random-source dogs and cats for research purposes.

In addition to inspection and enforcement activities, APHIS will continue to conduct outreach to the dealers in fiscal years 2014 and 2015, through various methods such as hosting educational seminars, distributing fact sheets, and presenting at national, regional, and local industry sponsored

meetings. In addition, APHIS will continue to collaborate with other Federal agencies and State health and regulatory officials to identify the needs of the dealers to support regulatory compliance.

While APHIS tracks the number of inspections and the inspection outcomes, expenditures by classes of licensees are currently not tracked separately from other inspection and enforcement activities. APHIS is in the process of developing a module in its tracking system that will provide more specific information on the different types of inspections and associated costs. APHIS pilot-tested the module in FY 2013, and will implement the new tracking system after the certification and accreditation process has been completed.

Mr. Aderholt: APHIS had previously issued a Request for Proposal for Internet Data Mining Services to gather information from Internet sites for the enforcement of animal welfare laws and regulations. In response to a question for the record, APHIS noted that the Agency "is further evaluating all available opportunities to collect this information…" in absence of the RFP. Does APHIS plan to expend any resources on related collection activities in fiscal year 2014 or fiscal year 2015?

Response: APHIS had developed a Request for Proposal to help identify individuals who are engaged in regulated activities related to the Animal Welfare and Horse Protection Acts. The contract would have allowed USDA to identify individuals who are using the Internet to engage in the following activities: 1) selling animals that are to be used as pets; and 2) selling horses at horse shows, sales, exhibitions and auctions. APHIS withdrew the request for this contract in FY 2012 and has no plans to enter into a contract for data collection.

If APHIS receives a complaint that someone is engaged in regulated activity without having a license, Agency inspectors may search for information the alleged violator has posted on the Internet concerning sales, exhibitions, etc. However, APHIS does not have full-time staff dedicated to searching the Internet for prohibited activity.

Brucellosis

Mr. Aderholt: What is the most recent data on herds under quarantine in the United States for brucellosis? How many States are in Class Free Status and Class A Status?

Response: All 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands have been officially classified Class Free for bovine brucellosis since July 2009.

As of April 2, 2014, brucellosis has been detected in one beef cattle herd in the Greater Yellowstone Area (GYA) State of Montana. Five other herds (two beef cattle herds and three privately owned bison herds) that were detected in FY 2011 (two herds), FY 2012 (two herds), and FY 2013 (one herd) remain under quarantine with affected-herd management plans, including movement controls and additional herd testing.

There is no indication that brucellosis has spread outside the GYA. This area is our primary focus for brucellosis in livestock because the disease is endemic there in wild elk and bison. All six herds currently under

quarantine are located within the designated surveillance areas of the three GYA States (Montana, Idaho, and Wyoming).

Class Free States with brucellosis in wildlife, or continued detections of brucellosis-affected herds, work with APHIS to develop and implement a State brucellosis management plan (BMP). Each BMP defines and explains the basis for the geographic area identified in the BMP; describes the epidemiologic assessment and surveillance activities to determine if wildlife populations are affected; and describes surveillance activities and mitigation activities for domestic cattle, bison, and wildlife.

Mr. Aderholt: Provide a five-year table, including estimates for fiscal year 2014 and 2015 that shows the amount spent on brucellosis-infected bison. Also, provide a brief explanation of how these funds were used or are planned to be used.

Response: The information is submitted for the record.

[The information follows:]

APHIS' BRUCELLOSIS EXPENDITURES FOR YELLOWSTONE NATIONAL PARK
(Dollars in Millions)

Fiscal Year	Amount Spent
2011	$1.2
2012	1.3
2013	1.1
2014 (est.)	1.1
2015 (est.)	1.1

Note: APHIS tracks its total expenditures in the Greater Yellowstone Area (GYA) and cannot provide separate amounts for addressing brucellosis-infected bison. Federal funding supports activities such as targeted and slaughter surveillance, laboratory diagnostics, epidemiological investigations of suspect positive herds, and the development of State management plans.

APHIS provides expertise to land and wildlife management agencies to manage brucellosis in the Yellowstone National Park (YNP) and in the GYA. The Agency is working with other Federal and State agencies to develop adaptive management and risk mitigation plans for brucellosis in the GYA. In 2010, APHIS concluded a six-year study that investigated the feasibility of using a quarantine process to produce brucellosis-free bison from brucellosis exposed bison in YNP. The process was proven successful in its ability to produce brucellosis-free bison as an end product. Annual testing of the bison completing the quarantine process continues to document their brucellosis-free status. Similar studies are underway such as the ongoing immune-contraceptive in Bison study to evaluate its effectiveness in preventing brucellosis transmission.

State officials in Idaho, Montana, and Wyoming continue work on brucellosis issues through Federal cooperative agreements. This funding supports efforts such as habitat improvement to encourage elk to stay on traditional ranges

and off cattle inhabited range land (Idaho), surveillance in elk to more accurately determine the prevalence of brucellosis (Montana), and the vaccination of elk calves on feeding grounds (Wyoming). Additionally, APHIS continues to evaluate the RB51 vaccine in anticipation of its routine use in YNP bison as part of the bison management plan. Other Agency activities related to brucellosis management include capturing bison for testing and sampling, bison hazing, and laboratory support.

Tuberculosis

Mr. Aderholt: How many tuberculosis infected-herds are there in the United States and where are they located?

Response: As of April 2, 2014, USDA has identified two tuberculosis affected herds in the United States: one dairy herd in North Dakota, and one mixed bison/beef herd in Michigan. The North Dakota dairy herd is undergoing a test and removal protocol, which requires the removal of test-positive animals from the herd while the herd remains under quarantine. This allows owners to maintain a viable herd rather than depopulating the entire herd while mitigating the risk of transmission of tuberculosis. The Michigan bison herd was depopulated. USDA routinely uses a mix of two strategies in addressing tuberculosis-affected herds: test and remove, or depopulation. Before making a decision, we consider the size of the herd, potential indemnity costs compared to funds available, State and owner preferences, genetics, and a scientific model to determine the probability of removing infection. The dairy herd owner mentioned above did not want to depopulate due to business concerns, and we were able to develop a reasonable test and remove plan for them. The Michigan herd was a small herd, so depopulation was the better option in that case.

National Poultry Improvement Plan

Mr. Aderholt: Please provide the Subcommittee with a five year history of spending on the National Poultry Improvement Plan, including a specific break-out of costs. As part of the history, include estimated spending in fiscal years 2014 and 2015. Also, please provide a five year history of FTEs for NPIP.

Response: The information is submitted for the record.

[The information follows:]

APHIS Spending for the
National Poultry Improvement Plan

Fiscal Year	Amount Spent (Dollars in Millions)	Number of FTEs
2011	$7.4	4
2012	7.0	3
2013	7.0	3
2014 (est.)	7.0	3
2015 (est.)	7.0	4

The National Poultry Improvement Plan (NPIP) program spends more than 90 percent of its funding in cooperative agreements with States to conduct surveillance and diagnostic activities for the following areas of concentration: live bird marketing system, upland game, commercial surveillance outside of the live bird marketing system, and assistance to the broiler industry for avian influenza surveillance in commercial operations. The remaining 10 percent of spending is for salary, other program related expenses for the NPIP Coordination Staff, and activities related to the Secretary's NPIP Advisory Committee.

Fruit Fly Exclusion and Detection

Mr. Aderholt: Please provide the Subcommittee with a table showing a breakout of activities, costs, and source of funding for fruit fly exclusion and detection for fiscal years 2010 through 2013 and planned expenditures for fiscal years 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

FRUIT FLY EXCLUSION AND DETECTION ACTIVITIES AND FUNDING SUMMARY
(Dollars in thousands)

Funding Source*	International Medfly (Moscamed)	Mexfly	Domestic Survey/ Preventive Release Program	Emergency Response	Total APHIS Costs
FY 2010					
Appropriated Funds	$26,775	$9,429	$33,623	$100	$69,927
USDA Commodity Credit Corp Funds	$243	0	0	0	$243
Farm Bill Section 10201	0	0	0	$9,242	$9,242
FY 2011					
Appropriated Funds	$26,313	$8,809	$24,041	0	$59,163
Farm Bill Section 10201	0	0	$2,000	$500	$2,500
FY 2012					
Appropriated Funds	$26,800	$8,905	$26,091	$2,818	$64,614
Farm Bill Section 10201	0	0	$2,177	$3,917	$6,094
FY 2013					
Appropriated Funds	$22,229	$10,151	$23,881	$68	$56,329
Farm Bill Section 10201	0	0	$2,314	$1,173	$3,487
FY 2014** (Estimated)					
Appropriated Funds	$25,594	$9,179	$27,635	$524	$62,932
Farm Bill Section 10007	0	0	$6,682	$2,160	$8,842
FY 2015 (Estimated)					
Appropriated Funds	$25,000	$9,250	$27,000	TBD**	$61,250
Farm Bill Section 10007	0	0	TBD	TBD	TBD

Please note: Spending may vary from year to year based on the number and extent of exotic fruit fly outbreaks. Having no-year authority for the program provides flexibility for APHIS to adjust activities and spending based on needs of the program.

*Spending levels for appropriated funds include prior year funds.
**Funds may be reallocated during the year from domestic survey activities to respond to outbreaks as needed.

Swine Health

Mr. Aderholt: Please provide a five year history of APHIS' expenditures on swine surveillance, including planned spending in fiscal year 2014 and proposed spending in fiscal year 2015.

Response: The information is submitted for the record.

[The information follows:]

APHIS' ESTIMATED SWINE SURVEILLANCE EXPENDITURES
(Dollars in Millions)

Fiscal Year	Amount Spent*
2011	$11.7
2012	11.7
2013	11.1
2014 (est.)	11.1
2015 (est.)	12.0

* APHIS does not specifically track funding for swine surveillance activities, the figures shown in the above table are estimates and represent approximately half of the funding provided to the Swine Health line item. With the remaining funding in this line item, APHIS conducts activities regarding emergency preparedness and response planning, disease investigation and control activities in the field, zoonotic disease prevention and response, swine health studies and special projects, and outreach and communication with stakeholders.

Mr. Aderholt: The porcine epidemic diarrhea virus was identified in U.S. pig herds last April and it and appears to be having a devastating effect on the pig herd in the United States and elsewhere. Please provide details about the actions USDA has taken to date to address this virus.

Response: During the past year, USDA has confirmed for the first time the presence of two swine enteric coronavirus diseases (SECD) in the United States - porcine epidemic diarrhea virus and porcine delta coronavirus. Because the U.S. swine population has no immunity against these corona viruses, the entire population is at risk. In addition, the viruses can spread easily since no commercially licensed vaccines are available. This disease causes significant sickness in swine, affecting their growth, production potential, and health, and causes high mortality in piglets.

Industry actions to date have focused primarily on biosecurity to prevent the spread of the disease, but these efforts have not been effective in limiting the spread of the virus. Therefore, APHIS is publishing a Federal Order to better ensure that the Federal government, States, and industry have enough information to characterize and understand the scope of SECD, inform future control options and decrease the spread of the diseases, evaluate options for

an active surveillance plan; and develop strategies for control and elimination. In addition, APHIS will work with producers and veterinarians to establish herd monitoring and management plans and implement enhanced biosecurity measures on farms. These actions are intended to address the current outbreak of SECDs in a manner that supports business continuity for commercial pork producers, maintains a safe supply of pork for consumers, and is credible to State and Federal animal health officials.

Mr. Aderholt: When do you anticipate achieving progress in reducing the spread of the virus?

Response: Once we are able to determine the extent to which swine enteric coronavirus diseases such as porcine epidemic diarrhea and porcine delta coronavirus have spread, we will be better able to project how soon we can reduce the spread. Currently, we are working with other Federal agencies, States, and industry groups to determine how best to respond to this problem within available resources.

Wildlife Services

Mr. Aderholt: APHIS has cooperative agreements with a number of states related to wildlife services operations control work. Provide a list of the amounts of cost-share provided by each state and the federal share spent for fiscal years 2012 and 2013. Please explain why in some states cooperators pay substantially more than the federal share and then in other states the federal portion is much greater than the state share.

Response: In FY 2012, federal spending was $39.1 million compared to $54.3 million for states. In FY 2013, federal spending was $36.2 million compared to state spending of $58.8 million.

APHIS' policy is to cooperate with Federal, State and local agencies, and public stakeholders to conduct wildlife damage management programs. APHIS will use Wildlife Services appropriated funds to cost-share with non-Federal entities to the extent that such funding is available. Currently, APHIS uses a variable cost-share formula based on the core mission, strategic and program priorities, whether it substantially enhances the program's efficiency, whether it is appropriate for the cooperator under a particular agreement, and the cooperator's ability to pay toward the program. As a result, cost-share varies by State, cooperator, and project.

The following tables consist of amounts that APHIS and States spent on cooperative services provided by Wildlife Services. The tables do not represent the entire budget for Wildlife Services, and do not include funds provided to APHIS from other Federal agencies.

[The information follows:]

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2012			
State	Federal	Cooperative	Total
Alabama	$722,796	$455,327	$1,178,123
Alaska	342,087	1,108,690	1,450,777
Arizona	884,986	439,311	1,324,297
Arkansas	366,118	260,000	626,118
California	1,865,629	2,682,236	4,547,865
Colorado	1,822,655	1,901,519	3,724,174
Connecticut	3,000	98,420	101,420
Delaware	3,000	4,431	7,431
District of Columbia	0	511	511
Florida	563,879	1,004,881	1,568,760
Georgia	594,233	255,883	850,116
Guam	0	185,170	185,170
Hawaii	592,067	1,696,986	2,289,053
Idaho	1,698,075	650,553	2,348,628
Illinois	337,282	2,038,078	2,375,360
Indiana	217,269	230,282	447,551
Iowa	18,000	132,068	150,068
Kansas	353,497	456,751	810,248
Kentucky	188,000	296,218	484,218
Louisiana	523,406	459,132	982,538
Maine	368,366	370,139	738,505
Maryland	368,575	338,742	707,317
Massachusetts	380,140	811,292	1,191,432
Michigan	329,973	310,788	640,761
Minnesota	418,026	614,087	1,032,113
Mississippi	699,199	841,000	1,540,199
Missouri	352,501	356,037	708,538
Montana	1,809,539	1,586,271	3,395,810
Nebraska	572,246	1,002,815	1,575,061
Nevada	1,491,000	902,124	2,393,124
New Hampshire	522,734	269,538	792,272
New Jersey	318,092	824,568	1,142,660
New Mexico	1,646,592	1,515,467	3,162,059
New York	844,491	1,680,877	2,525,368
North Carolina	433,656	2,265,160	2,698,816

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2012			
State	Federal	Cooperative	Total
North Dakota	980,229	774,332	1,754,561
Ohio	903,192	449,651	1,352,843
Oklahoma	1,158,293	2,105,395	3,263,688
Oregon	1,274,498	2,533,196	3,807,694
Pennsylvania	744,974	1,837,425	2,582,399
Puerto Rico	20,851	0	20,851
Rhode Island	3,000	230,550	233,550
South Carolina	261,747	1,126,389	1,388,136
South Dakota	249,225	0	249,225
Tennessee	1,077,608	391,805	1,469,413
Texas	4,561,635	6,788,228	11,349,863
Utah	1,430,234	1,982,107	3,412,341
Vermont	363,111	110,543	473,654
Virginia	741,259	1,399,072	2,140,331
Washington	471,116	2,145,769	2,616,885
West Virginia	663,532	413,467	1,076,999
Wisconsin	783,762	1,907,864	2,691,626
Wyoming	1,712,969	2,044,483	3,757,452
Totals	$39,052,344	$54,285,628	$93,337,972

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2013			
State	Federal	Cooperative	Total
Alabama	$426,743	$495,930	$922,673
Alaska	291,491	950,382	1,241,873
Arizona	811,631	409,293	1,220,924
Arkansas	363,406	295,770	659,176
California	1,713,072	4,841,875	6,554,947
Colorado	984,452	1,563,424	2,547,876
Connecticut	2,925	64,550	67,475
Delaware	4,312	3,979	8,291
District of Columbia	0	2,206	2,206
Florida	371,934	1,327,278	1,699,212
Georgia	580,674	278,592	859,266
Guam	0	279,918	279,918

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2013			
State	Federal	Cooperative	Total
Hawaii	594,593	2,719,199	3,313,792
Idaho	1,557,254	506,762	2,064,016
Illinois	277,345	2,201,516	2,478,861
Indiana	215,042	280,662	495,704
Iowa	8,812	107,890	116,702
Kansas	322,208	403,341	725,549
Kentucky	247,471	369,649	617,120
Louisiana	507,106	223,587	730,693
Maine	275,776	276,279	552,055
Maryland	325,399	326,074	651,473
Massachusetts	352,730	816,187	1,168,917
Michigan	704,076	512,478	1,216,554
Minnesota	385,350	679,039	1,064,389
Mississippi	670,163	1,088,185	1,758,348
Missouri	307,358	558,916	866,274
Montana	1,641,070	1,352,744	2,993,814
Nebraska	427,127	1,149,427	1,576,554
Nevada	1,407,192	1,137,730	2,544,922
New Hampshire	559,862	360,945	920,807
New Jersey	311,284	884,799	1,196,083
New Mexico	2,606,959	2,226,351	4,833,310
New York	805,422	1,922,127	2,727,549
North Carolina	428,266	0	428,266
North Dakota	919,794	820,173	1,739,967
Ohio	798,693	607,729	1,406,422
Oklahoma	1,005,960	2,379,500	3,385,460
Oregon	1,153,620	2,302,764	3,456,384
Pennsylvania	614,828	1,177,498	1,792,326
Puerto Rico	19,769	125,716	145,485
Rhode Island	4,425	370,130	374,555
South Carolina	248,445	1,357,818	1,606,263
South Dakota	228,623	42,142	270,765
Tennessee	960,411	1,219,980	2,180,391
Texas	3,958,215	6,077,496	10,035,711
Utah	1,319,560	2,684,919	4,004,479
Vermont	350,244	216,828	567,072

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2013			
State	Federal	Cooperative	Total
Virginia	669,306	1,344,652	2,013,958
Washington	507,857	2,194,445	2,702,302
West Virginia	726,750	689,296	1,416,046
Wisconsin	749,467	1,787,335	2,536,802
Wyoming	1,521,847	2,742,388	4,264,235
Totals	$36,246,319	$58,757,893	$95,004,212

Wildlife Services

Mr. Aderholt: Provide the Subcommittee with a table showing the amount spent on animal damage control research, including the amount allocated to non-lethal methods development, to include fiscal years 2011 through 2013 and planned for 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

EXPENDITURES FOR ANIMAL CONTROL RESEARCH
(Dollars in Thousands)

Fiscal Year	Total Funding	Non-lethal (est.)	Percent Non-lethal
2011	$16,806	$14,621	87%
2012	16,924	14,000	83%
2013	18,183	16,183	89%
2014 estimate	18,041	13,531	75%
2015 estimate	18,041	13,531	75%

Mr. Aderholt: Provide a table that shows, by state, the amount that was spent on protection of threatened and endangered species activities for FY 2010 through 2013.

Response: The information is submitted for the record.

[The information follows:]

FUNDING SPENT ON ENDANGERED SPECIES ACTIVITIES

STATE	FY 2010	FY 2011	FY 2012	FY 2013
Alaska	$42,584	$66,062	$86,863	$73,667
Alabama	4,050	1,250	0	0
Arizona	107,131	73,391	88,887	76,200
California	1,183,309	1,255,371	1,104,948	981,253
Colorado	4,600	50,350	52,275	2,500
Connecticut	5,000	5,001	0	200
Florida	869,342	869,342	869,342	937,510
Georgia	53,712	4,172	5,700	0
Hawaii	296,820	299,135	411,098	428,296
Idaho	123,849	363,205	65,700	40,266
Illinois	30,500	41,531	77,179	75,356
Indiana	26,200	52,200	78,200	78,200
Louisiana	30,856	24,865	23,170	23,170
Massachusetts	36,650	38,550	37,400	84,500
Maine	41,645	31,000	15,000	4,730
Michigan	138,220	146,821	52,182	94,000
Minnesota	468,000	560,000	290,000	280,000
Mississippi	200,000	0	1,650	0
Montana	466,756	241,193	38,696	29,328
North Carolina	5,000	3,252	21,274	28,792
North Dakota	0	14,000	0	0
Nebraska	70,000	76,000	83,800	90,800
New Hampshire	10,370	0	2,600	2,300
New Jersey	13,044	15,402	20,704	14,899
New Mexico	58,817	58,121	99,350	100,000
New York	2,906	6,000	4,200	3,896
Ohio	0	0	119,290	144,140
Oregon	186,121	194,801	126,378	189,825
Pennsylvania	1,050	1,050	6,050	6,050
Rhode Island	6,000	10,500	10,000	10,000
Tennessee	3,200	3,200	6,000	6,000
Texas	76,437	55,068	58,365	68,133
Utah	39,100	39,600	76,150	82,000
Vermont	6,755	0	9,035	9,217
Virginia	108,468	96,665	113,556	88,952
Washington	1,201,475	1,400,555	1,302,403	1,508,716

STATE	FY 2010	FY 2011	FY 2012	FY 2013
Wisconsin	304,794	295,395	94,624	31,441
Wyoming	219,812	217,688	306,113	279,028
Guam	666,000	635,000	623,000	708,780
U.S. Virgin Islands	51,380	0	51,380	24,000
Total	$7,159,953	$7,245,736	$6,432,562	$6,606,145

Mr. Aderholt: What is the status of wolf control activities? How much did APHIS spend on this effort for fiscal year 2013 and how much is planned in fiscal years 2014 and 2015?

Response: APHIS works with the U.S. Fish and Wildlife Service (FWS) and State wildlife agencies to conduct wolf recovery plans. Gray wolf populations are comprised of three Distinct Population Segments (DPS) - Western Great Lakes (WGL), Northern Rocky Mountain (NRM), and Southwestern. The WGL and NRM populations continue to increase and have exceeded their recovery goals for several years.

Wolves in the WGL were delisted in January 2012, and management authority moved from the Federal to State government. In 2013, FWS estimated there are approximately 2,211 gray wolves in Minnesota, 834 in Wisconsin, and 650 in Michigan. Because wolves in this DPS were, until recently, listed as threatened or endangered, APHIS addressed most of the conflicts with non-lethal methods including livestock investigations, radio-collaring and tracking wolves, and direct operational assistance with electronic guards and flashing lights. In FY 2013, the Agency responded to approximately 300 requests for assistance by cooperators in the WGL. The Agency also carried out limited relocation and population reduction activities.

The NRM population segment covers Idaho, Montana, Wyoming, the eastern one-third of Washington and Oregon, and a small part of north central Utah. Wolves in the NRM DPS have been delisted and State officials are managing them. APHIS provides assistance to these States as necessary to meet these objectives. In 2013, the population in this segment was estimated to be 1,691 wolves, a 1.7 increase from 2012. In Montana, Idaho, and Wyoming, State wildlife agencies are integrating sport harvest of wolves to achieve population reductions and alleviate livestock predation and other wolf-related conflicts. In FY 2013, APHIS responded to approximately 305 requests for assistance by cooperators in the NRM. APHIS removed 78 wolves in Montana, 78 in Idaho, and 28 in Wyoming. The Agency did not remove wolves in Oregon, Utah, or Washington.

In the Southwest, wolves have retained listing status, and are classified as a "Nonessential Experimental Population." APHIS personnel in Arizona and New Mexico cooperate with State and other Federal agencies, county governments, Native American tribes, livestock producers, and conservation groups involved in Mexican wolf recovery efforts. As of January 2014, there are at least 83 wolves in Arizona and New Mexico, a 9.6 percent increase from the previous year. During 2013, APHIS personnel conducted approximately 44 livestock depredation investigations and conducted three live capture removal actions.

Gray wolves also continue to exist outside these three DPSs, where their status remains listed as "Endangered" under the Federal Endangered Species Act. APHIS participates as a member of interagency wolf working groups, and collaborates with State wildlife and agriculture agencies to evaluate wolf predation and provide integrated damage management assistance as part of its public trust responsibility, where resources allow.

In FY 2013, APHIS' National Wildlife Research Center initiated a research project by placing a European breed of guard dog on select Montana ranches to determine the effectiveness of reducing wolf predation of livestock. APHIS expanded the project in FY 2014. The Agency is now evaluating three breeds of guard dogs, and has added additional participants in both Idaho and Wyoming and has plans to expand to both Washington and Oregon before the end of the fiscal year. This collaboratively-funded research will enhance APHIS' capabilities in using livestock protection dogs against wolves and grizzly bears, since the different breeds may have different applications and efficiencies that could be applied across the American west as wolf populations increase in number and expand in distribution.

In FY 2013, APHIS spent approximately $699,771 on wolf control efforts, with cooperator contributions of $803,891. In fiscal years 2014 and 2015, APHIS plans to spend similar levels of funding and receive similar levels of cooperative contributions.

Noxious Weeds

Mr. Aderholt: Did APHIS or its partners discover any new noxious weed introductions in the past two years? If so, what actions were taken to address the issues?

Response: The FY 2012 Appropriation Act, as requested by the FY 2012 President's budget, eliminated funding for noxious weed management activities. Following the elimination of the funding, APHIS no longer conducts detection activities for or responds to new detections of noxious weeds. State departments of agriculture now carry out these activities. As a result, States no longer routinely report the detections to APHIS. APHIS continues to enforce regulations designed to prevent the entry of new noxious weed species into the United States. As part of this responsibility, APHIS evaluates weed species to determine whether they meet the criteria to be added to the Federal noxious weed list. APHIS completed 27 weed risk assessments (WRAs) in FY 2012 and 30 WRAs in FY 2013. States can use these WRAs as an analytical tool for setting policy and informing their responses to weed species detections. If mitigation actions are needed, the WRA can aid policy makers in determining which mitigation options might reduce risk to an acceptable level.

Agricultural Quarantine Inspection (AQI) Program

Mr. Aderholt: Please explain how the April Proposed Rule on changes in AQI user fees addressed the recommendations made by the Government Accountability Office in their March 2013 report. Describe each of the recommendations and how APHIS addressed GAO's concerns.

Response: GAO made several recommendations for how USDA sets and collects AQI user fees. GAO recommended that USDA:

- Consider full AQI program costs when setting fee rates.
- Align reimbursable overtime revenues with the costs of those agriculture inspections. Ensure that AQI fee rates are structured to maximize economic efficiency and equity while minimizing administrative burden.
- Align the distribution of AQI fee revenues with AQI costs.
- Ensure that inspection fees are collected when due.

Based on the findings of the AQI user fee review, APHIS will propose to amend the AQI user fee regulations to reflect the projected cost of providing AQI services, including expected changes in cost and workload for the period the revised fees will be in effect. Specifically, we will propose to:

- Adjust the fees charged for the following conveyances or persons to whom AQI services are provided: Commercial vessels, commercial trucks, commercial railroad cars, commercial aircraft, and international air passengers. However, because commercial truck inspections have separate fees for trucks with and without decals (transponders), we will adjust a total of six current fees.
- Add a new fee to be charged for international commercial sea (cruise vessel) passengers, who were previously funded through fees collected for commercial vessels. The Food, Agriculture, Conservation, and Trade Act of 1990 gives APHIS authority to charge a fee for all international passengers.
- Add a new fee for conducting and monitoring treatments, which is a significant cost that should be paid by those who use and benefit from these services.
- Remove the caps for vessels and railcars.
- Adjust the caps on fees for trucks with transponders.

These proposed adjustments are designed to recover the full cost of providing these AQI services, commensurate with the class of persons or entities paying the fees, and are based on an analysis of our costs for providing services in FY 2010 and FY 2011, as well as our best projections of what it will cost to provide these services through FY 2016. The proposed adjustments also will allow us to maintain the AQI reserve account. The reserve ensures that AQI program operations can continue without interruption when volumes of incoming travelers, ships, trucks, etc. fluctuate due to economic downturns or other conditions. These user fee adjustments are necessary to recover the costs of the current level of activity, to account for actual and projected increases in the cost of doing business, and to more accurately align fees with the costs associated with each fee service.

AQI services are provided by a combination of APHIS and Custom and Border Protection (CBP) personnel. Because of this arrangement, the AQI user fees collected will be shared with CBP based on the related respective costs for each agency.

The proposed regulation will not include a user fee for the costs of monitoring compliance agreements for regulated garbage. Compliance agreements save money because APHIS does not need to provide a service and

charging a fee to those that provide the service would be a disincentive to enter into such an agreement.

The proposed regulation will include a 74% decrease in railcar fees. In accordance with APHIS regulation, it applies to all railcars.

In addition, APHIS will propose a separate rule to address reimbursable overtime. The proposed changes will address the hourly rates charged for Sundays, holidays, or other overtime work performed APHIS for regulated commodities or articles subject to inspection, laboratory testing, certification, or quarantine under the regulations.

The proposed rule will increase the overtime rates for each of the fiscal years 2014 through 2018 to reflect the anticipated costs associated with providing these services during each year. We are also proposing to clarify the regulations to indicate that agricultural inspections performed by the Department of Homeland Security (DHS) may be billed in accordance with DHS overtime regulations for services performed outside of regular business hours, as DHS rates may differ from those charged by APHIS.

Mr. Aderholt: Briefly describe the alternative options to increasing the AQI user fees in the proposed regulation.

Response: APHIS has considered a number of alternatives for revising the AQI user fees. Some of the alternatives, such as increasing all current fees by the same percentage, were rejected because they clearly would not meet the objective of making the fees paid by users in the various fee classes more commensurate with the costs of the AQI services provided for each class. Other alternatives were rejected because the transaction costs of creating and operating fee collection systems for certain classes, such as bus passengers, private vehicles, and pedestrians, would be overly burdensome. APHIS then focused on three remaining alternatives composed of different combinations of paying classes and plans to include these alternatives in the proposed rule. Each of the three options will update the fees with the goal of ensuring that each class of fee payers is paying the costs of the services related to that fee. In the various options, APHIS will also consider adding several different new fees, such as cruise ship passengers.

Mr. Aderholt: Please provide a table showing the amount of AQI fees collected, the amount spent, and the carryover levels for fiscal years 2010 through 2013 and estimates for fiscal years 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

AGRICULTURAL QUARANTINE INSPECTION
FEE COLLECTIONS & PROGRAM OBLIGATIONS

Fiscal Year	Fee Collections	Amount Spent*	Carryover
2010	$512,568,490	$501,599,661	a/ $64,151,595
2011	534,729,510	509,853,972	a/ 94,242,154
2012	548,328,730	537,039,668	a/ 106,844,075
2013	576,785,942	b/ 571,195,901	a/ 119,331,657
2014 (est)	594,529,000	b/ 583,325,093	a/ 130,535,564
2015 (est)	696,418,000	b/ 670,650,000	a/ 156,303,564

* Please note: This table includes APHIS spending and amounts transferred to the Department of Homeland Security's Customs and Border Protection from the AQI user fee account.

a/ Accounting adjustments related to prior year collections and deobligations increase the balance in the AQI user fee account end of year balance.
b/ FY 2013 and FY 2014 figures include sequestered funds. The FY 2015 figure does not include an estimate for sequestration.

Mr. Aderholt: Please provide a table showing the current AQI user fees and the proposed levels in the proposed regulation of April 2014 for each major category (e.g. air passenger, railroad car, commercial truck, etc.) as well as the future proposed increases up to FY 2018.

Response: APHIS is preparing to publish a proposed rule in 2014 that will update the Agricultural Quarantine (AQI) user fee rates based on a comprehensive review that APHIS undertook over the last several years. The goal will be to cover the costs of the AQI user fee program and more accurately align fees with the costs associated with each fee service. The current fees are provided in the table below.

AGRICULTURAL QUARANTINE INSPECTION
CURRENT USER FEES

Fee Type	Fee
International Air Passenger	$5.00
Commercial Vessel	$496.00
Commercial Truck	$5.25
Commercial Truck Transponder	$105.00
Commercial Aircraft	$70.75
Commercial Railcar	$7.75

Mr. Aderholt: Please provide a table showing the total number of staff years funded through the Agricultural Quarantine Inspection program, both the user fee program and the appropriated program, to include fiscal year 2010 through 2013 and estimates for fiscal years 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

AGRICULTURAL QUARANTINE INSPECTION PROGRAM
STAFF YEARS

Fiscal Year	Appropriated	User Fees	Total
2010	364	1,504	1,868
2011	364	1,350	1,714
2012	364	1,350	1,714
2013	360	1,121	1,481
2014 (estimated)	360	1,250	1,610
2015 (estimated)	360	1,250	1,610

Mr. Aderholt: What was the fiscal year 2013 amount that APHIS transferred to the Department of Homeland Security for agricultural quarantine inspection from user fees? Did this occur on a reimbursable basis or was the transfer made before any work was carried out? What are the amounts expected to be transferred in FY 2014 and FY 2015, and on what schedule?

Response: In FY 2013, APHIS transferred $366,369,976 to the Department of Homeland Security. These transfers occur on a bi-monthly basis after APHIS and the Department of Homeland Security's Bureau of Customs and Border Protection (CBP) discuss collections and agree on spending plans for the year (not on a reimbursable basis).

For FY 2014, under the initial allocation plan, APHIS plans to transfer a total of $362,525,867 to CBP for activities in FY 2014, with transfers occurring in December, January, March, May, July, and August. APHIS and CBP representatives will develop spending plans and allocations for each Agency for FY 2015, based on collection estimates for the upcoming year. APHIS is preparing to publish a proposed rule with adjustments to AQI user fee rates, and the amount of total collections for the year will likely increase, depending on when new rates are finalized and implemented.

Mr. Aderholt: Please provide a table showing the fee schedule for each activity and changes that have occurred since instituting the user fee.

Response: The information is submitted for the record.

[The information follows:]

AGRICULTURAL QUARANTINE INSPECTION
USER FEE HISTORY

FY	EFFECTIVE DATES	COMMERCIAL VESSELS	COMMERCIAL TRUCKS	COMMERCIAL TRUCK TRANSPORTERS	COMMERCIAL RAILROAD CARS	COMMERCIAL AIRCRAFT	INTERNAT'L AIR PASSENGER
1998 - 1999	10/1/97 THROUGH 9/30/99	$454.50	$4.00	$80.00	$6.50	$59.75	$2.00
2000	10/1/99 THROUGH 12/31/99	461.75	4.00	80.00	6.75	60.25	2.05
2000	1/1/00 THROUGH 9/30/00	465.50	4.25	85.00	6.75	64.00	3.00
2001	10/1/00 THROUGH 9/30/01	474.50	4.50	90.00	7.00	64.75	3.00
2002-2004	10/1/01 THROUGH 9/3/04	480.50	4.75	95.00	7.00	65.25	3.10
2005	10/1/04 THROUGH 9/30/05	486.00	5.00	100.00	7.50	70.00	4.95
2006	10/1/05 THROUGH 9/30/2006	488.00	5.25	105.00	7.50	70.25	5.00
2007	10/1/06 THROUGH 9/30/07	490.00	5.25	105.00	7.75	70.50	5.00
2008	10/1/07 THROUGH 9/30/08	492.00	5.25	105.00	7.75	70.50	5.00
2009	10/1/08 THROUGH 9/30/09	494.00	5.25	105.00	7.75	70.75	5.00
2010-PRESENT	10/1/09 TO PRESENT	496.00	5.25	105.00	7.75	70.75	5.00

Please note that APHIS is preparing to publish a proposed rule in 2014 regarding an update to the AQI user fee rates.

Mr. Aderholt: Please provide the Committee an update on the status of the Agency's work with Customs and Border Protection, including the efforts to review cargo data and entry documents. What percentage of the entries is reviewed for clearance and what percentage of entries is physically inspected? Specify percentage for those entries with permits as well as animals.

Response: The Department of Homeland Security, Customs and Border Protection (CBP) conduct reviews and inspections of cargo entering the United States. APHIS establishes import regulations and inspection policies and works with CBP's Agriculture Policies and Trade Liaison to provide guidance on inspections, identification of intercepted pests, training for CBP employees, and methods development support, among other things. Agricultural entry requirements and risk factors are built into CBP's Automated Targeting System (ATS), which reviews all cargo entries electronically and gives shipments a numerical score related to risk. If the score meets a certain threshold, the shipment will be flagged for additional review or inspection. CBP also has manifest review units that review entry data manually and monitor the output of the ATS. APHIS provides information to CBP regarding prohibited products found in the marketplace to assist in closing smuggling pathways and helping to target shipments for inspection. APHIS is working with CBP to review and refine the criteria entered into ATS related to agricultural risks.

Sixty APHIS employees have access to ATS and can request that CBP inspect certain shipments. APHIS also has been working with other government agencies and CBP to develop and provide data for CBP's new Automated Commercial Environment (ACE)/ International Trade Data System initiative. ACE will eventually replace the Automated Commercial System, and it will enhance import review and tracking abilities for agricultural shipments. APHIS and CBP are in the process of developing data requirements and message sets for agricultural products for ACE.

All imports to the United States are subject to agricultural quarantine inspections regardless of whether they contain agricultural items because, among other reasons, pests and diseases may be present in the packing materials used. APHIS' basic guideline for regulated agricultural cargo is to inspect two percent of each shipment. This basic level may be increased for higher-risk products or decreased for lower-risk products that qualify for less frequent inspections. For products that carry a greater level of risk and must meet specialized requirements to enter the United States, APHIS requires permits as a condition of entry. Examples include sugarcane, certain types of lumber, and certain live animals. In FY 2013, APHIS issued more than 7,769 import permits for plants and plant products and 9,235 import permits for live animals and animal products. Additionally, some agricultural shipments require physical inspections. For example, all shipments of plant propagative materials must be inspected and (with the exception of those imported from Canada, which are inspected at the border) these shipments are sent to APHIS' Plant Inspection Station (PIS) facilities for inspection. Approximately 25,000 plant shipments containing 1.2 billion plant units were imported and inspected through APHIS' PIS facilities in FY 2013. While all plant propagative materials are inspected, we do not track the total volume of all incoming shipments subject to agricultural inspection and cannot specify the overall percentage inspected.

APHIS also conducts regulatory oversight for the importation of animals and animal products. In FY 2013, this included more than 16,000 horses, 13.7 million live poultry, 14.2 million hatching eggs, 0.5 million commercial birds, and 6.4 million units of poultry and livestock semen and livestock embryos. Agency personnel inspect all live animal shipments regulated by APHIS prior to release. With the exception of livestock from Mexico and Canada, which are inspected at the border, most live agricultural animals are imported through APHIS' Animal Import Centers or private quarantine facilities (with oversight from APHIS) where they are inspected and quarantined for a period of 3 to 60 days, depending on their origin and species. With limited exceptions of animals from Canada, each animal must be accompanied by a veterinary health certificate, and each shipment of live animals must have an import permit. Approximately 10 percent of live fish shipments regulated by APHIS (those susceptible to spring viremia of carp) receive a visual inspection, but a health certification is reviewed for all fish shipments under APHIS jurisdiction.

The table below shows the number of agriculture-related cargo inspections and clearances by CBP at ports of entry in FY 2013.

[The information follows:]

FY 2013 AGRICULTURE QUARANTINE INSPECTIONS

ACTIVITY	TOTAL
Regulated Truck Cargo, Land Border, Inspections	230,088
Regulated Cargo, Maritime, Inspections	100,172
Regulated Cargo, Airport, Inspections	210,892
Inland Regulated Cargo, Inspections	881
Exterior Container Inspections	38,140
Non-regulated cargo cleared	366,390
Regulated cargo cleared	922,515
Non-regulated cargo, Inspections	241,738

The Department of Commerce, International Trade Administration reports that total value of imports of all merchandise (both manufactured and non-manufactured goods) was $2.268 trillion in FY 2013. The value of agricultural product imports was $31.7 billion, accounting for approximately 13 percent of the total U.S. value of imports.

Mr. Aderholt: Does APHIS plan on or anticipate any transfers of appropriated funds to DHS in FY 2014 and FY 2015? To any other Department?

Response: At this time, APHIS does not plan or anticipate any transfers of appropriated funds to DHS or to any other Department in FY 2014 and FY 2015.

Mr. Aderholt: Please provide a copy of the most recent Memoranda of Understanding between USDA and DHS regarding agricultural inspection, training, and data sharing as well as corresponding agreements involving the exchange of financial resources.

Response: The information is submitted for the record.

[The information follows:]

DHS Agreement Number: BTS-03-0001
USDA-APHIS Agreement Number: 03-1001-0382-MU

MEMORANDUM OF AGREEMENT
BETWEEN THE
UNITED STATES DEPARTMENT OF HOMELAND SECURITY (DHS)
AND THE
UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)

Article 1 - Purpose and Authorities

Section 421(a) of the Homeland Security Act of 2002 (hereafter the "Act") transfers certain agricultural import and entry inspection functions to the Secretary of Homeland Security from the Secretary of Agriculture (singly the "Party" or jointly the "Parties").

This document serves as the "Transfer Agreement" (hereafter the "Agreement") required by Section 421(e) of the Act. It specifies functions transferred to DHS and those retained by USDA and establishes mechanisms between the Parties regarding the exercise of the following functions: training of employees, transfer of funds, use of employees, and additional measures provided by the Act. Further, it identifies other areas of mutual interest and responsibilities which the Parties will cooperatively address through subsequent actions and documents. This Agreement emphasizes the importance of continuing and enhancing the agricultural import and entry inspection functions transferred to DHS so as to strengthen border security and thereby better protect American agriculture.

Historically, the USDA Animal and Plant Health Inspection Service (APHIS) Agricultural Quarantine Inspection (AQI) program has focused mainly on preventing the introduction of harmful agricultural pests and diseases into the United States. Now, the threat of intentional introductions of these pests or pathogens as a means of biological warfare or terrorism is an emerging concern that the United States must be prepared to deal with effectively. Guarding against such an eventuality is important to the security of the Nation. Failure to do so could disrupt American agricultural production, erode confidence in the U.S. food supply, and destabilize the U.S. economy. The transfer of USDA agricultural inspectors, with their extensive training and experience in biology and agricultural inspection, provides DHS the capability to recognize and prevent the entry of organisms that might be used for biological warfare or terrorism.

The Parties, through this Agreement and by other means, are committed to working cooperatively now and in the future to implement the relevant provisions of the Act and to ensure necessary support for and coordination of the AQI program components that reside in each Department following the transfer of functions and employees.

As required by the Act, in this Agreement the Parties shall address the following:

Transferred Functions and Employees (Article 2):
USDA agricultural import and entry inspection functions and associated employees to be transferred to DHS [Section 421(a) and (g)]

Excluded Quarantine Activities and Other Retained USDA Activities (Article 3):
Quarantine and associated activities excluded from the transfer [Section 421(c)] and remaining in USDA

Training (Article 4):
USDA supervision of training [Section 421(e) (2)(A)]

Transfer of Funds (Article 5):
[Section 421(e) (2) (B) and (f) (1 and 2)]

Cooperation and Reciprocity (Article 6):
DHS authority to perform functions delegated to USDA-APHIS [Section 421(e) (3) (A)] and USDA authority to use DHS employees to carry out authorities delegated to USDA-APHIS [Section 421(e) (3) (B)]

Regulations, Policies, and Procedures (Article 7):
[Section 421(d) (1), (d) (2), and (d) (3)]

Agreement Revisions, Amendments, and Appendices (Article 10):
[Section 421(e) (1) (a)]

Article 8 establishes the basis for collaboration between DHS and USDA on other issues and areas of mutual interest that the Parties recognize as necessary for the administration and maintenance of relations between the Parties in carrying out the provisions of the Act and the respective missions of the Parties.

The Parties agree to designate, in writing, an Authorized Representative who shall be responsible for administering the terms and conditions within this Agreement.

Article 2 – USDA Functions Transferred to DHS

The USDA AQI program will be divided, with some functions transferred to DHS as reflected in this Article, and others retained by USDA as reflected in Article 3.

The agricultural import and entry inspection functions transferred to DHS shall include:

a) Reviewing passenger declarations and/or cargo manifests and, utilizing USDA pest and risk data, targeting for inspection high risk agricultural passenger/cargo shipments
b) Inspecting international passengers, luggage, cargo, mail, and means of conveyance
c) Holding cargo and articles of suspected agricultural quarantine significance where

appropriate for evaluation of plant and animal health risk in accordance with USDA regulations, policies, and guidelines

d) Referring propagative and other designated materials to USDA for inspection, control, and disposition
e) Seizing articles in violation of USDA regulations, safeguarding to prevent pest escape, and destroying or re-exporting them
f) Referring all live animals, embryos, semen, and other viable animal products to USDA
g) Collecting and preparing or preserving pest and disease samples for analysis
h) Submitting intercepted pest and disease specimens via Pest Identification Form 309a
i) Assessing and collecting spot settlements in accordance with USDA guidelines, documenting suspected violations, and referring suspected violations to USDA for further investigation and appropriate action
j) Collecting, submitting, and reporting program information (e.g., Workload Accomplishment Data System (WADS) Form 280, AQIM)
k) Performing specific risk information collection activities for use in USDA risk analysis (e.g., Agricultural Quarantine Inspection Monitoring (AQIM) systems) and promptly notifying USDA upon detections of new or unusual infested or contaminated cargo
l) Maintaining, monitoring, and enforcing existing compliance agreements for functions conducted by DHS
m) Monitoring transit shipments and verifying exit
n) Reviewing import permits and certificates for validity and compliance
o) Preparing and forwarding documentation for reimbursable overtime services to USDA.

In accordance with Section 421(g) of the Act, USDA shall transfer not more than 3,200 full-time equivalent positions to DHS.

Article 3 - Quarantine and Other Relevant Functions Retained by USDA

The agricultural import and entry inspection and associated functions remaining in USDA shall include:

a) Providing risk analysis guidance, including, in consultation with DHS, the setting of inspection protocols
b) Applying remedial measures other than destruction and re-exportation, such as fumigation, to commodities, conveyances, and passengers
c) Providing specialized inspection of propagative plant material and pest identification services at plant inspection stations and other facilities
d) Conducting inter- and intra-state inspection of passenger, commodity, and conveyance movements, including the preclearance of passengers in Hawaii and Puerto Rico destined for the mainland United States
e) Performing inspection and related activities, such as compliance with requirements of agricultural protocols and systems, in connection with the preclearance of commodities in foreign countries
f) Verifying compliance with trade protocols, including but not limited to conducting domestic

market and transit surveys and outreach to the private sector as part of the APHIS Smuggling Interdiction and Trade Compliance Program

g) Investigating and adjudicating AQI violations, either civilly or through referral for criminal prosecution, in accordance with USDA's administrative procedures and applicable statutes
h) Issuing phytosanitary (plant health) and animal byproduct certificates for U.S. agricultural exports
i) Supervising training relating to agricultural inspection functions, as described in Article 4
j) Managing AQI user fee funds, including auditing of user accounts, as described in Article 5
k) Developing regulations, policy, and procedures as described in Article 7
l) Managing the AQI performance measurement system in consultation with DHS.

Article 4 - Training

In accordance with Section 421(e) (2) (A) of the Act, USDA shall supervise training of DHS employees to carry out functions transferred. The Parties agree that USDA will supervise and provide educational support and systems to ensure that DHS employees receive the training necessary to carry out the USDA functions transferred to DHS. This includes, but is not limited to the following:

a) New Officer Training for Agricultural Specialists

b) Basic Canine Officer Training for Agricultural Canine Teams

c) Regulatory Pesticide Applicator and Fumigation Training

d) Biological Security Training for Agricultural Specialists

The Parties will, subject to any necessary OMB approval, jointly develop an annual work plan and budget for agricultural training provided by USDA for DHS.

Article 5 - Transfer of Funds

The Parties understand that agricultural inspection activities as defined in Articles 2 and 3 of this Agreement will be funded, in part, out of funds collected by fees authorized under sections 2508 and 2509 of the Food, Agriculture, Conservation, and Trade Act of 1990 (21 U.S.C. 136, 136a). The fees will continue to be paid to a dedicated account in the Treasury and be administered by USDA.

In accordance with Section 421 Subsections (e)(2)(B) and (f)(1-2) of the Act, USDA shall, from time to time, transfer funds to DHS for agricultural inspection functions carried out by DHS for which funds are collected.

Subject to any necessary OMB approval, the Parties agree to cooperate in the development of annual plans and budgets, user fee rates, and funds control and financial reporting procedures for the agricultural inspection functions in Articles 2 and 3. The Parties will develop specific methods and

execute appropriate instruments to transfer funds from USDA to DHS in accordance with the previous paragraph.

Article 6 – Cooperation and Reciprocity

Section 421(e) (3) (A) of the Act provides authority for an agreement between DHS and USDA for DHS to perform functions delegated to USDA-APHIS regarding the protection of domestic livestock and plants not transferred to DHS. This includes but is not limited to the performance of those functions listed in Article 3.

Section 421(e) (3) (B) of the Act provides for an agreement between DHS and USDA for USDA to use DHS employees to carry out authorities delegated to USDA-APHIS regarding the protection of domestic livestock and plants. This includes but is not limited to the use of DHS employees in the management of agricultural pests and diseases throughout the United States.

DHS and USDA agree to develop procedures for USDA use of DHS employees and/or DHS performance of functions that recognize the importance of the homeland security mission while addressing the need for a skilled workforce to carry out USDA functions. These procedures will be incorporated into a subsequent amendment to this Agreement. Pending the completion of these procedures, the Parties are free to enter into agreements for reciprocity consistent with section 421 of the Act. Neither this Article, nor any appendix to this Agreement, shall obligate either Party to take action inconsistent with the fulfillment of its mission.

Article 7 - Regulations, Policies, and Procedures

In accordance with Section 421(d) of the Act, the Parties understand and agree that:

a) USDA retains responsibility for developing and issuing regulations, policies, and procedures covering the agricultural functions transferred to DHS

b) USDA shall provide DHS with copies of all relevant agricultural regulations, policies, and procedures; and train DHS employees as necessary in their application

c) USDA functions transferred to DHS shall be exercised and enforced by DHS in accordance with USDA regulations, policies, and procedures

d) Whenever USDA prescribes new regulations, policies, and procedures for administering those agricultural functions transferred to DHS, or proposes changes to relevant existing regulations, policies, and procedures, USDA shall coordinate such actions with DHS

e) Whenever DHS issues such directives or guidelines as may be necessary to ensure the effective use of DHS personnel carrying out the agricultural functions transferred to DHS, it shall do so in consultation with USDA

Article 8 –Communication and Liaison

The Parties will facilitate an orderly transition and develop the best possible safeguards to protect the nation's agricultural infrastructure. To this end, the Parties agree to coordinate actions and communicate changes in operations and other important information. Whenever credible threats are identified, the Parties shall, as soon as possible, provide to each other all relevant threat and vulnerability information relating to agricultural terrorism, consistent with national security interests. This may include, for example, intelligence for inspection of specific pest and disease threats to allow adjusting operations to changing risk levels.

The Parties agree that DHS will provide USDA with access to, subject to national security considerations and agreed upon information sharing protocols, port environs and port information/databases necessary to fulfill USDA's responsibilities, including but not limited to the functions listed in Article 3 of this Agreement.

The Parties will establish, to the extent and at the level(s) mutually deemed necessary, liaisons or points of contact to facilitate the execution of this article.

Article 9 - Limitation of Commitment

Any financial commitment made by either Party shall be contingent upon the availability of funds appropriated by the Congress of the United States or otherwise provided to the Parties through Congressional authorization. It is understood and agreed that any monies allocated for purposes covered by this Agreement shall be expended in accordance with its terms and in the manner prescribed by the fiscal regulations and/or administrative policies of the Party making the funds available.

If fiscal resources are to transfer, a separate interagency agreement, or other such instrument, as appropriate, must be developed by the Parties.

Article 10 - Revisions, Amendments, and Appendices

In accordance with Section 421(e) (1), the Parties understand and agree that:

a) This Agreement shall be reviewed periodically by the Parties when jointly deemed appropriate to determine if amendments or appendices are necessary. The Parties agree that the first such review will be completed by September 30, 2003.

b) This Agreement may be amended or supplemented at any time by agreement of the Parties in writing.

Article 11 - Effective Date

This Agreement will become effective upon date of final signature.

Article 12 – No Private Right Created

This Agreement is an internal policy statement of the undersigned agencies and does not create any rights, privileges, or benefits for any person or party.

Tom Ridge
TOM RIDGE
SECRETARY OF HOMELAND SECURITY

Feb 28, 2003
DATE

Ann M. Veneman
ANN M. VENEMAN
SECRETARY OF AGRICULTURE

Feb 28, 2003
DATE

Appendix for Memorandum of Agreement (MOA) between the US Department of Homeland Security (DHS) and the US Department of Agriculture (USDA) Article 5, Transfer of Funds

I. Purpose

This Appendix outlines the procedures and conditions that USDA Animal and Plant Health Inspection Service (APHIS) will use to transfer funds to DHS Customs and Border Protection (CBP) for the Agriculture Quarantine Inspection (AQI) activities carried out by CBP and funded by the AQI User Fee Account. It also outlines the process CBP and APHIS will follow to distribute user fee funds between the two agencies and financial reporting on the use of those funds.

II. Background

The Homeland Security Act of 2002 (the Act). Section 421 of the Act transferred to DHS functions of APHIS relating to agricultural import and entry inspection. Section 421(e)(2)(B) and (f)(1) and (2) of the Act provides authority for an agreement between USDA and DHS for the transfer of funds from USDA to DHS for activities carried out by DHS for which such fees were collected.

Memorandum of Agreement. The Secretary of USDA and Secretary of DHS signed the MOA required under Section 421(e) of the Act, on February 28, 2003. Article 5 of the MOA pertains to transfer of funds.

III. Responsibilities

APHIS and CBP Understand and Agree to:

1. CBP and APHIS recognize that the transfer of AQI port inspection user fee operating funds depends on the collection of AQI User Fees, the amount of which is influenced by market forces affecting international travel and commerce. The collections to the AQI User Fee account declined sharply after September 11, 2001, but have recovered over time. Accordingly, CPB and APHIS will develop budgets that allow the maintenance of an account reserve by APHIS, designed to cushion the blow of unexpected decreases in revenues.

2. CBP and APHIS will each designate a Chief Budget Liaison and an alternate to carry out the duties outlined in this Appendix, including the quarterly and annual reporting. The designated Chief Budget Liaisons will have at least four face-to-face meetings to discuss AQI funding during each fiscal year.

3. At the beginning of FY 2006, $33 million will be designated as the account reserve. This reserve will not be allocated to either CBP or APHIS. By the end of FY 2010, the financial goal is to establish a total minimum reserve of $95 million which equates to approximately 25% of the operating resources for the current level of effort for the AQI operations.

4. APHIS and CBP agree that of the AQI user fee available collections, minus the reserve, 60.64% will be designated for transfer to CBP to support the AQI user fee program and 39.36% will be designated to support APHIS' AQI user fee program. These percentages were determined based on the projected cost and level-of-effort required to carry out the FY 2006 program. The proportion designated to each agency will be reviewed, and adjusted if needed, at least annually by the designated Chief Budget Liaisons based on the expected cost of the respective programs and the best available information on expected annual fee collections. The last transfer from APHIS to CBP will be made in August in order to accommodate operational planning needs of CBP. Annually these agreements will take the form of a codicil to this Appendix, to be signed by the designated Chief Budget Liaisons.

5. Both APHIS and CBP will exercise control over their annual agreed upon allocations. For example, if CBP does not spend its entire FY 2006 transfer allocation estimated to be $211 million, they will carry any balance forward into FY 2007 to be used to carry out AQI user fee program functions.

6. CBP and APHIS agree that APHIS will propose revised fee schedules as necessary, taking into account CBP funding needs for the transferred AQI user fee functions as well as funding needs for the AQI user fee activities remaining in APHIS. Calculations will take into account projected Federal pay increases and inflation, as well as increased program needs.

APHIS Understands and Agrees to:

1. Initiate bimonthly revenue transfers to CBP beginning in November using an SF-1151, Non-Expenditure Transfer form. However, if the cash balance in the account is not sufficient to transfer the full amount in advance, transfers may take place monthly.

2. Calculate the APHIS AQI level-of-effort in Full-Time-Equivalent (FTE) staff years and associated program costs for comparison with the CBP level of effort in FTE staff years and program cost calculations, quarterly and annually.

3. Carry out the rulemaking function to propose and codify any necessary changes to the AQI User Fee program.

4. Inform the CBP Chief Budget Liaison when each AQI User Fee distribution to CBP has been initiated by APHIS.

5. Provide within 45 days after each quarter, a breakdown of AQI user fee collections, by activity. Collection amounts will be updated to reflect account adjustments, such as audit findings.

CBP Understands and Agrees to:

1. To provide the necessary information for auditing of the user fee costs and rates. CBP will report expenditures by each AQI fee type (*e.g.*, international passengers, commercial aircraft, etc.).

2. At the end of each quarter, and by November 15 following the end of each fiscal year, CBP will provide APHIS with an accounting of expenses incurred in the AQI program from CBP' Cost Management Information System (CMIS).

3. Calculate the CBP AQI level-of-effort in Full-Time-Equivalent (FTE) staff years and associated program costs for comparison with the APHIS level of effort in FTE staff years and program calculations, quarterly and annually.

VI. Effective Date and Changes to This Appendix

This document will serve as an appendix to Article 5 of the MOA and can be amended by mutual agreement at any time by agreement of the parties in writing. This agreement will be effective when signed by both designated officials.

R Balaban

Richard L. Balaban
Assistant Commissioner for Finance
Customs and Border Protection

9/14/05
DATE

Paul R. Eggert

Paul R. Eggert
Associate Deputy Administrator
Animal and Plant Health Inspection Service

10-05-05
DATE

Codicil to Appendix 5: Transfer of AQI User Fees from APHIS to CBP for FY 2014 (prepared in October 2013).

The following AQI user fee transfers are mutually agreed by CBP and APHIS for October 1, 2012 through September 30, 2013 in FY 2013. Additionally, CBP requests to revisit collections (and revise the FY 2014 Codicil, if necessary) at the end of the 1st quarter of FY 2014 should actual collections reflect higher than anticipated collections.

The agencies agree upon the following amounts for spending of available funding:

CBP transfers: $362,525,867
Total USDA Collections: $594,529,000
CBP % Share: 61%

CBP Transfers:

Transfer 1:	$60,420,978
Transfer 2:	$60,420,978
Transfer 3:	$60,420,978
Transfer 4:	$60,420,978
Transfer 5:	$60,420,978
Transfer 6:	$60,420,977
Total:	**$362,525,867**

Distribution Schedule: Effective October 1, 2013 through September 30, 2014, bimonthly distributions of APHIS fees will be based on the distribution schedule above. Due to the lag in actual collections, transfers may be adjusted during the fiscal year or spread out into multiple transfers.

Osama El-Lissy
Assistant Deputy Administrator
Animal and Plant Health Inspection Service
U.S. Department of Agriculture

11/17/2013
Date

Deborah J. Schilling
Deputy Assistant Commissioner
Office of Administration
U.S. Customs and Border Protection

11/12/13
Date

Federal and Non-Federal Resources

Mr. Aderholt: Please provide a table showing a breakout of all Federal and non-Federal dollars for all APHIS programs to include fiscal years 2010 through 2014 to date.

Response: The information is submitted for the record.

[The information follows:]

FEDERAL AND NON FEDERAL PROGRAM FUNDING

Line-item	FY 2010		FY 2011	
	Federal*	Non Federal	Federal*	Non Federal
Animal Health Technical Services	$40,056	$2,992	$32,216	$5,604
Aquatic Animal Health	6,011	172	5,401	30
Avian Health	67,998	227	53,649	4,546
Cattle Health	117,873	34,291	110,759	48,589
Equine, Cervid & Small Ruminant Health	38,793	4,174	37,078	5,482
National Veterinary Stockpile	5,177	0	4,342	0
Swine Health	25,723	72	25,543	459
Veterinary Biologics	16,457	0	16,416	0
Veterinary Diagnostics	29,985	0	32,303	0
Zoonotic Disease Management	10,468	0	10,447	0
SUBTOTAL Animal Health	358,542	41,928	328,154	64,710
Agricultural Quarantine Inspection	28,948	0	25,907	0
Cotton Pests	23,238	29,088	20,979	24,046
Field Crop & Rangeland Ecosystems Pests	12,854	720	11,259	512
Pest Detection	28,071	9,762	26,697	1,154
Plant Protection. Methods Development	21,704	940	21,066	739

Line-item	FY 2010		FY 2011	
	Federal*	Non Federal	Federal*	Non Federal
Specialty Crop Pests	171,383	57,777	153,959	52,891
Tree & Wood Pests	70,966	15,330	76,398	15,597
SUBTOTAL Plant Health	357,164	113,617	336,265	94,939
Wildlife Damage Management	79,132	40,784	75,366	59,244
Wildlife Services Methods Development	19,110	2,324	18,782	2,559
SUBTOTAL Wildlife Services	98,242	43,108	94,148	61,803
Animal & Plant Health Regulatory Enforcement.	15,445	0	15,011	0
Biotechnology Regulatory Services	13,285	0	13,019	0
SUBTOTAL Regulatory Services	28,730	0	28,030	0
Contingency Fund	3,206	0	0	0
Emergency Preparedness & Response	19,622	535	19,428	1,742
SUBTOTAL Emergency Management	22,828	535	19,428	1,742
Agriculture Import/Export	12,587	0	12,573	0
Overseas Technical & Trade Operations	20,156	16,076	20,002	17,806
SUBTOTAL Safe Trade & International Technical Assistance	32,744	16,076	32,575	17,806
Animal Welfare	24,445	44	23,895	0
Horse Protection	498	0	497	0
SUBTOTAL Animal Welfare	24,943	44	24,392	0

Line-item	FY 2010		FY 2011	
	Federal*	Non Federal	Federal*	Non Federal
APHIS Information Technology Infrastructure	4,414	0	4,610	0
Physical/ Operational Security	5,669	0	5,540	0
SUBTOTAL Agency Management	10,083	0	10,150	0
Commodity Credit Corporation	54,678	698	40,954	2,954
Farm Bill Section 10201 and 10202	51,152	5,352	52,378	2,588
Advances and Reimbursements	139,039	0	158,636	0
H1N1 from Health and Human Services	3,909	0	2,914	0
VHS Supplemental, Homeland Security, HUB Relo,& Department	6,852	0	885	0
Buildings & Facilities	8,589	0	8,218	0
Trust Funds	18,649	0	14,641	0
Agricultural Quarantine Inspection User Fees	189,373	0	190,738	0
SUBTOTAL Other	472,242	6,050	469,364	5,542
TOTAL	$1,405,516	$221,358	$1,342,506	$246,542

FEDERAL AND NON FEDERAL PROGRAM FUNDING

Line-item	FY 2012		FY 2013		FY 2014
	Federal*	Non Federal	Federal*	Non Federal	Federal*
Animal Health Technical Services	$30,349	$8,403	$33,484	$9,941	$13,532
Aquatic Animal Health	2,261	756	1,988	1,133	561
Avian Health	53,206	15,060	50,207	13,518	17,857
Cattle Health	97,722	71,967	89,331	58,046	28,497
Equine, Cervid & Small Ruminant Health	23,552	16,707	18,715	18,465	7,824
National Veterinary Stockpile	3,026	0	2,596	0	726
Swine Health	22,897	4,983	20,318	4,993	4,219
Veterinary Biologics	16,445	42	15,179	73	5,639
Veterinary Diagnostics	31,582	636	29,153	637	6,154
Zoonotic Disease Management	8,956	8,403	9,414	2,510	1,948
SUBTOTAL Animal Health	289,996	126,957	270,385	109,316	86,957
Agricultural Quarantine Inspection	27,211	0	26,274	0	11,005
Cotton Pests	19,860	20,339	13,962	14,000	3,609
Field Crop & Rangeland Ecosystems Pests	8,896	487	8,385	0	2,312
Pest Detection	27,358	1,359	25,155	733	6,068
Plant Protection Methods Development	20,081	281	19,138	396	2,240
Specialty Crop Pests	166,886	50,095	143,809	0	62,365
Tree & Wood Pests	78,300	5,491	51,622	776	19,965
SUBTOTAL Plant Health	348,592	78,052	288,346	15,905	107,564
Wildlife Damage Management	70,480	54,286**	68,027	58,758	25,052

Line-item	FY 2012		FY 2013		FY 2014
	Federal*	Non Federal	Federal*	Non Federal	Federal*
Wildlife Services Methods Development	16,924	4,630	17,297	2,999	7,636
SUBTOTAL Wildlife Services	87,404	58,916	85,324	61,757	32,688
Animal & Plant Health Regulatory Enforcement.	16,189	0	14,728	0	6,356
Biotechnology Regulatory Services	18,134	0	15,792	0	6,294
SUBTOTAL Regulatory Services	34,323	0	30,520	0	12,650
Contingency Fund	1,500	0	1,644	0	0
Emergency Preparedness & Response	16,753	5,943	15,637	5,129	5,356
SUBTOTAL Emergency Management	18,253	5,943	17,281	5,129	5,356
Agriculture Import/Export	13,310	0	12,021	7,195	4,143
Overseas Technical & Trade Operations	20,104	12,607	18,442	15,400	6,465
SUBTOTAL Safe Trade & International Technical Assistance	33,414	12,607	30,463	22,595	10,608
Animal Welfare	27,016	0	24,585	0	9,629
Horse Protection	696	0	640	0	188
SUBTOTAL Animal Welfare	27,712	0	25,226	0	9,817
APHIS Information Technology Infrastructure	4,494	0	3,921	0	1,632
Physical/ Operational Security	5,224	0	4,947	0	996
SUBTOTAL Agency Management	9,718	0	8,869	0	2,628

Line-item	FY 2012		FY 2013		FY 2014
	Federal*	Non Federal	Federal*	Non Federal	Federal*
Commodity Credit Corporation	24,561	280	5,213	0	1,057
Farm Bill Section 10201 and 10202	52,115	2,053	47,008	0	1,229
Advances and Reimbursements	157,285	0	162,360	0	75,068
H1N1 from Health and Human Services	4,793	0	4,113	0	1,910
VHS Supplemental, Homeland Security, HUB Relo,& Department	111	0	$106	0	0
Buildings & Facilities	3,633	0	1,135	0	265
Trust Funds	11,702	0	14,919	0	3,665
Agricultural Quarantine Inspection User Fees	188,234	0	194,095	0	87,251
SUBTOTAL Other	442,434	2,333	428,949	0	170,445
TOTAL	$1,291,846	$284,808	$1,185,363	$214,702	$438,713

*Represents Federal obligations against available funding.
**Some of the 2012 amounts for non-Federal funding previously submitted have been updated/corrected in the 2014 submission.
***APHIS will have the 2014 amounts for the non-Federal funding at the end of the fiscal year.

Pest and Disease Outbreaks

Mr. Aderholt: Describe what has happened during the past year in terms of serious outbreaks of pests and diseases. What resources did the Agency expend on each?

Response: In FY 2013, APHIS continued addressing an outbreak of the Asian longhorned beetle (ALB) in Clermont County, Ohio. APHIS spent approximately $4.3 million from available CCC balances to continue eradication activities. APHIS provided funds to the Ohio Department of Agriculture through a cooperative agreement to continue delimiting the infestation and supporting contracts for tree removal and treatment of exposed trees in certain areas. APHIS projects to complete delimitation of the infested area by FY 2016. Completing delimiting surveys is essential to ensuring that all infested trees are found and removed and that the treatment and regulated areas are accurately defined. At the end of FY 2013, approximately 61 square miles were under quarantine for ALB.

In addition, the program inspected 854,727 trees and removed 10,320 infested trees. In FY 2014, APHIS and its partners are continuing delimitation activities. The program will continue removing infested trees and replanting trees, as well as applying preventative treatments to healthy trees in Monroe Township and Stonelick Township. Ohio forests are a critical component of the State's natural resources and span nearly 8 million acres, or 30 percent of the State. More than 48 percent of Clermont County is covered by forest.

The European grapevine moth (EGVM) is a significant pest of grapes and other specialty crops. APHIS has worked collaboratively with the California Department of Food and Agriculture (CDFA), grape growers, counties, and others to eradicate this pest. In FY 2013, APHIS used $529,857 from available CCC balances, along with $3.1 million in Specialty Crop Pests funding and $2.5 million in Farm Bill Section 10201 funding, to address the EGVM. APHIS provided the majority of the funding to CDFA to support trapping for the pest, regulatory inspections, and residential vineyard treatments. This successful program has reduced the EGVM population by more than 99.99 percent since it was first detected. Intensive survey and regulatory activities are continuing in FY 2014.

In FY 2013, APHIS spent approximately $723,000 in Agency contingency funds to continue the giant African snail (GAS) eradication effort in Miami-Dade County, Florida. GAS can consume at least 500 types of plants including fruits and vegetables as well as ornamental plants. It can also cause structural damage to buildings by eating plaster and stucco to find the calcium required to grow its large shell. APHIS and the Florida Department of Agriculture and Consumer Services (FDACS) added 5 quarantine zones to the GAS regulated area in 2013, which brings the total number of quarantine zones to 18. Public outreach has been an important component of this program because each of the five quarantine zones added in 2013 resulted from reports to the GAS Helpline. Program officials have treated 605 properties within the quarantined zones and exterminated 134,907 snails. APHIS continues to coordinate with the Centers for Disease Control and Prevention (CDC) regarding GAS and its potential public health risk. GAS can carry the rat lungworm parasite, which can cause meningitis in humans. Meningitis in humans caused by GAS is rare, but CDC is analyzing samples to better understand the number of GAS in the Miami-Dade area that could possibly be a vector for transmitting the rat lungworm nematode.

In FY 2013, APHIS obligated approximately $1 million in contingency funds for a pilot program to eliminate feral swine from the state of New Mexico, as well as to test several swine management techniques before implementing them on a national level. APHIS selected New Mexico for the pilot project because feral swine populations are generally low and the herds are geographically isolated, conditions that make elimination of swine possible, and State and local entities have offered financial support of the project. Feral swine inflict significant damage to property, agricultural crops, natural resources, and native ecosystems. They also represent a risk to domestic animal health and human health. Currently, the total aggregate cost of damage caused by feral swine in the United States is around $1.5 billion annually, with more than half of that amount due to direct damage to agriculture. Cost and difficulty of damage management increase as populations increase and geographic range expands. In 2005, feral swine were present in only two counties in New Mexico, but by 2012, feral swine were present in 17 counties.

APHIS, in collaboration with Federal, State, and Tribal agencies, livestock producers, and local high school vocational agriculture students, removed 640 feral swine on properties totaling approximately 4.8 million acres in New Mexico. Rough estimates indicate that APHIS has conservatively reduced the number of offspring from these litters by an additional 1,800 piglets. This reduces the damage to property, agricultural crops, and natural resources as well as the threat to human health and animal health. APHIS projects with continued efforts in New Mexico, that APHIS and its partners could eliminate feral swine in the State within three to four years, saving millions of dollars in property damage and protecting human health, native wildlife, pets, domestic livestock, and the environment.

Indemnity and Contingency Funds

Mr. Aderholt: Were any indemnity funds used in fiscal years 2010 through 2014 to date?

Response: The information is submitted for the record.

[The information follows:]

APHIS INDEMNITY AND COMPENSATION OBLIGATIONS

Disease Program	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 as of April 2, 2014
Plum Pox	$58,127	$33,662	$79,337	0	0
BSE	0	0	19,913	$3,420	0
Brucellosis	28,381	10,138	14,408	2,065	$1,108
Chronic Wasting Disease	53,248	150,967	0	0	0
Avian Influenza	1,137,162	696,322	90,390	74,424	0
Pseudorabies	130	2,096	15,455	148	0
Scrapie 1/	121,651	138,178	16,262	23,538	76,290
Tuberculosis	2,980,579	1,182,339	2,633,944	678,677	92,323
Total	$4,379,278	$2,213,702	$2,869,709	$782,272	$169,721

In FY 2013, USDA implemented a policy change for providing indemnities for tuberculosis (TB). Rather than automatically depopulating a herd when TB is detected, USDA now uses an analytical model to compare the cost of depopulation with the cost of using a test-and-remove protocol. When practical, many herd owners are opting for the test-and remove protocol, which results in less indemnity funds obligated.

1/ APHIS has revised the scrapie amounts for FY 2012 and FY 2013. For FY 2012, we believe that the previous figure incorrectly included euthanasia

and disposal costs. For FY 2013, the previous figure incorrectly represented indemnity payments for the calendar year instead of the fiscal year.

Mr. Aderholt: What is the current status of the APHIS Contingency Fund?

Response: The information is submitted for the record.

[The information follows:]

APHIS CONTINGENCY FUND
(Dollars in Thousands)

Availability:	
Total Balance Carried Forward from FY 2013	$3,506
FY 2014 Appropriation	470
Account Recoveries	57
FY 2014 Availability	$4,033
FY 2014 Releases as of April 2, 2014:	
No releases have been made this fiscal year	0
Current Available Balance	$4,033

Mr. Aderholt: Please update a table listing all funding expenditures from the Contingency Fund, to include fiscal years 2010 through 2014 to date and estimates for FY 2015.

Response: The information is submitted for the record.

[The information follows:]

APHIS CONTINGENCY FUND EXPENDITURES
(Dollars in Thousands)

Program	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (through 04/2/14)
Contagious Equine Metritis	$108	0	0	0	0
Feral Swine	0	0	0	$921	0
European Grapevine Moth	3,098	0	0	0	0
Giant African Land Snail	0	0	$773*	723*	0
Total	$3,206	0	$773	$1,644	0

*APHIS originally obligated $1.5 million for the Giant African Land Snail emergency in FY 2012; however, $773,000 was used in FY 2012 and $723,000 was used in FY 2013.

Because APHIS uses its contingency fund for unplanned, small scale emergencies that occur during the fiscal year, we cannot predict obligations for FY 2015.

Import/Export User Fees

Mr. Aderholt: Provide a five-year table that shows the projected revenue for import/export user fees and the projected revenue for veterinary diagnostic user fees including fiscal year 2014 estimates.

Response: The information is submitted for the record.

[The information follows:]

ESTIMATED USER FEE REVENUE
FYs 2013-2017
(Dollars in Millions)

	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate
Import/Export User Fees (includes Animal Import Centers in Newburgh and Miami)	$39.9	$40.1	$40.1	$42.7	$43.2
Veterinary Diagnostics User Fees	$5.6	$5.6	$5.6	$6.2	$6.3

Mr. Aderholt: Please provide a table showing how much APHIS spent in foreign countries to include fiscal years 2010 through estimated 2014.

Response: The information is submitted.

The information provided includes APHIS appropriated and user fee spending in foreign countries. Please note this table does not include spending from other funding sources (e.g., reimbursable agreements, trust funds, etc.)

[The information follows:]

Region	Country	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (est.)
Africa	Senegal	$1,161,157	$1,015,306	$559,089	$421,077	$345,000
	Egypt	674,658	416,456	310,248	422,529	579,000
	South Africa	983,739	455,992	503,155	534,195	565,000
	Other	93,200	0	0	0	0
Asia/Pacific	Australia	76,485	0	0	0	0
	Burma	199,883	117,707	31,134	0	0
	Cambodia	223,974	128,262	40,664	0	0
	China	492,951	763,116	1,319,385	1,329,724	1,333,000
	India	327,000	401,687	651,155	438,264	417,000
	Indonesia	431,734	237,316	11,534	0	0
	Japan	572,313	839,040	967,769	890,110	960,000
	Laos	199,706	136,713	41,339	0	0
	Philippines	404,493	489,834	506,119	446,663	424,000
	South Korea	406,357	430,255	422,494	408,551	445,000
	Taiwan	440,871	419,566	434,376	442,970	398,000
	Thailand	570,780	513,916	619,937	554,281	315,000
	Other	441,593	0	0	0	0
Caribbean	Dominican Republic	3,232,788	2,157,327	1,497,905	865,156	737,000
	Haiti	502,978	400,000	315,152	0	0
	Trinidad & Tobago	73,488	100,000	177,164	219,347	210,000
Central America	Belize	720,999	251,288	101,073	197,262	154,000
	Costa Rica	1,043,047	847,196	747,541	481,307	647,000
	Guatemala	23,998,619	23,230,564	26,651,941	21,394,157	20,668,000
	Honduras	278,711	90,019	101,951	213,806	8,000
	Nicaragua	744,838	456,740	258,075	0	0
	Panama	21,844,822	19,623,945	15,177,161	16,285,598	15,034,000
Europe	Austria	677,934	651,441	692,099	207,562	419,000
	Belgium	748,419	1,320,578	1,412,678	1,521,590	1,618,000

Region	Country	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (est.)
	France	303,245	394,514	257,416	301,357	376,000
	Germany	*previously found in "other"	*previously found in "other"	*previously found in "other"	206,984	204,000
	Italy	588,479	549,782	523,333	634,798	757,000
	Russia	*previously found in "other"	*previously found in "other"	*previously found in "other"	150,689	151,000
	Switzerland	0	0	0	0	200,000
	United Kingdom	0	0	0	0	163,000
	Other	141,376	208,879	394,489	will no longer be used	will no longer be used
North America	Canada	685,876	573,488	353,788	471,033	254,000
	Mexico	13,500,553	11,988,075	7,497,365	8,245,473	7,794,000
South America	Argentina	462,448	348,246	334,210	331,841	6,000
	Bolivia	76,485	201,067	290,839	200,841	182,000
	Brazil	984,854	1,523,272	967,717	607,699	824,000
	Chile	801,854	848,353	543,198	573,920	294,000
	Colombia	1,397,869	1,390,716	1,561,906	794,452	1,089,000
	Ecuador	176,485	236,851	190,352	146,855	146,000
	Peru	76,485	36,691	597,754	572,958	417,000
	Uruguay	76,485	5,242	152,286	208,231	417,000
	Venezuela	176,485	208,994	20,476	0	0
Total		$81,016,516	$74,008,434	$67,236,267	$60,721,280	$58,550,000

Please note that APHIS has high expenditures in Guatemala, Panama, and Mexico due to substantial operational programs that exist in those countries, including a fruit fly rearing facility in Guatemala and a sterile screwworm rearing facility in Panama. The Agency has a variety of programs in Mexico that support activities related to Fruit Fly, Cotton Pests, Overseas Technical and Trade Operations, and Agriculture Quarantine Inspection.

Rabies

Mr. Aderholt: What is the status of the national rabies management plan? How much did the Agency spend in FY 2013 and estimated expenditures for fiscal years 2014 and 2015 for this program?

Response: The National Rabies Management Program (NRMP), which is linked to the North American Rabies Management Plan, focuses on three broad goals: enhancing the coordination of rabies surveillance; managing and preventing further spread; and, eliminating rabies virus variants in terrestrial carnivores. APHIS and cooperators have made significant progress toward meeting these goals. The NRMP distributes oral rabies vaccination baits in more than 15 States. Using a coordinated, strategic application of oral rabies vaccine along with other rabies control measures, we have eliminated rabies in coyotes and are on the verge of eliminating rabies in gray foxes in Texas. In addition, there have been no cases of canine rabies in the United States since 2004, and no appreciable spread of raccoon rabies toward the western United States or north into Canada. APHIS continues to prevent the westward spread of raccoon rabies by managing a vaccination zone from Maine to Alabama.

To increase the likelihood of eliminating raccoon rabies, APHIS is continuing to pursue new vaccine-bait combinations. Since 2011, APHIS has been conducting field trials on a new oral rabies vaccine to evaluate if substantial increases in rabies immunity in the raccoon population will occur. APHIS has completed three years of field trials in West Virginia and positive results warranted replication. We have completed two trials in New Hampshire/Vermont, New York and Ohio. In total, we have distributed nearly 1.5 million ONRAB baits in these five states.

In FY 2013, APHIS spent approximately $22.8 million for national rabies control and surveillance. APHIS plans to spend approximately $23.7 million in FYs 2014 and 2015.

Mr. Aderholt: What rabies management programs, activities or locations will be reduced or eliminated in fiscal year 2014 and 2015, if any? What is the risk associated with such changes in the program?

Response: In FY 2014 and FY 2015, APHIS plans to spend approximately $23.7 million for rabies management. APHIS will continue to focus on a comprehensive rabies management strategy to contain and/or eliminate the rabies virus. The Agency has not reduced or eliminated any programs or activities in FY 2014, and does not have any plans to do so in FY 2015.

Mr. Aderholt: What additional efforts are conducted by APHIS to control the spread of wildlife rabies?

Response: APHIS conducts oral rabies vaccination (ORV) campaigns in defined zones to protect public health by working to eliminate and prevent the spread of rabies in wildlife. These efforts reduce significant costs associated with living with rabies. The goal of the ORV program is to continue to contain rabies outbreaks and to maintain the rabies-free status that has been achieved for canine rabies in coyotes and gray foxes in Texas through the continued application of strategic ORV. In addition

to these accomplishments, APHIS has prevented spread of raccoon rabies toward the western United States or north into Canada. In FY 2013, APHIS distributed more than 6.8 million ORV baits over 142,274 square kilometers.

Currently, APHIS is working with the Centers for Disease Control and Prevention and the Global Alliance for Rabies Control to streamline the use of a rapid rabies diagnostic field procedure that allows for diagnoses in one hour. From 2005 through 2013, APHIS tested 62,463 samples with 1,147 testing positive for rabies. This source of surveillance information is vital to ORV decisions for future intervention strategies.

It is well recognized that vampire bats are the primary reservoir of rabies in Latin America (including Mexico). Recent evidence suggests that vampire bats are expanding their geographic range to within 125 miles of the United States border, which could threaten public health and livestock. APHIS has begun working with State and local officials to strategically plan ways to enhance vampire bat surveillance in the border regions of the United States and Mexico.

Finally, the National Rabies Management Program is conducting collaborative field trials to evaluate the oral rabies vaccine ONRAB. The ONRAB vaccine could increase rabies immunity of raccoons in the United States, and provide a more effective means to eliminate rabies in raccoons.

APHIS relies on the international collaborative rabies management framework, established through the North American Rabies Management Plan. Partners to this plan include the United States, Canada, Mexico, and the Navajo Nation. The plan involves coordination with surveillance activities, control programs, vaccine development, and field trials. APHIS, other Federal agencies, and Canadian provinces have coordinated rabies surveillance and control in raccoons along the border to monitor and ensure program effectiveness.

CCC Funded Emergencies

Mr. Aderholt: How was USDA's emergency authority used in fiscal years 2012 and 2013? How much did USDA use for each incidence and was it transferred from CCC?

Response: All emergency transfers to APHIS were from the Commodity Credit Corporation (CCC). Amounts available and used for each incident are submitted for the record.

[The information follows:]

COMMODITY CREDIT CORPORATION FUNDING
(Dollars in Thousands)

Program	FY 2012 CCC Releases/ Redirections	FY 2012 Obligations[a/]	FY 2013 CCC Releases/ Redirections	FY 2013 Obligations[a/]
Asian Longhorned Beetle	$14,294	$10,385	0	$4,283
Bovine Tuberculosis	0	1,606	0	352
Cattle Fever Tick	0	34	0	0
Chronic Wasting Disease (Redirection to the Asian Longhorned Beetle program)	-1,000	0	0	0
European Grapevine Moth	8,000	10,364	0	530
Grasshopper	0	246	0	48
Light Brown Apple Moth	0	1,922	0	0
Mormon Cricket	0	3	0	0
TOTAL	$21,294	$24,560	0	$5,213

a/ Please note that balances were available from CCC transfers in prior years.

Mr. Aderholt: For CCC funds approved for APHIS emergencies, what were the carryover amounts into FY 2013 and 2014?

Response: Of the Commodity Credit Corporation (CCC) funds approved for APHIS emergencies in FY 2012 (including CCC releases in prior years), APHIS obligated $24.56 million and carried over $18.97 million into FY 2013.

In FY 2013, APHIS had no new CCC transfers, but obligated $5.2 million against prior year funds. The carryover into FY 2014 was $16.5 million, including $2.7 million in account recoveries from prior year deobligations.

Mr. Aderholt: Has the agency requested any funds from the CCC for emergency purposes in fiscal year 2014 to date? If so, for what programs? What was the amount of the request? Have the funds been apportioned?

Response: As of April 2, 2014, APHIS has not requested approval for any new Commodity Credit Corporation requests for FY 2014.

Mr. Aderholt: Please provide a table that shows a breakout of the number of emergencies that occurred, as well as the amount of both agency and CCC funds that were used to combat the emergency to include fiscal years 2010 through 2013 and fiscal year 2014 estimates. Please include a total column.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
EMERGENCY PROGRAM FUNDING
(Dollars in Thousands)

Fiscal Year	Emergency	APHIS Funds			CCC Funds	Total
		Program Funds	Contingency Funds	Sub-Total		
2010	Asian Longhorned Beetle	$33,021	0	$33,021	$41,451	$74,472
	Contagious Equine Metritis		$144	144	0	144
	European Grapevine Moth	0	3,100	3,100	0	3,100
	Grasshopper	5,578	0	5,578	10,735	16,313
	Redirected Balances	0	0	0	-16,070	-16,070
	2010 Total	$38,599	$3,244	$41,843	$36,116	$77,959
2011	European Grapevine Moth	0	0	0	$16,922	$16,922
	Redirected Balances	0	0	0	-6,000	-6,000
	2011 Total	0	0	0	$10,922	$10,922
2012	Asian Longhorned Beetle	$39,667	0	$39,667	$13,294	$53,961
	European Grapevine Moth	0	0	0	8,000	8,000
	Giant African Snail	0	$1,500	$1,500	0	1,500
	2012 Total	$39,667	$1,500	$41,167	$21,294	$63,461
2013	Feral Swine	0	$1,000	$1,000	0	$1,000
	2013 Total	0	$1,000	$1,000	0	$1,000
2014	As of April 2, 2014	0	0	0	0	0
	2014 Total	0	0	0	0	0

Note: Funding amounts represent budget authority and not obligations.

Mr. Aderholt: Please provide a table for the record showing all APHIS line items that have proposed increases for fiscal year 2015 that were funded out of the CCC in fiscal years 2013 or 2014 and the corresponding funding amounts.

Response: There are no increases in the FY 2015 Budget that were funded out of the Commodity Credit Corporation (CCC) in FY 2013 or 2014. APHIS did not receive emergency funding from the CCC in FY 2013. As of April 2, 2014, APHIS has received no CCC funding for FY 2014.

Mr. Aderholt: Regarding fiscal year 2014 transfers from the CCC to APHIS to combat emergency pest and disease outbreaks, how much has the Agency requested from the Department? How much has the Department requested from OMB? How much has OMB apportioned?

Response: As of April 2, 2014, APHIS has not requested approval for any new transfers from the Commodity Credit Corporation for FY 2014.

Mr. Aderholt: For the record, provide a five-year history of funds that have come from the CCC for emergency outbreaks, and into two categories: (1) expenditures to combat pest and/or disease outbreaks that are indigenous to the United States, and (2) expenditures that have been made to combat pest and/or disease outbreaks that have been "imported" to the U.S.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
EMERGENCY PROGRAM OBLIGATIONS
(Dollars in Thousands)

Fiscal Year	Emergency	Indigenous	Imported	Total Obligations a/
2009	Asian Longhorned Beetle	--	$23,967	
	Avian Influenza	--	402	
	Cattle Fever Tick	$4,768	--	
	Citrus Canker	--	29	
	Emerald Ash Borer	--	3,313	
	Exotic Newcastle Disease	--	25	
	Glassy-winged Sharpshooter	--	252	
	Infectious Salmon Anemia	--	30	
	Light Brown Apple Moth	--	26,210	
	Mediterranean Fruit Fly	--	188	
	Mexican Fruit Fly	--	143	
	Mormon Cricket	1,641	--	
	Potato Cyst Nematode	--	2,080	
	Tuberculosis	8,215	--	
	Total	$14,624	$56,639	$71,263
2010	Asian Longhorned Beetle	--	$24,809	
	Cattle Fever Tick	$751	--	
	Grasshopper	4,207	--	
	Light Brown Apple Moth	--	22,068	
	Mediterranean Fruit Fly	--	243	
	Potato Cyst Nematode	--	138	
	Tuberculosis	2,462	--	
	Total	$7,420	$47,258	$54,678
2011	Asian Longhorned Beetle	--	$18,356	
	Cattle Fever Tick	$56	--	
	Emerald Ash Borer	--	122	
	European Grapevine Moth	--	14,327	
	Grasshopper	322	--	
	Light Brown Apple Moth	--	5,702	
	Mormon Cricket	78	--	
	Potato Cyst Nematode	--	232	
	Tuberculosis	1,760	--	
	Total	$2,216	$38,739	$40,955
2012	Asian Longhorned Beetle	--	$10,385	
	Cattle Fever Tick	$34	--	
	European Grapevine Moth	--	10,364	
	Grasshopper	246	--	
	Light Brown Apple Moth	--	1,922	
	Mormon Cricket	3	--	
	Tuberculosis	1,606	--	
	Total	$1,889	$22,671	$24,560
2013	None	--	--	
	Total	$0	$0	$0

a/ Please note that prior year balances were available in some cases.

Chronic Wasting Disease

Mr. Aderholt: What is APHIS doing to combat chronic wasting disease (CWD) in farmed cervid populations? What is the Agency's involvement with CWD in wild cervid populations?

Response: During FY 2013, APHIS tested approximately 18,100 farmed cervids for CWD, and found no new cases of CWD or infected herds. A new CWD positive white-tailed deer herd in Wisconsin was identified in early FY 2014. Thirteen positive herds remain under state quarantine: seven elk herds in Colorado, three elk herds in Nebraska, one white tail deer herd in Iowa, one red deer herd in Minnesota, and one white tail deer herd in Wisconsin.

APHIS reviews State applications, approves State CWD Herd Certification Plans (HCPs) that meet the requirements of the national CWD HCP rule, conducts periodic reviews to ensure compliance, and supports confirmatory testing of presumptive cases. There are currently 29 States participating in the national CWD HCP - 23 have Approved Status and 6 are Provisionally Approved. States that meet all the minimum CWD HCP program requirements have Approved Status and States that do not meet all CWD HCP program requirements but have developed a work plan and time frame with APHIS to complete those requirements have Provisional Approval.

APHIS' voluntary national CWD HCP helps States, Tribes, and the cervid industry control CWD in farmed cervids by allowing the interstate movement of cervids only from certified low-risk herds. This activity supports the growing U.S. cervid industry and complements existing State CWD herd certification programs.

In addition to providing minimum requirements for interstate movement of farmed cervids, APHIS' CWD HCP rule provides minimum requirements for interstate movement of captured wild cervids. Cervids captured from a free-ranging wild population for the purpose of interstate movement and release must originate from a population that has been documented to be low-risk for CWD. This determination is based on having a surveillance program for wild cervids that is approved by the receiving State and APHIS. These efforts are aimed at reducing the risk of CWD spread between States and disease transmission between wild and farmed cervids.

Mr. Aderholt: Please provide a five year history for APHIS efforts in support of CWD in cervid populations?

Response: Between FY 2009 and FY 2011, APHIS' chronic wasting disease (CWD) program focused on testing farmed cervids, conducting epidemiology investigations for positive facilities, and providing indemnity funding for the testing, appraisal, depopulation, and disposal of positive animals. APHIS supported State and Tribal CWD surveillance and control activities. In addition, APHIS' National Wildlife Research Center developed new diagnostic test methods and decontamination methods. In support of these activities, APHIS spent approximately $17.0 million in FY 2009, $16.857 million in FY 2010, and $14.266 million in FY 2011.

In FY 2012, APHIS reduced program activity levels considerably as funding for indemnity payments, cooperative agreements to States and Tribes for surveillance, and research was eliminated from the budget. Funding for CWD testing of farmed cervids also was eliminated, and cervid producers are now

responsible for those costs. States are responsible for managing CWD positive, suspect, and exposed herds. APHIS approves the continued enrollment of participating States and cervid producers in the national herd certification program and national reporting of certified herds. APHIS spent approximately $1.9 million on CWD activities in FY 2012, and approximately $649,000 in FY 2013. APHIS plans to spend approximately $2.5 million in FY 2014, which includes funds to indemnify herd owners.

Mr. Aderholt: If the Agency provides little to no support for this disease, what contingencies are in place to deal with the issue?

Response: Since Chronic Wasting Disease (CWD) is endemic in the wild, State and local governments are better positioned to take a more active role and to better anticipate and plan for local or regional needs for the prevention and control of CWD. APHIS will continue to support confirmatory testing of presumptive CWD cases with routine testing costs at producers' expense. APHIS will also continue to oversee the Herd Certification Program (HCP). Specifically, the Agency will review and approve State applications. APHIS also will conduct periodic State reviews to ensure compliance and serve States in an advisory capacity. The HCP is voluntary, and producers can participate if it will benefit their businesses. In the event of additional CWD cases in farmed cervids, APHIS will continue to provide advice and collaboration for States and industry to manage these cases.

Scrapie

Mr. Aderholt: Please provide the latest status of APHIS' efforts to reduce and/or eradicate classical scrapie from the United States? What resources are planned for this program in fiscal years 2014 and 2015?

Response: The National Scrapie Eradication Program focuses on seven primary areas: education and prevention, sheep and goat identification and compliance, surveillance, tracing and testing positive and exposed animals, cleanup of infected and source flocks through genetic testing and indemnification of susceptible exposed animals, monitoring of previously infected and exposed flocks, and the Scrapie Free Flock Certification Program.

APHIS performs the following activities to eradicate classical scrapie from the United States: live-animal, necropsy, and slaughter testing to identify infected animals; genetic testing to reduce the susceptibility of sheep flocks to scrapie and to identify which scrapie exposed sheep from infected and source flocks need to be removed to reduce the risk of recurrence; and testing of exposed animals that have moved out of infected flocks and animals exposed due to sale or movement of exposed or positive animals. In FY 2013, APHIS tested 44,955 samples from sheep and goats for scrapie, compared to 42,299 samples tested in FY 2012. This six percent increase is largely due to increased surveillance of scrapie in goats. Since 2003, there has been approximately a 90 percent decrease in the percentage of positive scrapie sheep found at slaughter (adjusted for face color). At the end of FY 2013, the percent of cull sheep found positive at slaughter and adjusted for face color was 0.0143 percent, compared to 0.0057 percent in FY 2012. During this final phase in the eradication effort, the numbers will likely fluctuate from year to year due to the small number of positive animals remaining. The prevalence of scrapie in U.S. goats is less than 0.02 percent. No positive

goats were found through slaughter surveillance in FY 2013. In FY 2014 and FY 2015, APHIS plans to spend approximately $11.8 million on scrapie eradication and control activities.

Carryover Amounts

Mr. Aderholt: For each APHIS program with extended availability of funds, what were the carryover amounts from fiscal year 2010 into 2011, 2011 into 2012, from fiscal year 2012 into 2013, and from fiscal year 2013 into 2014?

Response: The information is submitted for the record.

[The information follows:]

APHIS PROJECTED CARRYOVER OF FUNDING
(Dollars in Thousands)

Line Item - Program	Carryover into FY 2010	Carryover into FY 2011	Carryover into FY 2012	Carryover into FY 2013	Carryover into FY 2014
Animal Health Technical Services [a/]	$10,369	$4,558	$2,347	$4,877	$5,709
APHIS Information Technology Infrastructure	106	173	104	170	262
Avian Health	20,275	22,210	12,372	12,290	11,659
Cattle Health [b/]	5,707	2,290	91	502	1,596
Contingency Fund	3,409	2,423	3,543	3,043	3,506
Cotton Pests	1,417	1,663	1,888	630	2,103
Equine, Cervid & Small Ruminant Health [c/]	3,618	4,543	4,403	2,890	2,031
Field Crop & Rangeland Ecosystem Pests	1,805	2,185	2,212	2,401	2,310
National Veterinary Stockpile	5,129	3,945	3,184	2,924	3,486
Specialty Crop Pests	29,005	14,279	13,659	13,589	17,007
Tree & Wood Pests	19,497	29,217	29,998	10,663	14,668
Wildlife Service Methods Development	217	5	217	21	164
Wildlife Damage Management [d/]	708	588	607	631	440
TOTAL	$101,262	$88,079	$74,625	$54,631	$64,941

[a/] Available for Animal Disease Traceability
[b/] Available for Screwworm
[c/] Available for Scrapie indemnities only
[d/] Available for Aviation safety only

OIG Audits

Mr. Aderholt: What improvements is APHIS making in response to deficiencies noted by the OIG audits of the program?

Response: The information is submitted for the record.

[The information follows:]

APHIS ACTIONS TO ADDRESS
OFFICE OF INSPECTOR GENERAL (OIG) AUDIT RECOMMENDATIONS

OIG REPORT #	AUDIT TITLE AND AGENCY ACTIONS
33601-11-CH	USDA's Controls Over Animal Import Centers The OIG issued the audit report on August 13, 2010, with 12 recommendations directing APHIS to develop and implement supervisory reviews of its animal import process and bio-security practices at ports-of-entry, animal import centers and APHIS-approved private quarantine facilities; and, procedures to ensure the safe handling of imported animal shipments at ports-of-entry, and improve bio-security at animal import centers and State-approved facilities. OIG also recommended that APHIS review its user fee rate calculations to ensure the agency can finance future capital improvements of APHIS quarantine facilities. APHIS has taken actions on recommendations 1 through 11 with plans to implement the 12th recommendation during the next fee-setting initiative by implementing procedures to ensure that APHIS monitors shipments of animals that transit the United States to a third country with an accompanying Veterinary Services permit. APHIS completed and distributed guidance to ports in December 2010 with instructions prohibiting port staff from delegating their authority to monitor in-transit shipments to Customs and Border Protection officials. APHIS also is ensuring that processes are in place for reviewing port-of-entry operations and that each animal import center has facility-specific protocols that include cleaning and disinfection procedures. In addition, APHIS issued a memorandum of understanding and checklist that was implemented on October 5, 2012, for use in approving of privately owned commercial and other bird quarantine facilities to ensure consistent standards for physical security. APHIS officials will consult with Office of the General Counsel regarding the options for implementing procedures for non-APHIS -personnel to take additional precautions and are analyzing the risks associated with

OIG REPORT #	AUDIT TITLE AND AGENCY ACTIONS
	the movement of avian species through transfer airports en route to quarantine. Additionally, APHIS completed and implemented several actions on November 3, 2011, to address the recommendations in the 2007 Contagious Equine Metritis (CEM) report. Some of the actions APHIS took included the establishment and training of CEM coordinators, in each State, approved to receive stallions and mares imported from CEM affected countries. APHIS also provided training, in 2009, to laboratory staff that conduct CEM testing. In addition, APHIS revised its regulations for CEM testing of imported animals and published a Final Rule titled "Importation of Horses From Contagious Equine Metritis-Affected Countries," which became effective February 11, 2013. APHIS developed a database into which State Veterinarians and APHIS field offices can enter laboratory testing data and animal information on imported animals undergoing CEM quarantine and testing at all CEM-approved quarantine facilities.
33601-03-CH	Safeguards to Prevent Entry of Prohibited Pests and Diseases into the United States The OIG issued the audit report on February 20, 2003, with 37 recommendations to determine whether APHIS properly assessed the risks associated with the many ways in which pests and diseases could enter this country, whether it staffed the ports accordingly, and whether its inspections at the ports were adequate to intercept infested or diseased product before it entered the United States. Of the 37 recommendations, 35 have been implemented. To address the two remaining recommendations, APHIS is currently developing a discussion paper detailing the implemented safeguarding actions with Customs and Border Protection regarding the railways pathway. To ensure national Agricultural Quarantine Inspection Monitoring (AQIM) activities are properly managed and implemented at each port, APHIS developed and oversees a combined action plan. The action plan became operational March 19, 2007. The Agency plans to expand AQIM activities for the rail and express "package" pathways. In addition, agency officials stated they have put considerable resources into strengthening scientific support for inspection activities. We revised performance elements and standards that will hold employees and their managers accountable for performing these functions and training sessions and documentation have been provided to Plant Protection and Quarantine (PPQ) managers. APHIS is continuously working to improve notification

OIG REPORT #	AUDIT TITLE AND AGENCY ACTIONS
	of AQIM results within and between all levels of the organization. APHIS placed new PPQ officers at ports with large volumes of cargo traffic. APHIS has amended hiring policies to include a pre-employment check for all employees requiring unescorted access at commercial airports and agreed to delay reporting dates for prospective employees until the results of their criminal history records check are received. APHIS has made considerable improvements in data collection, data quality and reporting methods. For example, as part of the port review process, personnel responsible for collecting and entering data into the Work Accomplishment Data System are provided training in data collection and submission. Once the centralized data collection and reporting tools are deployed, personnel will be trained and/or provided with materials on the use of the system. Additionally, APHIS uses the existing Security Entry Tracking System automated database to track the status of all pending security clearance requests in the Agency to ensure timely completion.
33601-0012-CH	Effectiveness of the Smuggling, Interdiction, and Trade Compliance Unit The OIG issued the audit report in August 2012, and included 13 recommendations aimed at assessing the effectiveness of the Smuggling Interdiction and Trade Compliance (SITC) program mission and strengthening accountability of program management. APHIS implemented changes responding to the 13 recommendations, and OIG closed the audit on May 21, 2014. Based on the recommendations, APHIS established new positions, which blend the SITC specialist position with APHIS' Plant Health Safeguarding Specialist position, improving the use of resources and the skill sets of employees. APHIS offers consistent training to all employees in the new position across the country. APHIS has also established national guidelines for SITC recalls, implemented data integrity/quality control measures, and improved processes for working with Customs and Border Protection (CBP) on targeting pathways for inspection and documenting results.
33701-01-AT	Follow-Up on APHIS' Implementation of the Select Agent or Toxin Regulations The OIG issued the audit report in November 2012 as a follow-up to prior audits of APHIS' Select Agents program. The OIG found that APHIS had made progress in establishing controls over the Select Agents program

OIG REPORT #	AUDIT TITLE AND AGENCY ACTIONS
	and identified additional security enhancements to further improve controls over the regulated agents and toxins. The audit included 12 recommendations, and APHIS has achieved closure on all the recommendations. Examples of improvements APHIS made include revising inspection procedures for record keeping at regulated facilities, providing guidance to facilities on security and access to restricted areas, and clarifying and emphasizing training requirements that regulated facilities must provide to individuals with access to select agents.
50601-08-TE	Controls over Genetically Engineered Animal and Insect Research The OIG issued the audit report on December 8, 2005, with 28 recommendations (25 recommendations have been implemented). Recommendation numbers 1, 2, and 3 are linked to a proposed rule titled "Importation, Interstate Movement, and Release into the Environment of Certain Genetically Engineered Organisms." APHIS is currently considering revisions to the proposed rule to take into consideration comments that we received and advancements in the science. APHIS has implemented requirements to submit GPS coordinates of each field site on the 28-day planting reports, requiring the reporting of the disposal of Genetically Engineered (GE) pharmaceutical and industrial harvest items in the field report submitted 21 days prior to harvest, and obtaining a determination from the Office of the Secretary to seek legislative authority to require applicants to provide proof of financial responsibility in the event of an unauthorized GE organism release. APHIS has established a memorandum of understanding between its Biotechnology Regulatory Services and Plant Protection and Quarantine (PPQ) organizations to formalize inspection responsibilities, better coordinate inspections in regions, and ensure inspections are completed in a timely manner. APHIS has also designed a single management information system for tracking permit and notification inspections and field test reports. APHIS disagreed with recommendations associated with obtaining notification applicants' scientific protocols for conducting field tests, reviewing these protocols by biotechnologists, and distributing these protocols to PPQ officers for use in conducting inspections of field sites under notification. APHIS also contends that the current system of performance-based regulatory standards for notifications is effective at protecting

OIG REPORT #	AUDIT TITLE AND AGENCY ACTIONS
	American agriculture. Lastly, APHIS did not agree with developing policy guidelines for restricting public access to edible regulated crops when conducting field tests and with developing policies and procedures for selecting specific field test sites for inspection, based on risk.

Bovine Spongiform Encephalopathy (BSE)

Mr. Aderholt: What is the status of the activities associated with BSE, including the number of samples taken in fiscal years 2010 through 2013 as well as estimates for fiscal year 2014 and 2015? Please inform the Subcommittee of any recent policy changes with regard to this disease.

Response: The Food and Drug Administration's (FDA) 1997 ban on feeding mammalian protein to ruminants has been an effective means for mitigating bovine spongiform encephalopathy (BSE). Removing risk materials from cattle slaughtered for human consumption further mitigates the human health risk. APHIS continues to conduct BSE surveillance, focusing on animals that are older than 30 months with clinical signs associated with the central nervous system disease. Our surveillance effort is designed to detect one BSE case in one million adult cattle with 95 percent confidence. This goal exceeds the standard required by the World Organisation for Animal Health (OIE). Our surveillance approach includes testing samples from slaughter and livestock markets, farms, rendering facilities, and diagnostic laboratories. The testing at livestock markets is done on tissue removed from down or disabled cattle that are euthanized at these markets to remove them from live animal commerce. This approach enables us to detect BSE at very low prevalence and assess any change in the BSE status of cattle. APHIS tested 44,301 valid samples for BSE in FY 2010; 40,482 in FY 2011; 42,202 in FY 2012; and approximately 43,173 in FY 2013. No new cases were reported in FY 2013, and no new cases have been reported as of April 2, 2014.

In May 2013, the OIE changed the BSE risk status for the United States from controlled risk to negligible risk. This change in risk classification resulted from the recognition of the high standards and effectiveness of APHIS' BSE surveillance efforts over the past decade, as well as FDA's 1997 feed ban. The negligible risk status will enhance trade opportunities for the U.S. cattle and beef industries.

There have been no recent policy changes in the BSE Ongoing Surveillance Program. APHIS' BSE plans for FY 2014 and 2015, includes the collection of at least 40,000 samples, with an anticipated outcome of meeting this goal.

Homeland Security and Food Defense

Mr. Aderholt: Please describe the general activities and dollars for APHIS' involvement in the area of Homeland Security and/or food defense. What is the total requested for select agents?

Response: APHIS' FY 2015 budget request includes approximately $343.7 million related to USDA's homeland security and food and agriculture defense

efforts. Included in the total amount is $258.8 million targeted at excluding and reducing potential threats entering our borders through the Agency's Agricultural Quarantine Inspection (AQI) program and analyzing data streams regarding agricultural imports. The AQI program encompasses a variety of activities designed to address the agricultural pest risks that international travel and trade pose. These activities include developing regulatory import policies to protect the health of U.S. agriculture and ecosystems; conducting off-shore risk reduction activities, such as foreign commodity preclearance programs for specific products; and, treating arriving containers and cargo, among others. The AQI program is funded by user fees and appropriations for certain activities.

Also included in the total amount is $63.1 million related to protecting agriculture and food, and government facilities. Activities include gathering and analyzing plant and animal health information, including zoonotic disease information, and assessing potential agricultural threats. This amount also includes $5.6 million for the select agents program. These activities are captured as portions of the animal health and plant health commodity line items, as well as the Emergency Preparedness and Response line item. APHIS also ensures continued mission operations and protection for employees. Funding for these activities is provided for in the Physical and Operational Security line item.

Lastly, APHIS maintains a cadre of trained professionals prepared to respond immediately to intentional and unintentional animal and plant health emergencies. Program personnel investigate reports of suspected exotic pests and diseases and take emergency action if necessary. APHIS also actively engages State, Tribal, and local governments, and industries to advance their emergency preparedness and response capabilities. Funding for these activities is $21.8 million of the total amount and can be found within the Veterinary Diagnostics, Emergency Preparedness and Response, and National Veterinary Stockpile line items.

Invasive Species

Mr. Aderholt: Please provide the Subcommittee with any new innovative methodologies used by APHIS to combat invasive species.

Response: APHIS uses a variety of approaches and tools to combat invasive species and continually works to refine and enhance its methods, while searching for methods that fit particular pest situations and meet the needs of farmers, including organic producers. APHIS also takes advantage of new technologies and works to build them into its programs. For example, APHIS is developing sophisticated, risk-based computer models to guide field activities and manage resources for its pest programs. APHIS has also expanded the use of traditional tools, such as detector dogs, to help find agricultural pests like snails and Asian longhorned beetle (rather than only detecting food items at ports of entry).
APHIS is also using innovative methods to target invasive wildlife species, including the brown tree snake on Guam and the Burmese python in Florida. Along with the U.S. Department of Defense, U.S. Department of the Interior, and the Guam Department of Agriculture, APHIS is evaluating the use of aerial broadcasts of acetaminophen-treated mice baits to target brown tree snake in remote, forested areas. Preliminary data after the bait drops indicates a reduction in brown tree snake activity, and APHIS will continue evaluating whether acetaminophen baits will provide a methods for operation control of

the snake population. The Burmese python is a semi-aquatic, invasive reptile that feeds on native species in Florida, where its coloration makes it difficult to detect. APHIS is developing methods to detect python DNA from environmental water samples that could improve monitoring and control efforts.

APHIS and cooperators are currently working through the recently established Multi-Agency Coordination (MAC) Group for Huanglongbing (HLB) to identify and develop ways to implement a variety of new and innovative tools to respond to this devastating citrus disease. The MAC Group is funding projects that will take new tools to fight HLB from the research arena into the field. Among the new tools is thermal therapy for HLB infected trees. This treatment involves heating infected trees to kill the HLB-causing bacterium, allowing infected trees to become productive and reducing the potential for disease spread. Another new tool being implemented for HLB includes the use of antimicrobials to target the bacterium. APHIS also uses biological control, or the use of natural enemies, to control a variety of insects and weeds. APHIS is currently expanding its biological control efforts for the Asian citrus psyllid, which vectors HLB. The MAC Group is preparing to solicit suggestions from the citrus industry and research community and others for additional methodologies and projects to fight HLB.

One of the innovative methods that APHIS uses on an ongoing basis is sterile insect technology (SIT), which involves the release of sterile insects that mate with their wild counterparts and interrupt normal reproduction. APHIS first used SIT in combating and preventing outbreaks of the Mediterranean fruit fly (Medfly) in California and Florida and established Preventive Release Programs (PRPs) with State cooperators. In the PRP, sterile Medflies are released continually in areas that historically experienced Medfly outbreaks and numerous eradication operations. These efforts have proven very successful, with few outbreaks occurring in areas covered by the PRP. SIT is also used to eradicate outbreaks of Medfly when they occur. APHIS also uses SIT for the Mexican fruit fly, pink bollworm, and screwworm.

Other innovative methods include the use of pheromones to disrupt pests' normal reproduction and population growth. For example, APHIS is successfully using mating disruption pheromones to help eradicate European grapevine moth and control gypsy moth. Another innovative and environmentally friendly control tool is Bacillus thuringiensis, a toxin used in the boll weevil eradication effort and for a variety of moth pests, including gypsy moth. APHIS will continue to look for and develop new and innovative control methods for its invasive species programs.

Overseas Offices

Mr. Aderholt: How often does APHIS re-evaluate missions to overseas offices?

Response: APHIS conducts ongoing evaluations of overseas operations and post locations as needed to make sure our resources are strategically located to reduce risks to U.S. agriculture and to best facilitate safe agricultural trade along with expanded U.S. market opportunities. APHIS considers the needs related to trade facilitation, ongoing safeguarding programs, and Agency mission and budget priorities when evaluating locations. In FY 2013, APHIS closed offices in Canada, Honduras, and Sao Paulo, Brazil. The Agency determined that it could consolidate its trade and safeguarding

activities through other offices and provide more cost-effective service. APHIS will continue to analyze ongoing priorities and related global dynamics as well as funding levels when it decides to maintain or close existing offices or open new offices.

Mr. Aderholt: How does APHIS make annual resource allocation decisions to overseas offices? Please note any consideration of performance measures associated with this decision making process.

Response: APHIS makes allocation decisions for its overseas offices based on ongoing safeguarding activities or concerns, the potential impact a trading partner may have on U.S. agricultural trade, office workload, presence of international organizations for leveraging resources, and other Federal priorities and initiatives. Additional factors are the number of employees required to deliver the Agency's mission in a given location and the operating cost in each location where APHIS has an office. Top priorities for overseas offices include opening and maintaining agricultural trade markets; facilitating the release of U.S. shipments held up in foreign ports; and overseas collaboration with foreign governments on programs to monitor and respond to potentially harmful invasive species and diseases and prevent their spread to the United States. APHIS considers all of these aspects when determining what resources it needs in each location.

Mr. Aderholt: What factors does APHIS consider for both new and continuing overseas activities? Please note any consideration of performance measures associated with this decision making process.

Response: APHIS considers factors such as how the post supports APHIS' mission (including trade facilitation, agricultural health safeguarding, and capacity building); how the post supports the larger U.S. Government's international priorities (including USDA's Feed the Future initiative, the State Department's Biosecurity Engagement Program, the Department of Defense's Cooperative Biological Engagement Program, and the African Growth and Opportunity Act); and logistical concerns such as safety and security. In recent years, APHIS has focused on the highest-priority activities and locations and reduced its presence in lower priority areas. For example, after years of close coordination and resource allocations to establish trade facilitation and safeguarding, in Canada, Honduras, and Sao Paulo, Brazil, APHIS has closed these foreign offices. APHIS will continue to provide capacity building to these regions to enhance and maintain trade relationships, while shifting limited resources to existing foreign office locations. Doing this has enabled APHIS to continue to support its mission overseas, while ensuring the most efficient use of resources.

Information Systems

Mr. Aderholt: Please provide a table showing a complete breakout of the appropriated funds for information systems acquisition and the purpose of the acquisition for fiscal years 2010 through 2013 as well as estimates for fiscal years 2014 and 2015.

Response: The information is submitted for the record.

[The information follows:]

APHIS Information Technology Infrastructure
Obligations By Purpose/Category
FY 2010 - FY 2015
(Dollars in Thousands)

Purpose	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 (Est. Budget Authority)	FY 2015 (Est. Budget Authority)
Hardware Acquisitions	$293	$338	$681	$243	$240	$230
Hardware Maintenance	1,706	1,785	231	308	280	385
Software Acquisitions	365	267	366	229	482	381
Software Maintenance	2,049	2,220	3,216	3,091	3,147	3,150
Cloud Computing	0	0	0	50	102	105
Totals	$4,413	$4,610	$4,494	$3,921	$4,251	$4,251

The APHIS Information Technology Infrastructure program provides funding for the hardware, software (including licensing and supports costs) and telecommunications infrastructure that gives Agency employees office automation tools, Internet access and access to mission-critical programs and administrative applications. The program supports the stable and secure information infrastructure for those mission-critical applications and the day-to-day business of APHIS. APHIS has been able to maintain the same level of infrastructure, at a reduced cost, due to the retirement of a server operating system, and the transition to a new email platform. A similar level of funding is anticipated in future years to maintain current levels of licensing and maintenance.

Regulatory Enforcement

Mr. Aderholt: How many animal and plant health regulatory enforcement violation cases are pending at the agency? How many cases did APHIS close or complete in fiscal years 2010 through 2014 to date?

Response: As of April 2, 2014, APHIS had 440 open investigations involving alleged violations of animal and plant health regulatory provisions, and 871 non-investigated reports of violation involving animal and plant health regulatory provisions. A non-investigated report of violation contains adequate evidence to support an enforcement action (generally an official warning or modest pre-litigation monetary penalty) without the need for a full investigation.

The information below is submitted for the record.

[The information follows:]

ANIMAL AND PLANT HEALTH REGULATORY ENFORCEMENT
VIOLATION CASES

Category	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014 (As of April 2, 2014)
Closed/Completed Cases	5,491	5,676	4,186*	4,519	1,841

* In FY 2012, APHIS made a number of improvements to its business processes to expedite the processing time for enforcement actions including violations that posed the greatest risk to animal and plant health. The Agency developed criteria to focus resources on the highest priority cases and expeditiously resolving hundreds of lower priority cases to reduce the overall backlog of cases.

Foreign Animal Disease Training

Mr. Aderholt: How many training courses were provided in fiscal year 2013 and planned for in fiscal year 2014 to increase foreign animal disease awareness, where were they conducted, what was the number in attendance, and what did they cost?

Response: The information is submitted.

[The information follows:]

FOREIGN ANIMAL DISEASE (FAD) TRAINING
FY 2013

COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Veterinary Laboratory Diagnostic Training	FADDL, Plum Island, NY	28	$40,185
Foreign Animal Disease Diagnostician (FADD) Training Course for APHIS, State, and Military Veterinarians*	FADDL, Plum Island, NY	32	$15,607
Foreign Animal Disease (FAD) Investigation Refresher Course	National Veterinary Services Laboratory (NVSL), Ames, Iowa, portions broadcast from the FADDL, Plum Island, New York	15	$6,907
Area FADD Response Refresher Course - Texas and Oklahoma	Denton, TX	35	$8,513
Area FADD Response Refresher Course - Tennessee	Nashville, TN	39	$7,653
Wildlife Seminar for Emergency Animal Disease Preparedness	University of Georgia, Athens, GA	31	$1,369
Smith-Kilborne Program, Cornell University	Ithaca, New York, and the FADDL, Plum Island, NY	31	$95,425
FAD Investigation Refresher Course	NVSL, Ames, Iowa, broadcast from the FADDL, Plum Island, NY	18	$5,500
FADD Training Course for APHIS, State, and Military Veterinarians*	FADDL, Plum Island, NY	29	$23,338
Area FADD Response Refresher Course	East Lansing, MI	23	$6,352
Area FADD Response Refresher Course	Manhattan, KS	28	$5,171
University of Tennessee Foreign Animal and Emerging Disease(FAED) Training	Knoxville, TN	31	$7,299
Live Bird Marketing System	Pomona, CA	44	$19,915
Bovine Spongiform Encephalopathy & Chronic Wasting Disease Training	Ames, Iowa	2	$2,896
International Visitor Leadership Program	Ames Iowa	10	$1,500

COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Specimen Sample Collection	Philippines	15	$51,000
Field Tools for Diagnosis of Poultry Diseases	Senegal	18	$32,000
Field Tools for Diagnosis of Poultry Diseases	Burkina Faso	18	$32,000
Emergency Poultry Diseases Management Training	Newark, DE	14	$75,000
Risk Analysis Training	Mexico	20	$5,000
Trinidad and Tobago One Health Conference	Trinidad & Tobago	1	$4,000
Prophylactic Harmonization Workshop	Togo	12	31,630
National Veterinary Services Laboratory Glanders Diagnostic Test Development	Brazil	4	$2,500
OIE Twinning Project, Virus Propagation	Argentina	4	$11,000
Foot-and-Mouth Disease Workshop	Austria	1	$5,350

*An Interagency Agreement was in place with the Department of Defense to send attendees to FADD courses sponsored by USDA/APHIS. The total of this agreement reduced the cost of each FADD course by $43,000. Two of these courses are provided each year.

PLANNED FY 2014

COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Area FADD Response Training	Sacramento, CA	37	$8,500
Veterinary Laboratory Diagnostic Training	FADDL, Plum Island, NY	21	$43,000
FADD Training Course for APHIS, State, and Military Veterinarians	FADDL, Plum Island, NY	27	$19,000
FAD Inspection Refresher Course	NVSL, Ames, Iowa, portions broadcast from the FADDL, Plum Island, NY	16	$6,400
Area FADD Response Training (District 1)	Albany, NY	32	$3,500

COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Wildlife Seminar for Emergency Animal Disease Preparedness	University of Georgia, Athens, GA	26	$935
Smith-Kilborne Program	Riverdale, MD, and the FADDL, Plum Island, NY	30	$35,000
FAD Inspection Refresher Course	NVSL, Ames, Iowa, broadcast from the FADDL, Plum Island, NY	21	$20,000
FADD Training Course for APHIS, State, and Military Veterinarians	Plum Island, NY	35	$19,000
Area FADD Response Training (District 6)	New Mexico	35	$7,000
Workshop on epidemiology of avian influenza and other highly contagious diseases	Uruguay	1	$5,300
FADD Course	Plum Island, NY	3	$10,000
Risk Assessment Training for Dominican Republic and Haiti Veterinary Services	Dominican Republic	13	$3,000
Porcine Epidemic Diarrhea Virus diagnostic assistance	Ames, Iowa	1	$2,000
Laboratory Assessment for Equipment	Togo	4	$3,000
SPS Risk Assessment and Regulation	Ethiopia	28	$200,000
FMD and Brucellosis Proficiency Testing ISO 17043	Thailand	33	$28,000
Train the trainer workshop on Epidemiology Training - RANEMA FLU	Dominican Republic	15	$27,000
Practical tools for surveillance of wild birds' diseases threatening domestic birds and human health (e.g., Avian influenza, West Nile virus, Salmonella)	Senegal	15	$28,000

COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Training on packaging and shipping laboratory specimens in compliance with International Air Transport Association regulations	Dominican Republic	100	$20,500
Highly Pathogenic Avian Influenza simulation exercise	Guatemala	35	$12,000
Laboratory Training	El Salvador	7	$12,000
Veterinarian Epidemiology workshop applied on poultry health programs	Brazil	32	$107,000
Emergency preparedness for surveillance and control of potential outbreaks of Avian Influenza	South Africa	15	$27,000
Regional Workshop on Molecular Diagnostics for Avian Influenza and Newcastle Disease and Roundtable on Options for Laboratory Networking	Brazil	20	$40,000
National Poultry Improvement Plan Workshop for Gulf Cooperation Council Countries & Yemen	United Arab Emirates	22	$62,000
Emergency Poultry Disease Response Training (Univ. of Delaware)	Newark, DE	22	$174,000
Sampling Procedures & Diagnostic Techniques of Priority Poultry Diseases	Burkina Faso	11	$33,000
International Diagnostic Laboratory Network Training Course	Ames, IA	21	$50,000
International Transboundary Animal Disease Course	Plum Island, NY	24	$50,000

*An Interagency Agreement is in place with the Department of Defense to send attendees to FADD courses sponsored by USDA/APHIS. The total of this agreement reduced or will reduce the cost of each FADD course by $40,000. Two of these courses are provided each year.

Please Note: The costs shown in the tables above consist entirely of appropriated funds, but they do not include the personnel costs associated with the staff coordinating these training courses. They include costs for speaker travel and, in rare cases, participant travel. Several factors impact the cost of training, which can vary widely. APHIS actively collaborates with outside sources to meet the needs of countries if the Agency's resources are not available. Training costs can vary due to factors such as the delivery method, length of the course, cooperator contributions, participant travel, and the locations of the trainings. APHIS conducts additional training for foreign officials at the request of and with reimbursement from other entities.

GIPSA Performance Measures

Mr. Aderholt: Please provide the Subcommittee with a few particular performance measures over the past year that show the agency's overall progress.

Response: GIPSA measures the overall performance of the Packers and Stockyards Program (P&SP) by calculating a composite index of five program-wide audit and inspection activities that directly or indirectly influence industry compliance. P&SP calculates the percent of industry entities in compliance using random samples designed to provide an estimate of compliance with a 90-percent confidence level for the estimated population. P&SP agents reviewed the target operation at the subject entity for compliance with the P&S Act and regulations. In FY 2013, GIPSA realized a compliance level of 83 percent. In FY 2014, GIPSA realized a compliance level of 84 percent.

For the overall performance of the Grain Regulatory Program, GIPSA annually measures the percent of market-identified quality attributes needed for trading for which GIPSA has provided standardization. GIPSA addresses market needs by ensuring the market relevance and value of the official standards and procedures for grains, and by developing new tests that measure market-relevant grain quality attributes. In FY 2013, GIPSA was able to provide standardization for 92.7 percent of market identified attributes.

Mr. Aderholt: Please describe the latest performance results within the Packers and Stockyards area of responsibility.

Response: P&SP measures its overall performance by annually measuring the regulated entities' compliance with the P&S Act. The performance measure encompasses activities P&SP conducts that directly or indirectly influence industry compliance. P&SP's overall performance rate is a composite index of five program-wide audit and inspection activities based on a scientifically-drawn random sample of subject entities. In FY 2013 the index included: 1) the financial components of the poultry contract compliance; 2) financial reviews of custodial accounts; 3) financial reviews of prompt payments of a random sample of firms; 4) inspection of scales and weighing practices at markets, dealers, and live poultry dealers, and 5 inspection of all dynamic scale systems and a random sample of scales, trolleys and weighing practices

at packing plants purchasing more than 1,000 head of livestock per year. In FY 2013, GIPSA realized an 83 percent level of industry compliance, exceeding its goal of 81 percent industry compliance.

Mr. Aderholt: Please describe the latest performance results in the area of grain inspection and weighing.

Response: In the area of grain inspection and weighing, GIPSA assesses its performance by determining the percent of market-identified quality attributes needed for trading for which the agency has provided standardization. In FY 2013, GIPSA was able to provide standardization for 92.7 percent of market identified attributes. Our current performance level for FY 2014 is 95 percent of market identified quality attributes that have been met. GIPSA's Federal Grain Inspection Service identified a list of 24 additional standards or factors, i.e. 'market needs' that it intended to address over the FY 2010-2015 period.

Livestock Marketing Rule

Mr. Aderholt: What steps is GIPSA taking to carry out the language in Section 744 of the fiscal year 2014 Omnibus?

Response: General Provision 744 prohibits the Agency from using funds to write, prepare, or publish a final rule or interim final rule in furtherance of, or otherwise to implement certain proposed regulations unless the combined annual cost to the economy of such rules does not exceed $100 million or such rules have already been published. Further, General Provision 744 specifically references proposed regulations consisting of: three definitions; a provision regarding applicability of the regulations to enforce the Packers and Stockyards Act; a provision describing unfair, unjustly discriminatory and deceptive practices or devices; a provision describing undue or unreasonable preferences or advantages; undue or unreasonable prejudice or disadvantages; a provision regarding livestock and poultry contracts; and a provision regarding tournament systems. GIPSA is not expending any funds on the specific proposed rules referenced in the General Provision or any other proposed rules other than those that were published on December 9, 2011, titled "Implementation of Regulations Required Under Title XI of the Food, Conservation and Energy Act of 2008; Suspension of Delivery of Birds, Additional Capital Investment Criteria, Breach of Contract, and Arbitration" (76 F. Reg. 76874).

U.S. Exports

Mr. Aderholt: Please provide a description of GIPSA's involvement with biotechnology and U.S. exports

Response: GIPSA's Federal Grain Inspection Service (FGIS) provides a Biotechnology Proficiency Program involving 160 organizations on five continents (Africa, Asia, Europe, and North and South America), with more than 80 percent of the participants from organizations outside the U.S. FGIS disseminates blind test samples to participants bi-annually and compiles and disseminates the results of tests. This program, which FGIS initiated in 2002, enables organizations to assess and improve their accuracy and precision in identifying genetically-engineered(GE) events in grains and

oilseeds, and it gives grain buyers and sellers confidence in the results produced by genetically engineered (GE) testing laboratories.

FGIS responds to inadvertent releases of unapproved traits into the marketplace. In recent years, a few instances of inadvertent releases of unapproved GE events into the U.S. grain handling system have occurred. When such an inadvertent release occurs, a rapid response is necessary to identify and validate methods to detect the trait and thereby protect the integrity of U.S. grain markets. The testing methods must be highly specific and sensitive to effectively maintain confidence in U.S. grain marketing systems. Current detection methods within FGIS' Biotechnology Laboratory focus on high-throughput DNA extraction methodologies which will enable FGIS to more effectively respond to inadvertently released products. FGIS has developed high throughput DNA extraction methods for corn, soybeans, wheat, and rice. FGIS assists government and private laboratories that use protein and DNA-based technologies by performing impartial third-party verification of their methods for both qualitative and quantitative detection of transgenic events in GE crops. FGIS involvement in responding to such incidents facilitates harmonization of sampling plans and of international testing for GE grains and oilseeds. FGIS provides expertise to USDA's Animal and Plant Health Inspection Service (APHIS) when responding to inadvertent releases of unapproved GE events.

FGIS evaluates and certifies Biotechnology rapid test kits. The grain industry needs fast, reliable tests to detect the presence of GE traits in grains. To ensure that commercially available tests provide reliable results, FGIS offers a performance evaluation and certification program. In FY 2014, no qualitative test kits were submitted for the evaluation process. To respond to emerging technology, GIPSA will initiate the implementation of a Quantitative GE Rapid Test Kit Program in FY 2015.

Mr. Aderholt: Please describe GIPSA's overall involvement in the facilitation of U.S. trade and how the agency works with other parts of USDA or other parts of the federal government to assist with U.S. exports.

Response: GIPSA provides the U.S. grain industry with an efficient, reliable, and accurate inspection system. Through a unique network of Federal, State, and private official service providers, the Federal Grain Inspection Service provides the grain industry with an independent third party quality assessment through the establishment and uniform application of the U.S. Grain Standards, using uniform sampling and testing procedures, as well as approved equipment.

GIPSA further facilitates trade by providing technical assistance and training in the U.S. and abroad to importers, traders, end-users, and other government officials to gain a better understanding of the U.S. grain marketing system, grain standards, and inspection methods and procedures. These activities include representing USDA at grain marketing and grain grading seminars, meeting with foreign governments and grain industry representatives to resolve grain quality and weight discrepancies, helping other countries develop domestic grain and commodity standards and marketing infrastructures, assisting importers with quality specifications, and training local inspectors in U.S. inspection methods and procedures. These activities foster a better understanding of the entire U.S. grain marketing system and serve to enhance purchasers' confidence in U.S. grain.

GIPSA works with APHIS, the Foreign Agricultural Service (FAS), Farm Service Agency (FSA), U.S. Agency for International Development (USAID), and the Office of the U.S. Trade Representative (USTR) to resolve technical barriers to U.S. grain trade to maintain and expand U.S. grain markets.

Other USDA and U.S. Government agencies are also concerned with the quality and wholesomeness of U.S. grain exports. GIPSA works closely with these agencies in fulfilling their missions. GIPSA has a written, established agreement with the Food and Drug Administration (FDA), whereby we report grain found to contain objectionable or unwholesome materials.

GIPSA also has an agreement with APHIS to assure that quarantined pests, such as prohibited insects, are not permitted to enter a specific country. Under this agreement, GIPSA reports insects found during our inspection.

Grain Regulatory Program

Mr. Aderholt: GIPSA is seeking an increase of $357,000 for the Grain Regulatory Program to purchase necessary capital equipment. How will this increase combine with funding provided in previous fiscal years to provide GIPSA with the equipment necessary to conduct tests on U.S. grains for export? How will such new equipment improve performance or quality of U.S. grains?

Response: This increase in funding will complement previous funding. The specificity, accuracy, and precision of laboratory instrumentation developed for analyzing grains, oilseeds, and related agricultural products is constantly improving. Therefore, GIPSA must continue to upgrade its equipment in order to keep pace with these developments and be able to provide the level of performance expected by its trading partners, both domestic and international. Additionally, because of the age of the equipment, there is increased risk that manufacturer support will be unavailable in the future due to the unavailability of replacement parts. Finally, the increased sensitivity and faster analysis times of the newer equipment can lead to a more efficient and less costly program.

GIPSA Information Technology Spending

Mr. Aderholt: How much does GIPSA plan to spend on IT purchases in fiscal years 2014 and 2015? How much did the Agency spend on IT purchases in fiscal years 2012 and 2013?

Response: GIPSA has projected to spend $3.4 million for each fiscal years 2014 and 2015. For fiscal years 2012 $3.2 million was spent, and for fiscal year 2013 $3.7 million was spent on IT purchases.

P&S Act Regulatory Enforcement

Mr. Aderholt: Were there any violation cases pending at the end of fiscal year 2013? What is the status of those violation cases to date in fiscal year 2014?

Response: At the close of FY 2013, P&SP had 201 cases open that had been referred to headquarters from the field. At the close of FY 2014, 110

of these cases remained open, 24 within P&SP, 71 with the Office of the General Counsel and 15 with the Department of Justice. P&SP closed 91 of those cases, 46 with civil penalties, 12 involved a suspension and civil penalty, 9 cases were settled by stipulation, and the remaining 24 were closed with no action taken, no sanction, or other.

Mr. Aderholt: How many violation report calls did you receive in fiscal years 2012 and 2013? How many were investigated? What is the nature of violations reported?

Response: In FY 2012, GIPSA was informed through calls, its own audits, inspections, and market monitoring of 3,044 instances of alleged violations. All of these allegations were opened as investigative cases. In the livestock industries, 22 were allegations of competition violations, 1,493 were allegations of financial violations, and 1,408 were allegations of trade practice violations. In the poultry industry, 2 were allegations of competition violations, 21 were allegations of financial violations, and 98 were allegations of trade practice violations.

By comparison, in FY year 2013, GIPSA was informed through calls, its own audits, inspections, and market monitoring of 2,481 instances of alleged violations. All of these allegations were opened as investigative cases. In the livestock industries, 24 were allegations of competition violations, 1,278 were allegations of financial violations, and 1,083 were allegations of trade practice violations. In the poultry industry, there was 1 allegation of competition violation, 14 were allegations of financial violations, and 81 were allegations of trade practice violations.

Poultry Compliance Complaints

Mr. Aderholt: Please provide the Subcommittee with a table showing the number of poultry compliance complaints received in fiscal years 2009 through 2013 and the number of related investigations.

Response: GIPSA investigates all complaints. The information is provided, for the record, below.

[The information follows:]

Poultry Complaints and Investigations, 2009-2013

Fiscal Year	Number of Complaints	Number of Investigations
2009	84	84
2010	108	108
2011	116	116
2012	124	124
2013	92	92

Mr. Aderholt: What was the nature of the poultry complaints received in the most recent year?

Response: All poultry complaints led to an investigation; however, few led to further enforcement. Of the various types of complaints, only those involving payment practices (failure to pay, failure to pay when due) and the poultry trust can be enforced through an administrative complaint and hearing. All other violations, including the most frequent complaints about poultry contract compliance and poultry grower termination, must be enforced by the attorney general in federal court. Several federal courts, in private litigation, have held that violations of the P&S Act require proof of harm to competition or the potential of harm to competition. As a result, GIPSA believes that it has not been able to adequately address potential claims of violations of the P&S Act brought by poultry growers who allege unfair treatment, when the injury does not directly harm competition. The information on poultry complaints is provided, for the record, below.

[The information follows:]

Nature of Poultry Complaints and Investigations, 2013	Number
Contract Poultry Arrangements	5
Delinquent Report	1
Failure to Pay	6
Failure to Pay When Due	1
Failure to Remit Proceeds	1
Feed Checkweighing	9
Financial Instrument Discrepancy/Not Received	3
Payment Practices	3
Poultry Checkweighing	1
Poultry Compliance	20
Poultry Trust	1
Preferential Treatment	1
Registration/Jurisdiction	2
Scales	7
Unfair/Deceptive Practices	30
Weighing Practices	1
Total	92

Mr. Aderholt: How many investigations were done in the most recent year?

Response: In FY 2013, P&SP opened 2,481 investigations, of which 2,456 were alleged violations for financial or trade practice behaviors. During the fiscal year, P&SP closed 2,272 cases without referring them to the Office of the General Counsel (OGC). Another 133 cases were resolved that had been referred to OGC, including 12 that had been referred further to the Department of Justice.

Mr. Aderholt: Please provide a table showing dealer/order buyer financial failures to include FY 2010 through 2014 to date. Please provide an assessment of the data.

Response: From 2010 through 2014, the number of dealer bond claims closed each year as a result of financial failure ranged from 3 to 14. Producers received 47 percent of amounts owed to them in 2011, a substantial

improvement over the prior year but recovery rates were less than 10 percent in both 2013 and 2014.

Bond claims closed may be for financial failures that occurred during that year or in prior years. For instance, beginning in March 2014, producers received bond payments for losses incurred as a result of the Eastern Livestock failure in November 2010 (FY 2011). These losses and restitution are included in the figures for 2014.

Response: The information is provided, for the record.

[The information follows:]

Total Dealer Financial Failure and Restitution, 2010-2014

				Closed, Restitution		
Fiscal Year	Number of Failures		Closed, Owed for Livestock	From Bonds	From Other Sources	Closed Recovery
	Open	Closed	($)	($)	($)	(%)
2010	2	7	$213,332	$20,000	0	9
2011	6	14	878,620	407,105	$4,479	47
2012	3	3	512,255	100,000	40,600	27
2013	2	5	5,488,753	274,629	1,128	5
2014	1	5	20,580,538	825,831	925,791	9

Table Note: Entries show the number of firms that have claims open at year-end and those cases that have closed at year-end. Dollar amounts are for failures with claims closed as of the most recent year-end, so historical data may have been updated to reflect any settlements after the year the failure occurred.

Market Concentration and Competition

Mr. Aderholt: Please provide a table showing firm concentration ratio for steer and heifer slaughter, sheep and lamb slaughter, and hog slaughter to include data for 2010 through 2013.

Response: The information for steer and heifer slaughter, sheep and lamb slaughter, and hog slaughter is provided below.

[The information follows:]

Four-firm Concentration in Livestock Slaughter by Type of Livestock, 2010 -2013

Fiscal Year	Steers & Heifers (%)	Sheep & Lambs (%)	Hogs (%)
2010	85	65	65
2011	84	59	64
2012	81	56	66
2013	85	60	64

Mr. Aderholt: Please update the table that appears in last year's hearing record showing the number of slaughtering and processing packers subject to the Packers and Stockyards Act since fiscal year 2008.

Response: The information on number of slaughtering packers is provided below.

[The information follows:]

Number of Slaughterers Subject to the Packers and Stockyards Act, 2008-2013

Fiscal Year	Bonded Slaughter Firms	Non-bonded Slaughter Plants*
2008	281	471
2009	284	488
2010	233	495
2011	258	509
2012	287	537
2013	289	535

* The number of non-bonded slaughter plants equals the number of Federally Inspected (FI) slaughter plants minus the number operated by reporting packers. This is an estimate of the number on non-bonded slaughter firms (operating FI plants that are not required to be bonded because they purchase less than $500,000 of livestock per year). The number includes slaughtering plants that also do processing, but it excludes non-FI plants. There are an estimated 40 state-inspected plants.

Because non-slaughtering packers do not purchase from livestock sellers, they are not subject to the payment provisions of the P&S Act or GIPSA's payment regulations. GIPSA does not collect annual reports or data such as prompt payment and bonds from this segment of the industry. GIPSA does, however, conduct investigations as needed.

Mr. Aderholt: Please provide a table showing the amount of funds spent on competition, fair trade practices, and financial protection for fiscal years 2008 through the projected level for fiscal year 2014.

Response: The information is provided below. These data are compiled as of fiscal year end. Partial data are not available.

[The information follows:]

Total Regulatory and Investigation Expenditures, 2008-2013

Fiscal Year	Regulatory (000)			Investigation (000)		
	Competition	Trade Practice	Financial	Competition	Trade Practice	Financial
2008	---	$3,664	---	$330	$6,220	$6,238
2009	$205	2,047	$3,281	245	3,330	9,244
2010	81	1,342	4,463	388	4,928	8,621
2011	183	924	2,141	414	8,909	6,464
2012	129	1,494	2,614	431	8,588	5,414
2013	26	1,298	2,360	101	5,029	9,139
2014	13	1,324	1,994	59	6,171	9,298

Table Note: For 2008, competition, trade practice, and financial regulatory activities were not differentiated

Mr. Aderholt: Please provide a table showing the number of auction market failures, the amount owed for livestock each year, and the amount recovered from bonds and other sources during each year from fiscal years 2008 through 2013. Provide the Subcommittee with an explanation of any changes in recovery rates.

Response: From 2008 through 2013 an average of 4.2 auction markets failed per year. On average, consignors received restitution of 48 percent payment of amounts owed to them, with a range of 8 percent to 98 percent restitution in any given year.

The information is provided for the record.

[The information follows:]

Total Auction Market Financial Failures and Restitution, 2008-2013

Fiscal Year	Number of Failures		Closed			
			Owed	Restitution		
	Open	Closed	Consignors ($)	Bonds ($)	Other ($)	Recovery (%)
2008	NA	6	602,100	237,734	352,111	98
2009	NA	7	981,189	261,498	1,365	27
2010	1	4	20,901	4,547	0	22
2011	0	4	158,279	0	89,586	57
2012	3	2	326,178	25,000	0	8
2013	0	2	109,492	82,953	0	76

Table Note: Starting in 2008, entries show the number of firms that have claims open at year-end and those cases that have closed at year-end; for past years, the total number of failures with claims closed is shown. Dollar amounts for all years are for failures with claims closed as of most recent year-end, so historical data may have been updated to reflect any settlements after the year the failure occurred.

Mr. Aderholt: Please provide a table showing what percentage of the livestock that is slaughtered annually comes from captive supplies and/or forward contracts to include the most recent fiscal year data available.

Response: The information is provided for the record.

[The information follows:]

Percent of Purchases by Type of Procurement Method, Fed Cattle, Hogs, and Lambs, Firms Reporting to P&SP, 2008-2013

Method	2008	2009	2010	2011	2012	2013
Fed Cattle						
Packer Owned	4.4	4.7	5.0	5.3	5.9	5.5
Forward Contract	10.8	8.4	10.6	12.1	10.9	9.7
Formula	34.4	36.5	39.3	43.2	49.2	55.4
Negotiated	50.5	50.4	45.1	39.4	34.0	29.4
Hogs						
Packer Sold	6.2	5.8	5.6	4.7	4.3	4.0
Packer Owned	24.4	25.2	26.7	27.8	28.0	29.2
Negotiated	8.5	6.8	5.2	4.4	3.6	3.3
Market Formula	37.6	43.5	38.7	38.4	40.4	41.6
Other Arrangements	23.3	18.6	23.9	25.1	23.7	21.9
Lambs						
Packer Owned	20.0	18.1	24.2	36.6	24.8	23.6
Formula	66.7	69.4	58.0	39.3	55.6	53.1
Negotiated	13.3	12.4	17.8	24.0	19.6	23.3

Market Audits

Mr. Aderholt: Please provide a table showing the number of market audits conducted on custodial accounts, the number of markets with shortages, the total dollars involved, and the amount restored from fiscal years 2008 to 2013.

Response: The requested information is provided below.

[The information follows:]

Number of Market Audits and Shortages Corrected Through On-Site Investigations, 2008-2013

Fiscal Year	Custodial Account Audits	Markets with Shortages	Amount Restored by On-Site Investigations
2008	176	62	$5,022,966
2009	383	181	2,581,725
2010	297	79	3,402,608
2011	318	96	2,861,471
2012	331	105	5,960,677
2013	423	158	3,364,543

Limitation on Inspection and Weighing Services

Mr. Aderholt: What was the carryover for the Limitation on Inspection and Weighing Services Expenses account into fiscal year 2014 and what is the estimated carryover into fiscal year 2015?

Response: At the beginning of FY 2014, the level of reserve funding in GIPSA's user fee accounts was $12.4 million. According to GIPSA's 2014 third quarter financial statements, we are estimating to carry over $12.9 million into FY 2015.

QUESTIONS SUBMITTED BY CONGRESSMAN TOM LATHAM

Livestock Transportation

Mr. Latham: As you know we are quickly approaching the point where excessive heat is going to become a factor in the transportation of livestock across the country. I know that the USDA, APHIS' Veterinary Services division has had discussions with the Department of Transportation (DOT) regarding an important consideration as we enter the summer months. Last summer there was a 90 day exemption granted for Commercial Motor Vehicles which were hauling livestock during the peak of the summer season for rules related to stopping their vehicles and leaving the livestock in the sweltering heat. I would hope that USDA would act on behalf of our livestock producers in working with the DOT to arrive at a reasonable accommodation in order to resolve what would seem to me to be an obvious problem.

I believe that DOT has started the process moving forward in order to try to reach a solution prior to the summer months.

I would like to know if you are familiar with the status of efforts to resolve this issue and I would also strongly encourage you to be an advocate for the Agriculture community in helping to bring this issue to a successful and timely conclusion.

Response: USDA is aware of the issue and will continue to engage with the livestock industry and the DOT to address this issue as it evolves.

QUESTIONS SUBMITTED BY CONGRESSMAN DAVID VALADAO

BSE Comprehensive Rule

Mr. Valadao: After your sector group meetings you chose to address both Huanglongbing (HLB) and bovine spongiform encephalopathy (BSE), pointing out that they are both urgent concerns. In November APHIS published a comprehensive rule to address BSE to better demonstrate to our export community the United States continued efforts to base regulations on internationally accepted scientific literature and guidelines. It is with this rule that the Agency hopes to convince other countries to remove any remaining restrictions on U.S. cattle or cattle products. California beef production is a $3.3 billion industry and in the past few years has detected and effectively removed BSE so I am especially interested in this development.

What, if any, actions prompted this expectation and have discussions with our trading partners given your confidence that their bans would be lifted?

Response: APHIS' expectation that our trading partners will remove remaining restrictions on U.S. cattle and cattle product imports was based on our discussions with them. In these discussions, the Agency requested that they accept U.S. products in accordance with the World Organization for Animal Health (OIE) guidelines. They would, in return, ask if the United States accepted imports in accordance with the same guidelines. We could not answer affirmatively until we changed our regulations.

Last year, the OIE upgraded the United States' status regarding bovine spongiform encephalopathy (BSE) to "negligible risk." This upgrade, in addition to the publication of our final rule regarding BSE import restrictions, has helped in our negotiations to remove BSE restrictions on U.S. beef exports. These negotiations led to the lifting of BSE restrictions on U.S. beef exports to Hong Kong, Japan, Bahrain, Mexico, Indonesia, Panama, Peru, Trinidad and Tobago, and Turkey. In these negotiations, APHIS agreed to animal health requirements that were science-based, commercially viable for our U.S. exporters, and consistent with global BSE-related guidelines for trading bovine products.

In April 2014, APHIS reached agreement with Mexico to remove BSE-related restrictions, thereby allowing greater access for U.S. beef and beef products. Before this agreement, Mexico did not allow beef imports of U.S. cattle older than 30 months due to BSE concerns with older cattle. However, after the OIE recognized the U.S. status as negligible risk, and after a year of intensive technical dialogue, Mexico lifted its BSE restrictions, allowing a broader scope of beef products to enter its market. Similar to our recent agreement with Mexico, we have been successful in leveraging our improved BSE status with several other trading partners to remove restrictive BSE measures and enhance market access for U.S. beef and beef products.

National Clean Plant Network

Mr. Valadao: The fruit and tree nut growers in my district recognize the great value of the National Clean Plant Network (NCPN), which is already funded as part of the new farm bill's Horticulture title. In the scope of things the NCPN is a pretty small program but it plays a vital role in

supplying clean, pathogen-tested planting stock, often of the newest varieties developed around the world, to our growers. This helps U.S. growers' competitiveness and profitability.

The NCPN is already funded through the farm bill, and I hope you will continue to maintain it as a high priority. The program covers a limited group of high-value specialty crops, and others could benefit. In my district I have a number of rose growers, for example, that needs fast but safe access to new varieties that are free from serious viruses and other diseases.

What are your views on the possibility of expanding the program to include other crop groups even as early as FY 2015?

Response: Since FY 2009, the National Clean Plant Network (NCPN) has provided high quality asexually propagated plant material free of targeted plant pathogens and pests that cause economic loss to protect the environment and ensure the global competitiveness of specialty crop producers.

APHIS is very receptive to expanding the NCPN to include additional crop groups. In fact, since FY 2009 when the program began and covered only fruit trees and grapes, the Agency has expanded the NCPN to include citrus, berries, and hops. Our ability to include additional crop groups is dependent on what cooperators submit each year in terms of potential agreements and the variety of crops they include.

QUESTIONS SUBMITTED BY CONGRESSWOMAN ROSA DELAURO

Trade and Imports

Ms. DeLauro: What is the role that AMS and APHIS play in our trade dispute resolutions and ensuring that imported foods and food products are safe?

Response: Trade dispute resolutions involve legal procedures established by the World Trade Organization and other regional and bilateral trade pacts to which the United States belongs. Although the United States Trade Representative manages formal trade disputes, APHIS' responsibility is to provide the technical and regulatory policy perspective regarding U.S. plant and animal health protection.

APHIS' role in ensuring the safety of imported foods and food products is limited to the impact these imports could have on U.S. agriculture, livestock, and the environment. APHIS' primary focus is to ensure that America's animals and plants are protected from pests and diseases and to certify that the millions of U.S. agricultural and food products shipped to markets abroad meet the importing countries' entry requirements. Once basic agreements are in place to allow U.S. exports, APHIS provides the technical expertise needed to successfully address any specific animal and plant health regulatory issues. It is this expertise, including the ability to certify the pest and disease status of the United States, that is critical in resolving sanitary and phytosanitary issues that could otherwise prevent trading partners from allowing or expanding market access for U.S. exports.

AMS addresses imports through our marketing orders and shell egg surveillance program. For marketing orders, AMS verifies that imports for certain commodities such as raisins, potatoes, and avocadoes meet U.S. standards for grade, size, quality and maturity. AMS implements this through inspection and certification of imported products prior to entering U. S. commercial channels. For shell eggs, AMS inspects shell eggs imported into the U.S. at the point of entry to ensure that they meet the same restricted egg requirements as domestic producers (e.g., cracked eggs must be destroyed or disposed of properly). If restricted eggs are diverted to a plant for processing and pasteurization, AMS tracks the movement of these eggs to verify that they are successfully diverted to a facility with FSIS oversight. If trade disputes arise as a result of these regulatory requirements, AMS also works closely with FAS to address these issues.

Ms. DeLauro: Lastly, I noted you testified to eliminating BSE-related restrictions on U.S. exports of beef and other bovine commodities to Japan, Bahrain, Mexico, Indonesia, Panama, Peru, Trinidad and Tobago, and Turkey. What did we agree to in order to get these restrictions lifted?

Response: Through bilateral dialogue and other fora such as the World Trade Organization - Sanitary and Phytosanitary Standards Committee, the United States encourages its trading partners to harmonize their national health standards with existing international standards and guidelines such as those established by the Codex Alimentarius for food safety, and the World Organisation for Animal Health (OIE) for animal health. For example, to get Bovine spongiform encephalopathy (BSE) restrictions lifted on U.S. beef exports to Japan, Bahrain, Mexico, Indonesia, Panama, Peru, Trinidad and

Tobago, and Turkey, we agreed to a set of animal health requirements that were science-based, commercially viable for our U.S. exporters, and consistent with global BSE-related guidelines for trading bovine products, such as milk, hides and skins, semen and embryos, tallow and blood. Last year, the OIE upgraded our country's BSE status to negligible risk. That upgrade and its ramifications for removing BSE restrictions on U.S. beef exports is a top U.S. government priority and has allowed the United States to make specific claims about the negligible risk that U.S. beef and bovine products on our Federal health export certificates.

In addition, APHIS reached agreement with Mexico in April 2014 to remove BSE-related restrictions, thereby allowing greater access for U.S. beef and beef products. Prior to this agreement, Mexico did not allow beef imports of U.S. cattle older than 30 months due to BSE concerns with older cattle. However, after the OIE recognized the U.S. status as negligible risk, and after a year of intensive technical dialogue, Mexico accepted a new U.S. Federal health export certificate that included attestations and specific claims about the negligible risk that U.S. beef and bovine products. Mexico subsequently published in its Official Gazette (Diario Oficial) new import regulations that removed its BSE restrictions on U.S. products, allowing a broader scope of beef products to enter its market. Similar to our recent agreement with Mexico, we have been successful in leveraging our improved BSE status with several other trading partners to remove restrictive BSE measures and enhance market access for U.S. beef and other bovine products, such as milk, hides and skins, semen and embryos, tallow and blood.

Ms. DeLauro: I understand from your testimony that Russia required us to meet their demands for zero tolerance regarding antibiotic usage. And you met their demand. The merits on antibiotic usage aside, it is remarkable that we simply adhere to another country's demands in front of an international body.

What was the process that occurred in the case with Russia and what precedent might that set for future WTO cases? You also testified to eliminating BSE-related restrictions on U.S. exports of beef and other bovine commodities to Japan, Bahrain, Mexico, Indonesia, Panama, Trinidad and Tobago, and Turkey. What did we agree to in order to get these restrictions lifted?

Response: The process that occurred in the case with Russia was unique and should not serve as a precedent for future WTO cases. Rather, through bilateral dialogue and other fora such as the World Trade Organization - Sanitary and Phytosanitary Standards (WTO-SPS) Committee, the United States encourages its trading partners to harmonize their national health standards with existing international standards and guidelines such as those established by the Codex Alimentarius - for food safety— and the World Organisation for Animal Health (OIE) - for animal health. For example, to get bovine spongiform encephalopathy (BSE) restrictions lifted on U.S. beef exports to Japan, Bahrain, Mexico, Indonesia, Panama, Trinidad and Tobago, and Turkey, APHIS agreed to a set of animal health requirements that were science-based, commercially viable for our U.S. exporters, and consistent with global BSE-related guidelines for trading beef and bovine products, such as milk, hides and skins, semen and embryos, tallow and blood.. Last year, the OIE upgraded our country's BSE status to negligible risk. That upgrade and its ramifications for removing BSE restrictions on U.S. beef exports is a top U.S. government priority and has allowed the United States to make

specific claims about the negligible risk that U.S. beef and bovine products on our Federal health export certificates.

In addition, APHIS reached agreement with Mexico in April 2014 to remove BSE-related restrictions, thereby allowing greater access for U.S. beef and beef products. Prior to this agreement, Mexico did not allow beef imports of U.S. cattle older than 30 months due to BSE concerns with older cattle. However, after the OIE recognized the U.S. status as negligible risk, and after a year of intensive technical dialogue, Mexico accepted a new U.S. Federal health export certificate that included attestations and specific claims about the negligible risk that U.S. beef and bovine products. Mexico subsequently published in its Official Gazette (Diario Oficial) new import regulations that removed its BSE restrictions on U.S. products, allowing a broader scope of beef products such as ground beef, head meat, weasands (beef carcass parts) and other organ meats to enter its market. Similar to our recent agreement with Mexico, we have been successful in leveraging our improved BSE status with several other trading partners to remove restrictive BSE measures and enhance market access for U.S. beef and beef products.

Chinese Chicken

Ms. DeLauro: As you may know I have deep concerns with the equivalence determination for processed poultry from China - a nation that has an atrocious food safety record - and the current course we are on to possibly allow poultry slaughtered into China to be imported here. I note that over 332,000 people, living in every state across the country, have signed petitions to ban the import of Chinese processed chicken into the United States. We have the safest food supply in the world and we do not want to compromise that by bringing in tainted and unsafe poultry from or processed in China.

In light of your agency's role in our nutrition programs, what will you do to ensure that no Chinese Chicken will be purchased for inclusion in the National School Lunch Program and other Federally funded nutrition programs?

Response: All products used in fulfilling contracts or purchase orders awarded in AMS' Commodity Procurement Program must be of 100 percent domestic origin, meaning that they are produced, raised, and processed only in the United States, its territories or possessions, the Commonwealth of Puerto Rico, or the Trust Territories of the Pacific Islands. The Contractor must ensure that the Contractor and any subcontractor(s) maintain records such as invoices, or production and inventory records evidencing product origin, and make such records available for review by the Government. AMS regularly verifies product origin through audits or trace-backs of company documentation. If the Contractor processes or handles products originating from sources other than the United States, the Contractor must have an acceptable identification and segregation plan for those products to ensure they are not used in the Commodity Purchase Program. This plan must be made available to an AMS representative and the Contracting Officer or agent thereof upon request.

Country of Origin Labeling (COOL)

Ms. DeLauro: Following years of delay, in 2009 the Country-of-Origin Labeling, or COOL, law was implemented, requiring retailers, such as full-line grocery stores, supermarkets, and club warehouse stores, to notify their customers with information regarding the source of certain foods. Many countries across the globe have some form of country-of-origin labeling and American consumers also have a right to know the origins of their food. Unfortunately, big business and their supporters have been working to delay these requirements from going into effect, actions that would be a step backward and must not be allowed to happen.

COOL was under attack from meat packers, processors, and groups that represent foreign competitors during the farm bill debate. There is a challenge pending at the World Trade Organization (WTO) against these basic labeling requirements.

In 2012 Canada and Mexico, two of the biggest exporters of meat to the United States, challenged the law through the WTO. I commend the Administration for responding by rightly defending our country-of-origin labeling law.

COOL applies to unprocessed, muscle cuts of meat sold at retail stores. Studies have shown that more than 90 percent of consumers want to know the origins of their food. Now USDA requires production steps on the COOL label, which will help justify COOL to the WTO.

Can you tell the Subcommittee about how USDA will continue to defend COOL at the WTO? If consumers can see where a t-shirt was made, shouldn't they be able to learn - with clarity - where a steak came from?

Response: USDA will continue to work with the Office of the U.S. Trade Representative to defend the COOL program. The WTO reports have affirmed the right of the United States to provide country of origin information to consumers.

Ms. DeLauro: COOL has been the target of appropriations riders in the past, too. After COOL was authorized as part of the 2008 farm bill, rider after rider prevented the implementation of COOL. It's ridiculous that in 2014, food manufacturers would try to keep consumers in the dark about where their food comes from.

Can you tell us about the harm that would be done to consumer information and confidence as a result of another COOL rider?

Response: USDA will continue to enforce the COOL regulation in accordance with U.S. law to provide consumers with country of origin information for covered commodities.

GIPSA Rule Rider

Mrs. Delauro: The Grain Inspection, Packers and Stockyards Administration's job is to make sure that farmers and ranchers have some basic protections in the marketplace. As you know, the FY 2014 Agriculture Appropriations bill included a provision that places significant limits on USDA to address abusive and anti-competitive contracting practices in the livestock and poultry sectors.

I know of lot of my colleagues have heard about the GIPSA rule over the years, but they may not know that the GIPSA rule is a whole package of commonsense proposals from USDA to provide some basic protections for livestock and poultry farmers for things that most of us would just consider to be obvious.

Would you say that the rider has had a chilling effect on your Agency's ability to help protect family farmers and ranchers against the abuses of multinational processors and packers?

Response: GIPSA assertively responds to complaints it receives from farmers and ranchers against multinational processors and packers. However, the complaints from farmers and ranchers raising poultry under production contracts less frequently lead to further enforcement. Of the various complaints poultry growers file, only those involving payment practices (failure to pay, failure to pay when due) and the poultry trust can be enforced through an administrative complaint and hearing. The attorney general must enforce the other complaints in federal court, including the most frequent grower complaints, poultry contract compliance, and poultry grower termination. Several federal courts, in private litigation, have held that violations of the P&S Act require proof of harm to competition or the potential of harm to competition. These courts have not fully defined what is necessary to prove harm to competition. As a result, GIPSA has not been able to adequately protect individual poultry growers who have been treated unfairly when the injury does not directly harm competition. Many of the provisions Congress prohibited GIPSA from publishing as a final rule or implementing in any way were attempting to resolve this issue. In that sense the rider has perpetuated GIPSA's limitations in helping to protect these poultry growers. To a lesser degree, GIPSA faces similar challenges when enforcing complaints filed by swine contract growers. GIPSA has administrative authority to enforce cases in the livestock industry. However, the federal court decisions holding that violations of the P&S Act require proof of harm to competition or the potential harm to competition have also affected livestock cases. The USDA Office of the General Counsel has taken a more cautious approach about bringing any cases relative to Sections 202(a) and (b) of the Act, due to the potential for appeal to higher courts. As a result, GIPSA has not been able to enforce these cases as frequently or as vigorously as it would under the rule.

Mrs. Delauro: Can you talk about your perspective of why these livestock and poultry farmer and rancher protections are so important, and about the impact of the GIPSA rider?

Response: Concentration in the livestock industry and vertical integration in the poultry industry affect the balance of power between livestock and poultry producers and larger swine contractors, packers, and

live poultry dealers. Livestock and poultry farmers and ranchers have limited options for contracting to produce livestock or poultry. At the same time, swine contract growers and live poultry growers have to make a significant financial investment to get into a production or growing contract, meeting all the requirements of the company they contract with as well as Federal, State, and local environmental and zoning requirements. It is not easy for contract growers to change to a different company once they have made the initial investment, due, in part, to the debt that they incur. In addition, contracting company requirements, especially in the poultry industry, are often dissimilar. Other companies may be reluctant or unwilling to contract with a grower who leaves a competitor, even if it was on good terms. In some cases, there may not be another company in the grower's area. There are few lucrative alternative uses for the barns or equipment used to produce livestock and poultry. From the contractor growers' perspective, all of these factors together, give the swine contractors, packers, and live poultry dealers a potential advantage in negotiating the contract and making changes to the contract over time. As a result, contract growers often feel trapped into accepting contract changes they do not like or are not in their best interest. Many fear losing the family farm.

GIPSA intended to address these ongoing concerns in several of the proposed rules Congress prohibited the agency from publishing as final rules or implementing. GIPSA receives many complaints from contract growers about alleged violations of the Packers and Stockyards Act (the Act). GIPSA assertively responds to these complaints. For practices that are identified as violations in the Act, GIPSA can communicate its concerns with the contracting company and sometimes the company will voluntarily make changes to resolve GIPSA's concerns. However, contracting companies are less willing to make changes to practices voluntarily based on GIPSA's interpretation, if previous case law or the Act as promulgated by the regulations do not plainly state those practices are violations. GIPSA must take more formal enforcement action in those cases. GIPSA has struggled to pursue action under Section 202 (a) and (b) due to the court interpretation that those sections require proof of competitive harm. The courts have not clearly defined what competitive harm is or how to prove it. They have rejected harm to individual contract growers or even groups of growers as sufficient to meet this requirement. Since the majority of the complaints we receive involve harm to growers rather than to competitors, this particular factor impedes GIPSA'S ability to help the contract growers. It also impedes the contract growers' ability to succeed in private action against the contracting company.

Animal Disease Traceability Federal Funding

Ms. DeLauro: We have invested $174 million over the past years in an animal disease traceability system. I understand there are varying states from state to state. What metrics do we use to measure the success of this effort?

Response: APHIS will measure the success of the animal disease traceability (ADT) effort based on the program's ability to trace animals during disease events. We will evaluate tracing activities on an ongoing basis to measure progress. States are required to report traceability activities quarterly to APHIS, and we will review and tabulate this data to ensure that progress is being made. The States conducted trace test

exercises in 2013, and will continue them through the spring of 2014. Based on this data, we will calculate national traceability values, which will be used as a baseline to document progress made through the implementation of ADT.

FRIDAY, APRIL 4, 2014.

U.S. DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT

WITNESSES

DOUG O'BRIEN, DEPUTY UNDER SECRETARY, RURAL DEVELOPMENT
LILLIAN SALERNO, ADMINISTRATOR, RURAL BUSINESS COOPERATIVE SERVICE
TONY HERNANDEZ, ADMINISTRATOR, RURAL HOUSING SERVICE
JOHN PADALINO, ADMINISTRATOR, RURAL UTILITIES SERVICE
MICHAEL YOUNG, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTION OF WITNESSES

Mr. ADERHOLT. Well, good morning. Welcome. The subcommittee will come to order.

Thank you for joining us for the hearing this morning on USDA's fiscal year 2015 budget request for Rural Development.

I would like to welcome Mr. Doug O'Brien, Under Secretary for Rural Development; Ms. Lillian Salerno, Administrator, Rural Business-Cooperative Service; Mr. Tony Hernandez, Administrator, Rural Housing Service; Mr. John Padalino, Administrator, Rural Utilities Service; and Mr. Mike Young, USDA's Budget Director.

Thank you all for being here this morning. I am glad you are here.

OPENING STATEMENT—MR. ADERHOLT

At each of these hearings this year that we have held, I mentioned about 3 things that we are looking at and focusing on for fiscal year 2015. They include robust oversight, ensuring appropriate implementation of our laws, and targeting funds to vital programs. These themes come together in Rural Development's budget request. Part of our oversight responsibility is ensure that USDA manages programs well.

Strong appropriate management can prevent fraud, waste, and abuse as well as build confidence in Federal programs overall. The USDA's Inspector General has encouraged all USDA agencies to focus more on managing as opposed to just implementing their programs. In particular, I believe the rental assistance programs need improved management. This is an important program that helps some of the neediest in rural America.

In the budget request, USDA is proposing several changes to the program to strengthen its control cost. I applaud USDA for making these suggestions and look forward to exploring them more in detail as we move forward today.

Let me mention that Representative Farr and I have introduced legislation, H.R. 2729, to implement one of the proposals offered by

USDA. The bill would allow USDA to access other Federal databases to match wages and tax information. This would improve the integrity of the program by helping to ensure only those eligible to receive the assistance. The Ways and Means Committee is considering the bill, and I hope that it can be acted even this year.

USDA is in the process of implementing the 2014 Farm Bill that Congress passed a few months ago and it appears to be off to a strong start. There are many new regulations and many modifications to existing regulations to come as part of this process. Even though the subcommittee will hold its last hearing that we will have this year next Tuesday, we will continue to follow USDA's progress and interpretations of congressional intent.

There is a saying in the south and parents often say it to their children, I am all about your business. Well, here, in this subcommittee, we are all about USDA's business. One other issue related to congressional intent and the 2014 Farm Bill is USDA's proposal to consolidate several grant programs into a new rural business and cooperative grant program.

Streamlining and efficiency typically are well received by this subcommittee. However, this proposal was not included in the 2014 Farm Bill and goes far beyond existing authority. We would like to know why the department is attempting to go down this path again when it has been denied authority to do so more than once by Congress.

This past Monday, member requests were submitted to the subcommittee, we received almost 4,000 requests for fiscal year 2015 bill. As we start to review them, it is clear that we cannot fund every program and certainly cannot fund some programs to the extent that many would like, but that is the job of the subcommittee. We decide what is the most important, the most vital programs, and we do our best to provide the funding for them.

Mr. O'Brien, in your written testimony, you spend about four pages describing USDA's efforts to support local and regional food systems. I am happy to see that these new markets for producers grow. It is wonderful that we have a government and economic system in America that allows new markets to develop in response to consumer demand, but let me be clear, I support all types of agriculture, each has its place. However, I am concerned the USDA has placed too much emphasis on local and regional food systems.

The fiscal year 2015 budget proposals has dramatic reductions in some of the Rural Development's core programs. The single-family housing direct loan authorization level would be cut by $540 million. Water and waste disposal grants would be cut by more than $100 million, yet the budget proposes to spend $24 million to hire 250 new employees. Of course, committees need—I am sorry. Of course, communities need jobs, schools, community facilities, water systems, electricity, and broadband access. These are all part of thriving rural communities, but I hope that USDA is not missing the big picture. Congress and USDA must address the core needs of rural America first before they emphasize one particular program, one particular trend, or one particular idea.

At this time I would like to recognize the ranking member of our subcommittee, Mr. Farr, for any comments that he might have. Mr. Farr.

OPENING STATEMENT—MR. FARR

Mr. FARR. Thank you very much, Mr. Chairman, and thank you for this expeditious schedule we have been on marking up and hearing from everybody.

Obviously Rural Development is key to, I think, our country's success. All the emphasis, all the formula funding that we develop at the State level—and at the Federal level, as the politics represents, I mean, we are one man, one vote, so the urban areas get a lot more representation than the rural areas get, more people there, and I think that this, in a modern America, where you have this incredible communication system, now that it is sort of the survivability. Can the local communities stay relevant to these changing markets and lifestyles? And I think the Secretary has been really keen on trying to do it, identify the most impoverished counties in America and try to bring the whole Federal basket, not just USDA, but all the other Federal agencies together in his rural strategy. This whole area is my background as a county supervisor and even as a state legislator in doing rural economic development, and so I am pleased to see that you are paying attention to these things.

I share some of the concerns with the chair that it is not just about hiring more people because I think we have a lot of silos out there that need to be busted and used in collaboration and that there are skill sets in the nonprofit world, in the state and local government capacities, and things like that. I think we ought to be having carrots to encourage them to incentivize, essentially to upgrade your own self, help yourself improve, and I don't think the Federal Government does enough of that, so certainly you are an agency that is out there in discussion with all of these groups, and I appreciate it and look forward to the testimony.

Thank you, Mr. Chairman.

Mr. ADERHOLT. Yeah. Thank you, Mr. Farr.

We are also honored to have the full chairman for appropriations with us this morning, Mr. Rogers from Kentucky, and I would like to recognize him now for any remarks that he may have.

OPENING STATEMENT—MR. ROGERS

Mr. ROGERS. Thank you, Mr. Chairman. Thank you for this opportunity. Thank you for the great hearings you have conducted so far.

We will have—on the whole committee, we will have had 100 hearings, almost a hundred hearings in the last few weeks. In fact, we marked up the first two appropriations bills in subcommittee yesterday, the first time—the earliest time that has ever happened. So, the committee's working hard, and I appreciate the hard work of this subcommittee.

Gentlemen, lady, thank you for being with us today, for the fiscal 2015 request. This agency covers some of the most important work that USDA does, and it is critical to the vision that the department has set for itself, helping rural America to thrive. That is certainly the vision that I have as well and I appreciate that the Secretary took the time to visit any district back in January to announce the expansion of the StrikeForce initiative in Kentucky.

With so many coal industry job losses in my region, in fact, in my district alone, we have lost 8,000 mining jobs in the last several months, we need all the programs and support we can get that will help those current businesses and programs expand and make Kentucky attractive for new businesses as we move from a coal-based economy to something else.

This program will also go hand-in-hand with the initiative that I have worked on with our governor, called Shaping Our Appalachian Region, SOAR, to find ways that we can grow and find the next generation of economic opportunity and solid good paying jobs. And I want to also mention here quickly that Administrator Hernandez was recently in my district as well, last week, in fact, helping us keep in business a county hospital that he was so kind to work with us on to rescue from almost oblivion.

So that hospital now is treating people in a very poor area for several counties around it, and the 250 employees still have their jobs, but more importantly, the health services are there that otherwise would not be and I am sure save lives. So, Mr. Hernandez, thank you again for being there.

Some may think that USDA's Rural Development programs are relics of a bygone era, they may wonder if there is still a need in this country for help in getting rural utilities set up, our water treatment plants, pipeline systems built. I can assure you there is. In my district, we have used those programs to great effect. When I first came to Congress, thousands of eastern Kentuckians had what we call straight pipes, straight out of the commodes into the streams, dumping wastewater directly into streams, towns had unreliable aging water systems, if they had any at all.

Less than a third of the people at that point in time had water in the home. Now, thanks to Rural Development grants and loans and through the work of volunteers at a local nonprofit thing called "PRIDE," Personal Responsibility in a Desirable Environment, our valleys have been clean, treatment plants built, families have the comfort of safe reliable water that so many of us take for granted.

In addition, through rural housing programs, many of my constituents have been able to move out of old and inefficient dilapidated homes and raise their families in modernized homes with affordable payments.

With all of those positive strides, I am concerned that once again in this year's budget your request proposes significant cuts to rural housing programs like section 502 direct loan and section 523 mutual and self-help housing programs. We know the game the Administration is playing, cut funding for useful programs in order to make room for new spending and create the illusion of budget savings, but choosing to cut from these rural programs time and again shows lack of respect for our rural communities and the constituents who have made these programs successful.

In my district, an organization called Kentucky Highlands has used USDA's self-help housing program and section 502 direct loan program to help low income working families in Kentucky become homeowners. In 2011, a woman who had been the victim of extreme domestic abuse called Kentucky Highlands hoping to find a home for herself and her young daughter. With some financial counseling and guidance from Kentucky Highlands, she was ap-

proved for a $66,000 direct loan section 502, and with a self-help housing program, she was able to build her own home for about $35,000 less than it would have cost to hire a contractor.

That means that today, she is living in a home that she can afford and she built with her own hands. Without the self-help housing program, section 502 direct loan program, she would not have been able to have the benefits of homeownership and the clean slate that that afforded her and her daughter. That is what this is all about.

Two other Kentucky organizations, Frontier Housing and the Federation of Appalachian Housing Enterprises have participated in USDA's very successful demonstration program that not only helps low income rural families become homeowners but has significantly reduced the amount of time it takes for USDA to process its loan applications.

USDA has reported that this program has helped the agency save one and a half million dollars to date. Because of this demonstration program, one of my constituents and his family were able to secure a 502 direct loan in half the time it normally takes USDA to process the loans themselves. And because of that loan, he now lives in a new energy efficient green home in Rowan County, Kentucky. It seems to me that this is the sort of thing that we should be encouraging, saving money and allowing hardworking people like these constituents to put in the time and effort to gain homeownership partly with their own hands.

I hope that you can begin to support these programs with a renewed emphasis rather than cutting them to make way for a wish list of new spending that we likely are not going to approve.

So we look forward to hearing your testimony and your plans for supporting our nation's farmers and rural communities through these difficult budgetary times. We appreciate the hard work that you do and the dedication you bring to your chore. Thank you.

[The information follows:]

Chairman Hal Rogers
Opening Statement
Fiscal Year 2015 Budget Hearing: Department of Agriculture
Rural Development
April 4, 2014
Witnesses –
Doug O'Brien, Rural Development Deputy Undersecretary,
Lillian Salerno, Rural Business - Cooperative Service Administrator
Tony Hernandez, Rural Housing Service Administrator
John Padalino, Rural Utilities Service Administrator

Mr. Chairman, thank you for yielding. I thank you all being with us today to discuss the Fiscal Year 2015 request for the Department of Agriculture's Rural Development budget. This agency covers some of the most important work that USDA does, and it is critical to the vision that the Department has set for itself – "helping rural America to thrive." That is certainly the vision that I have as well, and I appreciate that the Secretary took the time to visit my district back in January to announce the expansion of the StrikeForce initiative into Kentucky. With so many coal industry job losses in my region, we need all the support we can get that will help our current businesses and programs expand, and make Kentucky attractive for new businesses. This program will also go hand in hand with the initiative that I have worked on with our Governor, Shaping Our Appalachian Region (SOAR), to find ways that we can grow and find that next generation of economic opportunity and solid good paying jobs.

Some may think that USDA's Rural Development programs are relics of a bygone era. They may wonder if there is still a need in this country for help in getting rural utilities set up, or water treatment plants and piping systems built. I can assure you that there is. In my district we have used these programs to great effect. When I first came to Congress, thousands of eastern Kentuckians had straight pipes that dumped wastewater directly into streams and towns had unreliable and aging water systems if they had any at all. Now, thanks to Rural

Development grants and loans, and through the work of volunteers at a local non-profit called Personal Responsibility In a Desirable Environment – PRIDE – our valleys have been cleaned, treatment plants have been built, and families have the comfort of safe, reliable water delivery that so many of us take for granted. In addition, through rural housing programs, many of my constituents have been able to move out of old, inefficient, dilapidated homes and raise their families in modernized homes with affordable payments.

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In my district an organization called Kentucky Highlands has used USDA's Self-Help Housing program and the Section 502 Direct Loan program to help low-income, working families in Kentucky become homeowners. In 2011, a woman who had been the victim of extreme domestic abuse, called Kentucky Highlands hoping to find a home for herself and her young daughter. With some financial counseling and guidance from Kentucky Highlands, she was approved for a $66,000 Section 502 Direct Loan. And with the Self-Help Housing program, she was able to build her own home for about $35,000 less than it would have cost to hire a contractor. That means that today, she is living in a home that she can afford, and she built with her own hands. Without the Self-Help Housing program and Section 502 Direct Loans, she

would not have been able to have the benefits of homeownership and the clean slate that opportunity afforded her.

Two other Kentucky organizations, Frontier Housing and the Federation of Appalachian Housing Enterprises (FAHE), have participated in USDA's very successful demonstration program that not only helps low-income rural families become homeowners, but has significantly reduced the amount of time it takes for USDA to process its loan applications. USDA has reported that this program has helped the agency save $1.5 million to date. Because of this demonstration program one of my constituents and his family were able to secure a 502 Direct Loan in half the time it normally takes for USDA to process the loans themselves. And because of that loan, he now lives in a new, energy-efficient, green home in Rowan County.

It seems to me that this is the sort of thing we should be encouraging – saving money and allowing hard-working people like these constituents to put in the time and effort to gain homeownership. I hope that you can begin to support these programs with a renewed emphasis rather than cutting them to make way for a wish list of new spending.

I look forward to hearing your testimony and your plans for supporting our nation's farmers and our rural communities through these difficult budgetary times. Thank you, Mr. Chairman, and I yield back.

Mr. ROGERS. Thank you, Mr. Chairman.

Mr. ADERHOLT. Thank you, Mr. Chairman, for taking time to be here this morning and to attend our hearing.

Mr. O'Brien, let me go ahead and recognize you for your opening statement. As you can just hear, the bells are going off for votes. We will be here for a few minutes, but we have to go actually cast the vote, but we will do a short recess, come back, and then we will finish up, so at this time let me go ahead and recognize you to be your opening statement.

OPENING STATEMENT—MR. O'BRIEN

Mr. O'BRIEN. Thank you.

Chairman Aderholt, Chairman Rogers, Ranking Member Farr, members of the subcommittee, thank you for the opportunity to present the President's 2015 budget for the Department of Agriculture's Rural Development Mission Area.

I am accompanied this morning by Mr. John Padalino, Ms. Lillian Salerno, and Mr. Tony Hernandez, the administrators for Rural Development's Utilities, Business and Cooperative, and Housing and Community Facilities Programs, respectively. I respectfully ask that their statements be included in the record. Also with me is Mr. Michael Young, USDA's budget officer.

A strong Rural Development mission area is important to rural America. Over the course of the last couple of years with tight budgets and sequester, our mission to increase economic opportunity and improve the quality of life for all rural Americans was threatened. Congress' action to provide resources to Rural Development mission area in 2014 has again placed our agency on stable footing. I would like to take the opportunity to thank the members of this committee for their continued support.

As the committee knows well, USDA Rural Development has reduced its workforce by nearly 20 percent or nearly 1,200 people since 2012. Furthermore, an additional 30 percent of our staff will be eligible for retirement in the next 2 years, a potentially devastating loss of institutional knowledge and experience.

The Fiscal Year 2014 appropriation, particularly in the salaries and expense category, provided resources to invest in people needed to fill knowledge and skill gaps. New critical hire support, much needed training for employees, and essential upgrades to information technology are possible so that we can responsibly deliver and service the programs provided for and funded by Congress.

Today, I present to you the Administration's proposed budget for Rural Development that includes additional investments in the people and communities of rural America. It is an exciting time to serve small towns and rural communities, where there are historic opportunities in areas such as the bio-economy and manufacturing and local and regional food systems. Rural Development programs support these economic opportunities and work with partners to further leverage limited funds for communities and entire regions.

Over the last 5 years, with this committee's support, we have invested $164 billion in rural America, including helping more than 800,000 families put a roof over their heads. Just in 2013, we were able to help 8.7 million rural Americans with improved electric service, 1.8 million new and improved water and wastewater sys-

tems, and we are able to help 11,500 rural businesses with grants and loans, 195 educational facilities, and we are able to support 134 healthcare facilities like the one mentioned by Chairman Rogers.

The results are impressive, and while the opportunities exist in rural America, this part of the Nation is experiencing some disturbing trends. As my written testimony outlines with data, the USDA's annual report, *"Rural America At a Glance,"* points to stalled job growth in non-metro counties and increase in poverty, particularly among children and a declining population, the first real population loss in real terms since the Federal government began tracking the statistic generations ago.

These trends are deeply concerning because not only do they indicate current challenges in rural communities in the Nation's economy, they also are a troubling harbinger for the future. That is why the 2015 budget proposal gives priority to investment in rural businesses that want to take advantage of emerging markets and a focus on areas of greatest need.

The budget aids in the development of locally and regional produced foods and other opportunities for rural business innovation with proposals to fund programs such as the Business Industry Loan Program, Value Added Producer Grant, and the Consolidated Grant Program.

USDA estimates the value of sales in local food, for instance, in the U.S. at $5 billion in 2008 with significant growth in just 3 years to $7 billion. In broadband, we doubled the grant funding and increased broadband—to increase broadband access in rural communities to those least likely to have broadband. We propose to continue to help families in rural America put a roof over their heads through housing loans and rental assistance.

We are carefully evaluating our investments and encouraging innovation to a greater number of rural Americans through investments that make a greater impact, through regional coordination and poverty targeting initiatives.

The President's budget provides $661 million for the salaries and expense to support the delivery of direct and guaranteed loans and grants, technical assistance, and economic development strategies mentioned above.

The budget allows us to hire FTEs to fill mission critical skill shortages resulting from a 2-year hiring freeze. This is particularly important since Rural Development's loan portfolio has grown to more than $197 billion and continues to grow each month. Because of Rural Development's staff's diligence, I am happy to report that the portfolio has a delinquency ratio of less than 2 percent.

We also recognize the need to think creatively about how to best serve high need rural areas in the 21st Century through more effective targeting of our resources and better utilization of our workforce. The President has offered a responsible budget that will help move Rural Development from transactional to transformational work to support long-term job creation and renewed economic expansion.

I appreciate the opportunity to testify today before members of this committee, and I am happy to answer your questions on the budget proposals at this time.

[The information follows:]

RURAL DEVELOPMENT

Statement of Doug O'Brien
Deputy Under Secretary for Rural Development
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives

Chairman Aderholt, Ranking Member Farr and members of the Subcommittee, thank you for the opportunity to present the President's 2015 Budget for the Department of Agriculture's (USDA) Rural Development mission area. I am accompanied this morning by Mr. John Padalino, Ms. Lillian Salerno and Mr. Tony Hernandez, Administrators for Rural Development's Utilities, Business and Cooperatives, and Housing and Community Facilities Programs, respectively. I respectfully ask that their statements be included in the record. Also with me is Mr. Michael Young, USDA's Budget Officer.

I am pleased to represent an agency with the primary responsibility of creating opportunities and improving the quality of life in rural areas. The men and women of USDA Rural Development take seriously the responsibility of supporting people who live in small towns and rural communities. We understand that investments in rural America are more important than ever. Rural growth is essential to national economic growth. And today, people who live in rural places see historic opportunities in areas such as local and regional food systems, the bio-economy, and manufacturing.

USDA is helping farmers and ranchers diversify into new markets, including local and regional food systems, specialty crop production, and expanded market access. Supporting local and regional food systems is important to the economic health of rural areas because, as USDA research shows, money spent on food produced locally tends to stay and circulate in the community, expanding the potential for job creation and spurring economic growth. USDA

estimated the value of local food sales in the U.S. at $5 billion in 2008, and industry sources put that number at $7 billion just three years later. The National Grocers Association and the National Restaurant Association have identified local foods as a number-one trend in their industries for several years running. USDA's investments in local and regional supply chains help producers break into new markets and meet consumer demand in underserved communities.

As such, this strategy is a critical piece of USDA's work to support rural economies more generally. This type of agriculture is a growth area in the rural economy – something that is drawing young people back to rural communities, generating jobs, and improving quality of life. Our research shows that money spent on local food often continues to circulate locally, creating demand for other businesses and services in rural communities. USDA's investments in local and regional supply chains help producers break into new markets and meet consumer demand in underserved communities. As such, this strategy is a critical piece of USDA's work to support rural economies more generally.

USDA has invested in local food infrastructure - from cold storage facilities, to processing plants, to farmers markets, to food hubs that aggregate products from many farms and help smaller producers reach larger buyers. There are over 230 food hubs in operation nationwide today, and more than 8,100 farmers markets registered with the AMS National Farmers Market Directory. The 2014 Farm Bill builds on this progress by expanding funding eligibility through the Farmers Market and Local Food Promotion Program to include both direct-to-consumer opportunities like farmers markets, and supply chain projects like food hubs, which will allow USDA to invest up to $30 million annually in local and regional food systems.

Rural Development programs are supporting these important economic opportunities for rural America. The Business and Industry Loan Guarantee Program, for example, supports critical infrastructure such as cold storage, aggregation, processing and distribution businesses, including food hubs. There are now over 230 food hubs nationwide aggregating products from local producers for sale to large-volume regional buyers such as schools and grocers. Each food hub generates an average of 20 jobs and $4 million in annual sales.

Rural Development's Community Facilities program is supporting community assets such as farmers markets, which not only provide producers with a local customer base but have been shown to stimulate other economic activity in the neighborhoods where they are located. Between 2008 and 2013, the number of farmers markets nationwide has increased by 74 percent.

As exciting is the emerging bio-economy sector, which is on the cutting edge of science and technology by making products and alternative fuels from the plants that our farmers grow. Rural Development has a number of programs to support this emerging industry. For example, Nebraska's Laurel Biocomposites, received a $5 million loan for equipment and working capital for a processing facility that will create a new biobased product which replaces and/or enhances traditional petrochemical-based plastics. When operational, the company will produce 48 million pounds of finished bio-resin product and support critical job creation in this community of 964 people.

USDA has also provided a loan guarantee of $25 million to Myriant Corporation to help construct a bio-based production facility in Lake Providence, Louisiana. The plant is expected to produce 18,000 tons of ammonium sulfate and 15,000 tons of succinic acid per year, currently made from butane using petrochemicals. This platform can be used to produce many of the products we use everyday, such as coatings and adhesive, with ultra-low odor, broad spectrum coalescing solvent.

This funding is an example of the many ways that USDA is helping revitalize rural economies to create opportunities for growth and prosperity, support innovative technologies, identify new markets for agricultural producers, and better utilize our Nation's natural resources.

We believe that growth in the bio-economy will, in large part, be rural-centered due to the proximity to the biomass that will feed production and will help drive economic development in every State in the country, shown by the "Billion Ton Study" update. The results show the availability of over 1 billion tons of biomass without affecting existing farm or forestry products over the next 15 years; potentially a five-fold increase in this industry representing hundreds of thousands of jobs across the supply chain. The assets and the residents of rural areas will be

more important than ever as we explore ways to make the United States less reliant on foreign resources and increase quality non-metro job growth.

The bio-economy, in many ways, marries two important economic engines for rural America: agriculture and manufacturing. In the same vein as George Washington Carver, who discovered hundreds of alternative uses for peanuts, soybeans, and sweet potatoes, today's bio-based innovators are creating alternative uses that reduce our dependence on foreign oil, developing new technologies to make things in rural areas with locally-grown products, and ultimately creating jobs and growing the rural economy.

While opportunities exist in rural America, there are some disturbing trends that we need to recognize. The USDA's annual report, *Rural America at a Glance*, points to stalled job growth in non-metro counties, an increase in poverty – particularly among children – and a declining population, the first population loss in real terms since the Federal Government began tracking this statistic generations ago.

The recession hit rural economies especially hard and significantly impacted job growth. Since 2011, urban areas have experienced steady job growth while rural net job growth has stagnated. Childhood poverty rates in rural areas have increased by nearly one-third since 2001. Today, 27 percent of rural children are living in poverty compared with 21 percent of urban children. Furthermore, 33 percent of rural counties now have poverty rates over 30 percent.

These numbers are deeply concerning because not only do they indicate current challenges in rural communities and the Nation's economy, they also are a troubling harbinger for the future.

In the context of these historic opportunities, as well as significant challenges, Congress provided significant support of a program level of $180 billion from 2010 to 2014 for rural initiatives. USDA Rural Development uses these resources to provide direct and guaranteed loans, grants, technical assistance, and other payments in rural areas. We provide assistance to intermediaries that make loans or provide technical assistance to the ultimate beneficiaries. We require or encourage recipients, in several programs, to contribute their own resources or obtain

third-party financing to support the total cost of projects, in which case these programs leverage USDA's support with private sector financing.

Rural Development's infrastructure programs make investments in rural utility systems that help improve and expand the rural electrical grid, provide clean drinking water to rural communities, and deliver increased Internet service to rural families and to businesses, allowing them to compete in the global economy. In 2013 alone, we provided nearly 120,000 rural households, businesses and community institutions with new or better access to broadband service, provided more than 8.7 million consumers with new or improved electric service, and delivered 1.8 million rural residents with new or improved water or wastewater service necessary for health, safety and sustainable economies.

Through USDA Rural Development's business and cooperative loan, grant, and technical assistance programs, the agency helped thousands of rural small business owners and agricultural producers improve their enterprises, including those related to renewable energy. Beyond direct assistance to these business owners and producers, financial support from USDA also creates lasting economic development opportunities in the rural communities where the projects are located. Business and cooperative funding helped 11,582 businesses, farmers and ranchers, which we estimate created or saved 44,000 jobs in 2013.

Not only do we support small businesses, but we also support the social infrastructure that makes rural communities a great place to raise a family and own a business. USDA Rural Development's Community Facilities loan and grant program provided assistance to construct or improve 195 educational facilities, and supported 134 health care facilities – part of more than 1,054 Rural Development supported Community Facilities nationwide in 2013. Other key projects included support for local, rural emergency responders.

Finally, the USDA Rural Development housing program ensures that rural families have access to decent, affordable housing. In 2013, more than 170,000 families with limited to moderate incomes purchased homes utilizing our housing programs. We also helped about 7,000 rural individuals or families repair their existing homes under our home repair loan and grant program.

Of the 286,000 rental assistance units, we renewed 190,000 rental assistance units in USDA-financed multi-family housing for low- and very-low income people.

We have used the significant resources that Congress has provided to make a real impact in rural places. Yet the opportunities and the challenges of rural America make it clear to all of us that more needs to be done. The President's 2015 budget proposes to do just that by giving priority to spurring investment in rural businesses that want to take advantage of emerging markets as well as focus resources in areas of greatest need. The budget aids in the development of locally or regionally produced food and products and other opportunities for rural business innovation with proposals to fund programs such as the Value Added Producer Grant Program, the Business and Industry loan program and the consolidated grant program. We also double grant funding to increase broadband access in the rural communities that are least likely to have broadband infrastructure needed for economic development.

The budget proposal for the Community Facilities program will enable 13.7 million residents to benefit from improved health, safety and educational facilities. The proposed investment in water and waste systems will deliver new and improved service to over two million rural residents. Clean water and efficient waste service are basic necessities for healthy communities and successful growth. We again propose to consolidate funding and authorities of existing Rural Development grant programs into an economic development grant program designed to assist small and emerging private businesses and cooperatives in rural areas with a population of 50,000 or less. The consolidated grant program will improve economic development as compared to the stand alone programs through better planning and leveraging of private sector resources. The budget also complements provisions in the Farm Bill, which seek to consolidate duplicative authorities and build a body of evidence on what works best in promoting economic development.

The budget also requests funding to finance the purchase of renewable energy systems through the Rural Energy for America program. We propose a program level of $1 billion to support environmental upgrades to existing fossil fuel electric generation facilities and target electric funding to support renewable energy projects to significantly reduce carbon emissions.

The budget proposes to help people in rural America, particularly those in greatest need, put a roof over their heads. Direct and Guaranteed housing loans will provide nearly 175,000 families with homeownership opportunities. Rental Assistance totaling $1 billion will enable the agency to renew all 285,000 outstanding contracts for rental assistance to low-income rural residents. The budget also requests new authorities to improve the flexibility and management of the Rental Assistance Program so that the long-term viability of this assistance is ensured. This includes the legislative authority to verify tenant income eligibility and allowing USDA more flexibility in renewing rental agreements.

The President's budget also provides $661 million for the salaries and expenses of USDA Rural Development to support the delivery of the direct and guaranteed loans and grants, technical assistance and economic development strategies outlined above. This level of funding includes information technology investments to the Comprehensive Loan Program, which safeguards the portfolio from cyber threats and improves management capabilities, and the hiring of 250 additional staff. The vast majority of these employee hires will fill mission-critical skill shortages resulting in a two-year hiring freeze. This is particularly important since Rural Development's loan portfolio has grown to more than $197 billion and continues to grow each month.

We also recognize the need to think creatively about how best to serve high-need rural areas in the 21st century. Rural Development is interested in exploring ways to implement our programs that make a greater impact. For example, the budget proposes to develop a small mobile workforce pilot that would be comprised of economic development professionals who provide technical assistance and hands-on support in areas of high need, such as the Delta, Appalachia, and the Southwest Border. We are calling this 10-location pilot 'Rural Corps.' We believe that this mobile workforce will enable us to leverage our resources with other Federal agencies and work more collaboratively with local organizations to deliver resources where they are needed most, rather than where our offices happen to be located.

Aggressively leveraging resources and working regionally has become a focus of our resource management over the course of the last few years. As resources go up and down, we have found that working regionally and with multiple partners – private, public, and non-profit – supports our capacity to get program assistance out in an expedient way while also serving as a good partner to rural communities. The program consolidation in the Rural Business Cooperative Service is another way this Budget leverages resources to do more with less.

USDA's recently expanded StrikeForce for Rural Growth and Opportunity (StrikeForce) initiative illustrates this trend with broad commitment to rally available tools and technical assistance to combat persistent poverty in 20 States. Rural Development has been a leading partner in helping to create resilient, sustainable communities. In Alabama, Arkansas, Georgia and Mississippi, for example, StrikeForce is improving access to capital and markets for small minority farmers. Members of farmers' agricultural cooperatives are now providing locally-grown peas, greens, and watermelons to national grocery store chains for sale in select stores. StrikeForce and other regional poverty targeting initiatives – such as Stronger Economies Together and Promise Zones – are providing rural families the support needed to climb out of poverty.

We believe that by thinking creatively, we can turn Rural Development's transactional work into transformational work. The President has offered a responsible budget that continues to meet key priorities and includes targeted investments to support long-term job creation and renewed economic expansion. I am confident that the agencies of Rural Development will successfully implement the programs needed for a thriving rural America.

I appreciate the opportunity to testify today before members of the Committee. This budget proposal supports our efforts and helps us fulfill the promise of rural communities. Thank you for your support of Rural Development programs. I am happy to answer your questions on the Budget proposals at this time.

RURAL BUSINESS-COOPERATIVE SERVICE

Statement of Lillian Salerno, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives

Chairman Aderholt, Ranking Member Farr, and members of the Subcommittee, thank you for the opportunity to discuss the Administration's Fiscal Year (FY) 2015 Budget for the U.S. Department of Agriculture's (USDA) Rural Business-Cooperative Service (RBS). I would also like to thank you and your colleagues for the funding Congress provided RBS in 2014 so that we can continue to fund business and energy projects in rural areas nationwide.

As our Nation continues to recover from the largest economic recession since the Great Depression, RBS programs and services, in partnership with other public and private sector funding, are a driving force in improving the lives of rural America. Our programs not only promote rural business employment opportunities, they close the gaps between rural and urban areas. The Administration's FY 2015 $877.3 million budget request builds on our previous successes. We estimate that this level of support for loans and grants will assist thousands of businesses and create or save over 44,000 jobs. At the same time, we continue to target and leverage resources, and create efficiencies.

In FY 2013, RBS successfully delivered approximately $1.196 billion in funding to rural America that we estimate helped 17,000 businesses create or save over 44,000 jobs; $939 million in loan guarantees through our Business and Industry Guaranteed Loan Program; $100.8 million in Specialty Programs Division loans and grants; $119.7 million in Energy Division loans, grants, and direct payments; and $36.5 million in Cooperative Program grants. We will continue to deliver government services that meet the needs of rural communities.

Administration Priorities

As outlined in Secretary Vilsack's testimony on March 14, 2014, USDA will continue our leadership role to strengthen the economic development of our Nation's rural communities

through expanding the bioeconomy, creating new market opportunities for biofuels and clean energy, and developing local and regional food systems. In support of the Administration's priorities, RBS remains committed to revitalizing rural communities by expanding economic opportunities, creating jobs, expanding markets for existing rural businesses, and helping develop the next generation of farmers, ranchers, and small business entrepreneurs.

Bioeconomy

Secretary Vilsack is committed to unleashing the full potential of the biobased economy, which will bring jobs to and improve the economy of rural America. RBS is equally committed to growing the bioeconomy in rural areas, supporting both larger scale projects (such as a facility in Nebraska that converts distillers grain into a new biobased product that replaces and/or enhances traditional petrochemical-based resins in various plastics manufacturing processes) and smaller scale projects (such as a planning grant for converting corn and rice waste into fertilizer). Between FY 2009 and FY 2013, our Rural Energy for America Program (REAP) funded 225 biomass projects, totaling over $113 million in grants and loan guarantees and our Biorefinery Assistance Program currently has five conditional commitments totaling over $460 million.

Local Foods

Consumer demand for local and regionally-produced food is one of the strongest trends in agriculture in decades. To meet this demand, 5% of RBS funds are set aside to fund these types of projects. No longer just the purview of farmers markets, consumers are able to "buy local" at venues as varied as schools, hospitals, large-scale grocery stores, and restaurants. USDA and RBS continue to work to help farmers, ranchers and small businesses take advantage of this opportunity. RBS has sought to identify projects that create economic opportunities by linking rural entrepreneurs with demand centers in urban and suburban areas. For example, we can support supply-chain industries such as processing or distribution networks that link a rural produce marketing cooperative with an urban food retailer or market where there is a lack of affordable fresh produce. In FY 2013, RBS obligated approximately $47.4 million across all programs for projects that support local and regional food systems.

Healthy Foods Financing Initiative

The 2015 Budget supports the Healthy Foods Financing Initiative, recently authorized in the 2014 Farm Bill, with a request of $13 million for loans and grants to support increased access to healthy foods in underserved areas, create and preserve quality jobs, and revitalize low income communities. The initiative will provide financial and technical assistance to support market planning and promotion efforts as well as infrastructure and operational improvements designed to stimulate consumer demand, enhance marketing, expand demand and retail outlets for farm products, and increase the availability of locally and regionally produced foods.

Rural Business Programs

In the face of significant challenges, RBS continues to help rural communities prosper by providing vital funding for loans and grants in rural America that would otherwise not be available. The Business and Industry Guaranteed Loan Program expands economic and trade opportunities for rural businesses, agricultural producers, and other rural residents. With over 3,400 guaranteed loans and nearly $6.8 billion in our loan portfolio, we maintain our vigilance in providing the best service to rural communities.

Guaranteed Business and Industry Loans (B&I)

Businesses in rural communities require capital to create and maintain jobs. The Administration's budget requests $30 million in budget authority to support $590.8 million in loan guarantees for our B&I guaranteed loan program. For FY15 we looked at each of our programs critically to evaluate how they contribute to the ladder of opportunity in rural America, including the opportunities afforded through local and regional foods and the bioeconomy. We also looked at how our programs were able to meet the specific needs of the different regions of the country. When we finished this critical examination and took into consideration constraints on available resources and funding, we developed recommended funding levels for our programs that would have the greatest impact. In some cases, we are requesting higher levels of funding in the past and in other cases, such as for B&I, we are requesting less funding. We estimate that the proposed level of funding will assist 258 businesses in creating or saving over 6,500 jobs in FY 2015. In FY 2013, we obligated 357 loans totaling over $939 million, resulting in creating or saving an estimated 12,669 jobs.

As an example, Arbor Springs Health and Rehabilitation is a nursing home and rehab facility located in Opelika, Alabama. The previous owners had let the facility deteriorate to the point that it needed to be closed. B&I funds totaling $7.5 million were used to help the new owner renovate the existing home and add a state-of-the-art rehabilitation center. As a result, 230 existing jobs were saved and 20 jobs were created in Lee County, Alabama, a persistently poor, StrikeForce County.

Intermediary Relending Program (IRP)

The Administration's budget requests approximately $3 million in budget authority to support $10 million in loans to intermediaries. We estimate that the proposed level of funding will help businesses create or save over 14,000 jobs over the life of these revolving funds. In FY 2013, IRP made 26 loans, totaling over $17 million. An example is Justine Petersen Housing & Reinvestment Corporation. The entity has been in operation since 1997, assisting rural small businesses, entrepreneurs and families with financing needs. Owning a Community Development Financial Institution certified by the U.S. Department of Treasury. It has counseled over 20,000 families on credit strategies, assisted 4,300 with home purchases, originated over $10.7 million in microloans to 2,400 micro-enterprises. It has originated over $9.6 million in consumer and microloans. The entity has a 95 percent repayment rate with less than a 15 percent delinquency rate.

Rural Economic Development Loan and Grant Program (REDL/G)

The Administration's budget requests approximately $59 million in loan program level and $10 million in grants. Since 2010, we have had an increase in demand of nearly 123% on loan funds and nearly 53% increase in the number of projects per year. We anticipate that this will continue to increase in the future and consequently put more demand for the loan portion. Historically, over the past several years, we have only received $33 million in loan funds. The REDLG programs provide funding to rural projects through local utility organizations. The loan portion of REDLG provides zero interest loans to local utilities, which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly, who in turn repays the Agency. The grant portion of REDL/G provides grants to local utility

organizations to establish revolving loan programs. The REDL/G program is in fact two separate programs. The RED loans are made to intermediaries to relend to ultimate recipients and upon repayment to the intermediaries, these funds as transmitted back to Rural Development until the loan is repaid. The RED grants are made to intermediaries to establish revolving loan funds. Loans are then made from the revolving loan fund to ultimate recipients for projects that will create or retain rural jobs. The ultimate recipient's loan repayments are retained in the revolving loan fund, which is maintained by the intermediary, to finance other rural economic development projects. In FY 2013, REDLG made 58 loans, totaling over $49 million, and 39 grants, totaling nearly $10 million.

One example is Rural Electric Economic Development, Inc. (REED), a nonprofit corporation operated by 21 electric cooperatives. Over the past 16 years, REED has received more than $14 million in USDA Rural Development Rural Economic Development loans and grants (REDLG) and Intermediary Relending Program (IRP) loans. Of the 245 loans REED has closed, 89% are still in business or 218. However, some of the businesses that are closed had two or even three loans from REED, so with this information being taken into consideration, it is closer to 93% still in business. The 245 loans total $64.2 million, directly creating and/or saving 6,900 jobs. Without this funding, REED would not exist and small businesses would not have access to much needed financing. REED used its REDLG funds to create a well-capitalized, high performing revolving loan fund. Eighty-seven percent of the funded projects are in communities with populations of 4,000 or less, with ninety-eight percent of the businesses locally owned and operated.

Rural Business Investment Program

The 2015 budget requests $6 million in budget authority for loan guarantees and grants that support a program level of $41 million for the Rural Business Investment Program (RBIP). The goal of this program is to increase investments through regional business investments to fund emerging markets in specific rural areas of the country. Through Rural Business Investment Companies licensed by USDA, high growth businesses have access to the type of private investment capital they need to grow their operations in rural America. We estimate this level of funding will create or save 5,000 jobs. This program provides loan guarantees to

establish equity funds to support business development in rural areas. This funding provides additional access to venture capital-type funding. These for-profit investment fund entities use equity raised in capitalizing their funds to make equity investments mostly in small enterprises located in rural areas.

Rural Microentrepreneur Assistance Program (RMAP)

The Administration's budget requests $3 million in budget authority to support $25.7 million in loans for this program. RBS estimates that the proposed level of funding will create or save over 3,300 jobs. RMAP, which was authorized in the 2014 Farm Bill, provides capital access, business- based training, and technical assistance to businesses of less than 10 people. RMAP is already showing results. Since 2010, 106 Micro-development Organizations have closed over 700 microloans totaling $41 million assisting microenterprises to create or save an estimated 3,300 jobs. For instance, California FarmLink received a $500,000 RMAP loan along with a $105,000 RMAP technical assistance grant in 2011. Loan funds were used to establish a revolving loan fund targeting the State's small farmers. California FarmLink's revolving loan fund has provided 23 loans to small farmers in a six-county region. The average loan is just under $15,000 – much smaller than what traditional financial institutions would loan – and over half of these have supported women and minority farmers. These micro-loans, some as low as $5,000, have helped farmers purchase seeds, plants and equipment, employ workers, market crops, and helped them become more profitable.

Energy Programs

The Administration continues to encourage an "all of the above" strategy that taps into all types of energy resources. RBS continues to be a leader in promoting the creation and expansion of renewable energy projects and jobs in rural areas.

RBS currently administers Farm Bill programs specific to energy that promote a cleaner and more sustainable energy future through investments in advanced biofuels, renewable energy, and energy efficiency. Since 2009, these programs have invested over $1.58 billion in biorefineries, renewable energy, and energy efficiency systems through grants, loan guarantees, and assistance payments.

The Budget will support renewable energy systems and energy efficiency improvement projects funded through the Rural Energy for America Program. Renewable energy projects are also eligible for funding through our B&I Guaranteed Loan, Value-Added Producer Grant, and Rural Economic Development Loan and Grant programs.

Rural Energy for America Program (REAP)

The Rural Energy for America Program is the agency's most successful and competitive renewable energy program. The 2015 Budget requests $10 million for loan guarantees and grants to support a program level of $52.3 million for this program, which we estimate will generate/save 1,113 million kilowatt hours of renewable energy. In FY 2013, REAP mandatory and discretionary funds awarded over $39.6 million in grants and over $32.6 million in loan guarantees to fund 1,427 projects in all 50 States and most territories for renewable energy systems, energy efficiency improvements, and feasibility studies. One recent example is DS Cole Growers of Loudon, New Hampshire. DS Cole Growers provides wholesale vegetable plants to nurseries throughout the New England area. The company employs 28 workers at its 150,000 square foot commercial greenhouse. DS Cole Growers wanted to lower its energy expenses and reduce its dependence on natural gas, so the company installed energy curtains in their grow houses. DS Cole Growers received a $40,318 REAP Energy Efficiency Improvement grant to help offset the cost of purchasing and installing new energy curtains. The company estimates that the project will save the company over 2.2 million British thermal units (Btu) per year, or over $30,000 in energy expenses over the course of the year.

Rural Cooperative Programs

While we view our business programs as driving forces in the rural economy, cooperatives have long been an important business model and the cornerstone for business development in some rural communities. Cooperatives provide rural residents with job opportunities, enhanced educational and healthcare services, and products to compete in today's economy. These locally created opportunities generate revenues that are recycled back to the community.

Appropriate Technology Transfer to Rural America

The Appropriate Technology Transfer to Rural America (ATTRA), also called the National

Sustainable Agriculture Information Service, provides sustainable agriculture information to those engaged in or serving commercial agriculture, such as farmers, ranchers, extension agents, farm organizations, and farm-based businesses. Work for the ATTRA project takes place in six locations throughout the United States. The ATTRA project is staffed by more than 20 National Center for Appropriate Technology agricultural specialists with diverse backgrounds in livestock, horticulture, soils, organic farming, integrated pest management, farm energy, and other sustainable agriculture specialties. It provides information and other technical assistance to farmers, ranchers, extension agents, educators, and others involved in sustainable agriculture across the United States.

In FY 2015, we are requesting approximately 2.1 million for this program. ATTRA has nationwide reach, and in FY 2015, ATTRA will assist more than 2.2 million agricultural producers in businesses. Also, ATTRA will deliver at least 13,000 research letters, technical publications, electronic media (CDs, DVDs, jump drives), illustrated guides, and other materials at no charge in response to client queries; provide at least two million ATTRA publications, resource lists and other educational resources that are read online or through downloads of HTML and PDF, multimedia presentations, and other educational media from the ATTRA website; along with a host of other technical assistance services for agricultural producers and businesses.

Small Socially-Disadvantaged Producer Grants

The Small Socially-Disadvantaged Producer Grants (SSDPG) program provides grants to cooperatives, groups of cooperatives, and cooperative development centers to provide technical assistance to small socially disadvantaged producers. For FY 2015, the Administration is requesting to maintain the $3 million in authority as FY 2014.

One example, North Delta Producer Growers Association in Marks, Mississippi, received $185,000 to provide technical assistance to transfer the management and operation of the Alcorn State University vegetable processing facility to the cooperative. The SSDPG award will assist the cooperative in becoming the owner-operator of the processing facility having a direct impact on 250 vegetable farmers in expanding their marketing opportunities. A

successful venture may serve as a replicable model for other areas in the State.

Value-Added Producer Grant Program (VAPG)

The Value-Added Producer Grant program supports local and regional foods, biobased products, and renewable energy projects. VAPG offers many opportunities to new and socially-disadvantaged producers by helping owners of small and medium-sized family farms sell their products in local and regional food markets. The Administration's Budget requests $11 million in funding for this program, which we estimate will assist 105 businesses. This level of funding allows RBS to maintain this important program, which encourages producers to refine or enhance their products, increasing their value and their returns to producers. In FY 2013, VAPG made 120 awards for approximately $18.4 million in 44 States and Puerto Rico. Since FY 2009, RBS has made 615 awards for over $80 million to support value-added businesses across the country.

Southwest Border Regional Commission

The Southwest Border Regional Commission, SWBRC, helps coordinate Federal efforts to develop the basic building blocks for economic development, such as transportation and basic public infrastructure, job skills training, and business development. The Administration is requesting $2 million in FY 2015. The funding will be used for necessary administrative expenses of the Southwest Border Regional Commission. This level of funding will help USDA support its strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Rural Business Development Grant Program:

The Administration proposes $57.5 million in funding for a new rural business development grant program that would combine the authorities of the following programs:

- Rural Business Enterprise Grants
- Rural Business Opportunity Grants
- Rural Cooperative Development Grants
- Technical Assistance-Only Grants from the Rural Microentrepreneur Assistance Program
- Rural Community Development Initiative Grants

The new program would have a strong emphasis on performance targets and evaluation, and make them evidence based, which would improve efficiency and effective of agency grant making. The Agency would establish minimum community and economic development performance targets and award grants based on the extent to which the applicant can demonstrate the ability of the proposed project to exceed those performance targets on a competitive basis. By structuring the new program using metric-based parameters, all applicants will be able to compete for funding on equal footing. The Agency would establish minimum community and economic development performance targets and award grants based on the extent to which the applicant can demonstrate the ability of the proposed project to exceed those performance targets on a competitive basis.

Combining these grants into a single rural business and cooperative grant program will simplify the communication of program offerings and support a more streamlined application process. Regardless of the funding level, certain costs of administering a program are fixed and USDA must allocate resources accordingly. Consolidation into a single program will reduce the amount of resources needed for preparing programs and allow for greater attention to program delivery, administration and outreach.

Further, by virtue of being a broader, consolidated program, the new program will benefit all constituents by leveraging more effectively the grants to provide greater assistance to rural communities and may be further beneficial to constituents by offering them access to project activities or purposes not currently covered in a program.

Conclusion

Thank you for your support, Mr. Chairman and members of the Subcommittee. The Rural Business-Cooperative Service is committed to promoting economic prosperity in rural communities through improved access to capital and economic development on a regional scale. RBS will continue to achieve this important mission while implementing operational efficiencies that result in successful outcomes for our programs and the people we serve. With your help, we will continue working to bridge the opportunity gap between rural and urban areas. I am available to provide any additional information as requested.

RURAL HOUSING SERVICE

Statement of Tony Hernandez, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives

Chairman Aderholt, Ranking Member Farr and members of the Subcommittee, thank you for the opportunity to present the President's 2015 Budget for the Department of Agriculture's (USDA) Rural Housing Service (RHS).

As the only Federal Department with the primary responsibility of serving rural areas, the presence of USDA field offices in every State helps us serve the specific housing needs of local communities. USDA's housing programs ensure that rural families have access to safe, well-built, affordable homes. In Fiscal Year (FY) 2013, more than 170,000 families with limited to moderate incomes became proud homeowners utilizing our housing programs, approximately 79% of whom were first time homebuyers. We also helped approximately 7,000 rural individuals or families repair their existing homes through our home repair loan and grant program. More than 400,000 low and very-low income households were able to live in safe and affordable USDA-financed multi-family housing. About 286,000 of these households were able to afford this thanks to rental assistance.

We also support the social infrastructure needed to make rural communities attractive to small business owners, employees and families. The Community Facilities program, also part of the RHS portfolio, provided assistance to construct or improve 195 educational facilities and supported 134 health care projects – part of more than 1,054 projects supported nationwide in FY 2013.

In FY 2015, the mission of the RHS remains unchanged. Through mortgage finance and refinance, as well as rental subsidies, we will continue to make housing opportunities available and affordable to rural Americans as they continue to work to ensure the security and prosperity of our Nation. I am proud to work for an agency that sees affordable housing as a conduit to family, neighborhood and community. We are making it possible for many rural families to get on the ladders of opportunity and into the middle class. For 2015, RHS requests total budget authority of $1.22 billion, supporting a program level of approximately $27.99 billion in loans, loan guarantees, grants, and technical assistance.

RHS is the only Federal agency that provides direct single family housing loans to very low- and low-income rural borrowers. The continuation of this program is essential to ensure the important populations the program serves can obtain affordable mortgage credit. Without these housing programs, it is possible many rural residents could be without a home and dependent upon other, more costly, assistance programs.

Some of our programs have grown significantly in recent years and that expansion has helped satisfy homeownership and community development aspirations across rural America. As we forge ahead in an era of tighter budgets, our success will be gauged not only by how many new loans we can provide, but by how well we continue to manage the program and portfolio risks associated with existing loan obligations. Careful monitoring of our portfolio and effective management of its risk has always been among our topmost priorities. We are grateful to Congress for the continued support of our mission to serve rural communities.

Single Family Housing (SFH)

Since its inception the Rural Housing Service has compiled an extraordinary record of achievement that is etched as clearly in the lives of rural Americans as it is in the communities in which they live. The origin of the Single Family Housing programs is rooted in the Housing Act of 1949, and since that time more than 3.69 million rural Americans have received housing assistance totaling almost $205 billion through these USDA programs. Multiple generations of very low-, low-, and moderate-income families have seen their children and often their children's

children raised in homes they purchased through these programs. Without the benefit of these programs, the housing alternatives they might have had available are anything but certain.

Today the demand for our means-tested programs remains strong. In FY 2013, the combined Single Family Housing programs again set records for both the number of households we served and the total amount of financing we channeled to local rural economies. We provided 170,000 loans, guarantees and grants to rural families, whose housing assistance totaled $22.4 billion.

The Section 502 Guaranteed Loan Program has been the USDA single family housing growth engine for several years. In 2013, more than 162,900 guarantees were issued and for the eighth consecutive year, the total amount of rural home loans guaranteed increased. From $2.89 billion in 2006, the total lending made possible through the SFH guaranteed program increased by more than 650 percent to $22.35 billion last year. The impressive FY 2013 results posted by the Section 502 Guaranteed Loan Program underscore both the successes and the challenges of expansion. Increased homeownership stimulates local economies, and expands job opportunities in multiple industries from construction, to home services, to retail. It is positively correlated with community stability, educational achievement, and household financial awareness and planning success. The dividends of increased home ownership for communities can be very significant. However, managing a larger rural housing program requires increased attention to delivery and risk management—capacities which have budget implications.

The 2015 budget request proposes a continuation of the program level for the Section 502 Guaranteed Loan Program at $24 billion, which could provide more than 163,000 homeownership opportunities. This level of funding is supported by a fee structure which, coupled with low and stable default rates, results in a negative subsidy program requiring no request for budget authority. The budget also includes language that will make the Section 502 Guaranteed Loan Program a direct endorsement program, like both the Veteran's Administration (VA) and Housing and Urban Development (HUD) guaranteed home loan programs. This will make RHS more efficient and allow the single family housing staff to refocus on other program needs.

In recent years, Rural Development has experienced a significant reduction in staffing. By delegating to approved lenders, the authority to issue loan guarantees in a manner similar to the "Direct Endorsement" approach favored by HUD and VA, RD can take advantage of important process efficiencies. Rural Development would perform fewer up-front labor intensive origination reviews and focus instead on a more robust post-closing lender monitoring process using a statistical sampling methodology to determine review frequency without compromising program safeguards. The reduced review requirement would allow a more effective deployment of staff in risk management and other critical program capacities.

The Rural Refinance Pilot Program continues to grow and now serves homeowners in 34 States and Puerto Rico. Launched in mid-2012, this pilot allows eligible rural homeowners to refinance their USDA direct or guaranteed loans at present low interest rates, which equates often to hundreds of dollars per month in savings for rural families. The pilot program expands eligibility for mortgage refinancing by eliminating the need for a credit report if a borrower has been current on loan payments for 12 consecutive months. By lowering monthly expenses, it helps keep rural residents in their homes and energizes the local economy through increased consumer spending. In addition, since these loans are already part of the existing USDA portfolio, this pilot reduces portfolio risk and protects taxpayers by reducing the incidence of default. Since inception, the Rural Refinance Pilot program has helped more than 8,000 families. It will continue to provide important assistance in FY 2015, though with higher mortgage interest rates we do expect fewer refinancing applications in the year ahead.

SFH Direct loans and housing repair grants are both funded at reduced levels for FY 2015. This again reflects an increase cost in the program for SFH direct and the emphasis within RHS on cost-efficiency as a determinant of program viability. The reduction in direct program lending will have little effect on overall single family housing lending because of the small program-size relative to the lower-cost guaranteed loan program.

The smaller SFH Direct program, serves very low- and low-income homeowners. The invaluable contribution of this program is most evident in the important populations it serves. While its absolute lending totals lag the SFH guaranteed program by a wide margin, on a relative

basis the direct program serves proportionally more single mothers and more minorities, many of whom are among the very-low income borrowers the SFH guaranteed program can seldom assist.

At a requested program level of $360 million, the direct loan program is expected to fund approximately 2,900 homeownership opportunities to very-low and low income borrowers. This request reflects USDA's increased reliance on the $24 billion guarantee program to ensure broad access to mortgage financing in rural America. Mutual and Self-Help grants to local non-profit groups that provide assistance to families building their own homes are funded at $10 million.

Through the requested $25 million for the Housing Repair grant program, USDA will provide approximately 4,200 grants to very-low income, elderly, rural homeowners in order to make essential safety-and health-related repairs to their homes. In addition, for 2015, the budget is requesting approximately $26 million in the repair loan program which will allow us to serve about 4,250 very low-income rural homeowners.

RHS has continued to explore more cost efficient business models. We are undertaking numerous process improvement efforts, including the use of loan packagers to extend the SFH Direct program reach to more remote rural areas and Secretary Vilsack's electronic signature initiative to help realize in the near-term a "paperless" processing environment for guaranteed loan applications, commitments and guarantees. In addition, we are reengineering loss claims payment and Real Estate Owned (REO)/Foreclosure processes that will streamline business practices and eliminate operational redundancies both within and among States. These streamlining efforts not only entail meaningful cost and service benefits; they also reflect the Department's commitment to the "best-practices" approach that guides all of the Agency's operational improvements.

Multi-Family Housing Programs (MFH)

The Multi-Family Housing budget reaffirms Rural Development's commitment to providing affordable housing options to the poorest of the poor in rural America. The

average income of these program tenants is approximately $12,000 per year, with elderly and/or disabled households making up 61 percent of the rental housing portfolio. The total program level request for MFH programs is $1.34 billion, an increase of more than 4 percent over the 2014 budget, of which eighty-one percent is for MFH Rental Assistance contract renewals. This includes program authority for Rental Assistance, Section 515 direct loans, Farm Labor Housing loans and grants, Section 538 Guaranteed loans, the Multi-Family Preservation and Revitalization demonstration program, and housing vouchers. The requested rental assistance is sufficient to accommodate the more than 243,000 rental assistance contracts expected to be renewed.

The 2015 Budget includes several legislative proposals to enable more flexible management of the rental assistance program. These proposals will enhance management capabilities and ensure the long term sustainability of the Rental Assistance program. They are designed to help our rental assistance program remain viable even when Rural Development is faced with budget challenges.

These legislative proposals will also allow Rural Development to make better choices in prioritizing rental assistance contracts in times of limited funding to provide some level of rental assistance for the most critically needed affordable housing when there is simply not enough funding Rental Assistance to meet all of our program needs.

Finally, the 2015 Budget also includes a re-proposal of legislation to gain authorities for USDA's RHS staff to have access to the Department of Health and Human Service's National Directory of New Hires as well as Internal Revenue Service data, similar to what Housing and Urban Development has for its project based rent programs. This will help reduce improper payments in its means tested programs, where the biggest benefit will most likely be in the Rental Assistance Grant program.

The 2015 budget request proposes $28.4 million in program level for the Section 515 direct loan program as well as about $32.5 million in program level for the Multi-Family Preservation and Revitalization (MPR) Program. The high cost of housing replacement and the need to

protect taxpayer investment in housing assets supports the request for preservation and management of RHS' existing housing portfolio. The funding of the revitalization program provides the tools needed to preserve RHS' aging portfolio of rental housing. The 2015 Budget also includes a legislative proposal to provide permanent authorization for MPR tools. The MPR tools we have been using through annual demonstration program authority are a more efficient way to revitalize the existing multi-family housing portfolio. Enacting permanent authority for the current MPR tools will provide flexible financial tools for critical multi-family housing preservation.

The budget request proposes $28 million in BA for the combined MPR and Rural Housing Voucher Program. The voucher funding provides a rental subsidy to supplement the tenant's rent payment in properties that leave the portfolio either through prepayment or foreclosure. The budget request for MFH Section 514/516 Farm Labor Housing is approximately $32.2 million in program level funding. The Budget proposes $150 million in program authority for the Section 538 Multi-Family Guaranteed loan program, with no budget authority necessary.

Community Facilities Programs (CF)

The Community Facilities budget request will provide financing for the construction and improvement of essential community infrastructure and facilities across rural America, including hospitals, schools, libraries, clinics, child care centers, and public safety facilities. The Budget proposes $2.2 billion for direct loans, which is the optimal loan level given expected demand and underwriting ability of the RHS staff. The CF program will continue to provide critical health, public safety and educational benefits to over 11 million rural residents. The CF program continues to be a resource across rural America, as communities come together to modernize critical community infrastructure that is vital to improving rural health and educational outcomes and attract new businesses, quality jobs and improve economic growth. In addition, CF has been successful in leveraging direct loan funds through public private partnerships with capital credit markets and institutional investors seeking to invest in social

infrastructure. CF invested in 181 Public Private Partnership social/community infrastructure projects across rural America in 41 States.

In FY 2013, we invested over $390 million of CF funding in 195 educational and cultural facilities serving a population totaling more than 5.4 million rural residents; over $64 million in 410 public safety facilities serving a population totaling more than 2.0 million rural residents; and over $649 million in 134 health care facilities serving a population totaling more than 3.2 million rural residents. The remaining balance was used for other essential community facilities such as food banks and other food security projects, community centers, early storm warning systems, child care centers, and homeless shelters.

The Budget proposes no funding for the CF guaranteed loan program, and the Economic Impact Initiative (EII) Grant program. The CF Guaranteed program originated as an inexpensive alternative to the direct loan program, designed to stimulate additional assistance to moderate income communities in rural areas. However, the defaults in the program have been much higher than originally projected, making it more expensive than the direct loan program. The direct loan program funding level, coupled with private public partnerships, will more than offset the effects of the guaranteed loan program termination. The regular CF grant program can also replace the EII grant program, which provides assistance to rural communities with extreme unemployment and severe economic depression.

Conclusion

As we consider the best way to position limited resources in 2015 to serve the complex needs of rural areas, we are confident that RHS will successfully implement the programs needed for a thriving rural America. USDA reaffirms its commitment to rural America in this budget proposal that balances the needs of the most poor, evident in the renewal of rental assistance subsidies, while still responding to the need for wealth creation in rural America, through the enormous growth and investments provided by the SFH guaranteed and CF direct programs. The budget proposal continues targeted investments that support long-term job creation and renewed economic expansion.

I appreciate the opportunity to testify before members of the Committee and with my distinguished colleagues from Rural Utilities Service and Rural Business Service. We work well together, collectively serving constituents, to further support American competitiveness and economic growth. This Budget supports our efforts and helps us fulfill the promise of rural communities. Thank you for your support of RHS programs. I am happy to answer your questions at this time.

Mr. ADERHOLT. Thank you, Mr. O'Brien. At this time I would like to recognize again the chairman, Mr. Rogers. He has 12 of these subcommittees, and so I am going to go ahead and let him, because we have votes here shortly. So, Mr. Rogers, go ahead.

HOUSING PROGRAMS REQUEST

Mr. ROGERS. Thank you, Mr. Chairman. Thanks for the nice courtesy. The time is short because we are due on the floor immediately. But I am puzzled, why are you proposing to cut these programs that I talked about that are proving so successful. With sweat equity and with helping people do the right thing, why are you cutting those programs?

Mr. O'BRIEN. Chairman Rogers, thank you for that question, and I also—I just want to mention, thank you for your leadership in SOAR. It is something that I have tracked closely, as has the Secretary and other initiatives, including Strike Force, and of course, Promise Zones. There is a lot of good things happening in eastern Kentucky.

Mr. ROGERS. Thank you.

Mr. O'BRIEN. Certainly take your point on the concerns about the proposed budget on 502 direct and 504—523 thank you. I will mention, and then I will asked Administrator Hernandez to expand, that the 502 direct program obviously is a foundational program for Rural Development and has been for decades. The budget authority request in the 2015 budget actually does increase from $24 million provided in 2014 to $26 million in 2015, and in fact, if we look at our proposed budget for 2014, we actually increase that budget authority by well over 2 times.

So, the issue, of course, here is subsidy rate, and the formula has caused a decrease in the program level even though a proposed increase in budget authority. I will ask Administrator Hernandez to talk about that a little bit and to anything else you might want to talk about.

Mr. HERNANDEZ. Thank you, Mr. Chairman.

We are very committed to this program. As you know, Mr. Chairman, this is a program that really goes after folks that are very low income folks. The 523 program, self-help, uses sweat equity as a way to get people in their homes that probably wouldn't get there any other way.

Mr. ROGERS. Right.

Mr. HERNANDEZ. And in your state, we just—as you celebrated with us, about new 13 homes that have solar panels. We are very excited about this program. What we are trying to do is make sure we have the right products for the right types of customers, so we have three types of products. We have the guarantee product, we have the direct—502 direct program, and the 523.

What we are trying to do is make sure we have sufficient funds in each one of those, and we believe, based on the funding that is appropriate right now, these programs are funded at the level that we think we can operate.

To demonstrate our commitment that is growing, in addition to the additional $2 million that we have asked for in this budget, we are actually trying to find ways to improve the implementation of

these programs, and part of this, how do we make these programs work better.

And to do that, we are trying to streamline the 502 direct right now, as you know, it is a manually driven program, one loan at a time. It takes very long. And so, what we are trying to do is to improve what we call the loan origination system, to move more towards automation. When we are successful in completing that, that will reduce the time to allow us to help more families, it will cost us less, and we think we are going to change more people's lives through this wonderful program, the 502 direct program.

For the 523, that is usually the financing where we do use for sweat equity homeownership. We hope to use that program more, and at the current levels, we are asking for about the same amount of dollars we asked last year, which was $10 million for that sweat equity program, the self-help program. We believe that is the efficient level for us to help this year.

Mr. ROGERS. Well, I thank you for your work and your dedication to these programs. They do work and it helps real people out of real difficulties, and I thank you.

Thank you, Mr. Chairman.

Mr. ADERHOLT. Thank you.

At this time, what we will do is we will do a recess, we are going to go cast a couple of votes, and we will be back to reconvene just in a few minutes, so thank you.

[Recess.]

RENTAL ASSISTANCE PROGRAM

Mr. ADERHOLT. Okay. Thank you for bearing with us. We will go ahead and get started on our next round, or really our first round but our second convening.

I wanted to ask a little bit about to Mr. Hernandez, I want to ask you about the Rural Housing Service, some issues in your portfolio. USDA proposes a significant change to the rural assistance program to provide stability for our program and greater flexibility for Rural Housing Service to manage it. The changes include, among others, a $50 minimum rent, eliminating automatic contract renewals, and allowing partial funding of contracts to track with continuing resolutions.

Tell us a little bit about this proposal and your justifications for how this would be implemented?

Mr. HERNANDEZ. Thank you, Mr. Chairman.

We are very excited about these proposals because we have learned a lot from what happened last year in our budget years. You know, it was a very challenging year for us as we tried to implement this program, and we want to thank you for the funding for last year that you funded us at $1.1 billion, which is sufficient for us to fund all of our products and for our rental housing assistance grants, and this year we are asking for $1.8 billion, with these proposals in them.

The purpose of the proposal is to help improve the predictability of what the program costs. Right now there are some changes with our contracts. They are renewed—we are trying to find a way to have a contract time, we call it 12-month contract, and a fixed rate or what we call eliminating renewals so we can know when they

are going to happen, automatic renewals. When we do that, we are trying to find a way to be more predictable with the program costs, to keep them in with that timeframe.

At the same time, we are trying to make sure that as you talked about, enhancing the integrity of the program, trying to make sure that only people that are eligible for the program do that, and with that legislation, that means we can use this database that we haven't had access to before. By having access to that database, we can make sure only those folks that are eligible can get in there, so that is that.

For the minimum rent, we are looking for the long term. How do we make sure this program is funded and operates for long term, not just this year but forever. We believe rental assistance is a program that is so important in rural America, and we need to find a strategy that we believe the Secretary's articulated very well, what are we going to do for the long term.

So, based on our experience last year, we are trying to make sure we have proposals that give us funding for the long term, and one way we believe that is helpful is to have a minimum rent. This is not something new, minimum rents have been around a long time. Housing and Urban Development (HUD) has had a minimum rent for many, many years, and we think we have a proposal that really helps mitigate the impact. We know there will be impact on some customers, but we think we can mitigate that with what we called the hardship clause, and part of that is to make sure if you cannot afford to pay, if there are some other hardship criteria that we are developing with our partners, and this decision will be made on the local level, not made in D.C., will be made at the property level, where the manager who knows the customers, knows what they are making, and understands all the income levels that are being generated there, will make those decisions.

We believe that flexibility is important for the management down at the local level, but we need this authority to make sure this program is viable for the long term, not just the short term.

So this is not a short-term solution. This is a long-term solution taken together. So I don't want to take it one at a time. We need to put this minimum rent with eliminating automatic renewals with some other management tools, make sure we can have what we call selective renewals based on the priorities of those properties.

Let me talk about that just a little bit. Right now the budget appropriation language says you have to renew based on first-come first-serve. We don't think that is the best way to manage this program. We have priority properties, more rural, more poverty properties, so we are trying to make sure we have a tool that allows us, in partnership with our stakeholders, develop the criteria so we can select those properties that should be renewed when there isn't enough dollars to go through. That is part of that.

And the last one is we are trying to make sure that we try to increase our partnership, and these tools, we think, allow for that management flexibility. And with that, it is a shorter term contract. If we have a continuing resolution, right now we have to do a long contract. If there is a continuing resolution, we won't have enough money, so we are looking for some flexibility to have a 3,

6 or 9 month contract so we can better managers of these properties. We don't have the right tools right now, so we need your help to give us the tools to be better managers and stewards of the taxpayer.

Mr. ADERHOLT. So, if I understand you correctly, if a tenant cannot pay the $50, then you all have this hardship clause that can come into play.

Mr. HERNANDEZ. Yes.

Mr. ADERHOLT. That can work around that.

Mr. HERNANDEZ. Yes, sir.

Mr. ADERHOLT. How many tenants do you estimate would be in a position that would take advantage of this?

Mr. HERNANDEZ. Generally, we think about 10 percent of our total population would be eligible for that hardship clause.

Mr. ADERHOLT. All right.

Mr. HERNANDEZ. So we have about 284,000 folks, so only 10 percent.

[The information follows:]

There are currently about 42,000 households that pay between $0 and $50 per month as their tenant contribution toward the rent payment. However, the actual number that would see their tenant contribution increase to $50 per month would depend on the number of exemptions approved.

Mr. ADERHOLT. And how do these proposals compare with authorities available to the Departments of Housing and Urban Development and Veterans Affairs?

Mr. HERNANDEZ. Very similar to HUD's, and HUD has had success in implementing theirs for a number of years, and actually our relationship with HUD is very good, so we talk about what they have learned, how they would do it differently, so we developed this proposal in communication with them. We think it is going to be very effective.

Mr. ADERHOLT. Okay. My time is expired.

Mr. Farr.

PROGRAM COORDINATION

Mr. FARR. Thank you very much.

I am always impressed of how many sort of silos, there are many silos there are in your agency. It is more than—it is like any other department in USDA, and I know there is some consolidation efforts and some concerns about that. I mean, you do electrical grids, clean water, housing, broadband, business loans, cooperative loans, grant loans, technical assistance programs, and the list goes on and on in all the different kinds of categories.

In essence, you think that almost any need of a rural area would be under one of these programs, and I really just—we just chatted for a second, but I have run up against a problem, and I just can't find any help, and maybe the help might be just the brain trust that you have in your department. But I represent Big Sur, California, which everybody knows of as just probably the most beautiful coastline in the world, and it is about 70 miles long of rural area.

There are no communities, there is no local government there. The county is the lead government, but you have got a lot of Federal partners, the Forest Service, which is in USDA, the marine

sanctuary, which is in Interior, the highway has been declared a federal scenic highway, an all American highway which it is not a federal highway, but at least that designation is a Federal Transportation Department. You have got some of the Department of the Army with the Fort Hunter Liggett training base, and we have some BL—no, I guess not BLM, no BLM land there, but—and state parks and state highways and so on.

The one thing we have, an endangered species, one being a Condor, and those probably birds, I am guessing the amount of money in each bird is over a million bucks and they ran into power lines, PG&E power lines and they have got to do something about it. Their idea is we will just make thicker lines, but it is a scenic highway, and we have got—the whole effort here and the question is, we are trying to underground this, and there is no place where there is any help.

I mean, there is just these little mining undergrounding funds that the county puts together that essentially are for rural urbanized area where people are getting—trying to get underground in a little unincorporated area, but nothing of this—and there is no rate base there, there is no tax base or rate base by utility users. It is also a need because we have schools and a lot of state parks and huge tourism traffic. I mean, it is a great place to broadband if we are going to do something like this.

So I am just wondering if there is anything in the department where we could get some assistance. This is essentially a rural problem with an urban price tag, and how do we go to get help when even with the sophistication of California and all it locale governments, we don't have any one-stop solution there either.

Mr. O'BRIEN. Congressman, I will talk just briefly and then ask Administrator Padalino who, you know, is sort of on top of our infrastructure programs.

I will talk just a little bit about the siloing. We do have—and this committee knows very well, you know, 40-plus programs that we administer along, you know, the different business cooperative housing and infrastructure. I think the comparative advantage that Rural Development has is that in the field, that is all brought together. We have people who sit in the same office many times, as you know, sit with their FSA and NRCS colleagues who can knit together these programs to assist and support rural communities.

That is in the field. That is the most important place where we breakdown silos. We work very hard. I think you know this, sir, through you know, the national efforts, through StrikeForce, through indeed the White House Rural Council to break down other silos.

Mr. FARR. Have you been able to break down the silo between HUD and you on housing? We had a real problem with farm worker housing where we needed HUD as a partner, and I think we actually did the first breakthrough in the history of the country in a joint project, but is that continuing?

Mr. O'BRIEN. Well, I can tell you we work very closely with HUD. In fact, 2 days ago the chief of staff and a couple of others were in my conference room talking about some housing and community economic development issues, and that is the second meeting I had with senior folks with HUD just this week.

So, I think we do continue to build those relationships on farm worker housing and others, but I do want to go back and make sure you get a response on your first question, on the issue of the lines in and around Big Sur. Administrator Padalino.

BIG SUR POWER LINES

Mr. PADALINO. Sure. Thank you for that question.

One of the first steps, if there is any problem in a rural area, to do would be to reach out to our state office and to talk to our state director who is really our person on the ground who can help bring multiple resources together, engaging in some of the activities.

Mr. FARR. We have. I mean, we have a multi-agency council with every single agency that has any jurisdiction in Big Sur, and it is about a 15 member board, and it is—and so there is—it is probably the most informed community in the United States with that council meeting every 3 months, with all the elected officials there, too, but we don't have any solution for this undergrounding issue.

Mr. PADALINO. And what we probably need to do is follow up with your staff to learn what assets are underground. At the Rural Utilities Service we have an electric loan program that has over $45 billion.

Mr. FARR. You say it is a loan program, and who has to pay that loan back?

Mr. PADALINO. The users of the system.

Mr. FARR. Well, there is not many people. This is it. You have got probably less than 100 telephone subscribers. You have got some big huge businesses, Post Ranch, $1,000 a night, but you know, that is still not going to be a ability to pay for this project.

So I mean, I will work with you, but I just—we are really looking for grants or foundation help that might help.

Mr. ADERHOLT. Mr. Nunnelee.

WATER AND WASTE PROGRAM

Mr. NUNNELEE. Thank you, Mr. Chairman.

In Mississippi and across America, rural water projects are pretty important to us, and the Farm Bill that we passed earlier this year provided $150 million to help reduce the backlog on rural water projects, so just tell me where we are on that backlog, what are the plans to utilize that money, and where we going to be this time next year?

Mr. O'BRIEN. Absolutely. Thank you, Congressman Nunnelee. It was very good to be with you at the water rally earlier this year.

The obligation getting those dollars out the door, those mandatory dollars from the Farm Bill and the water program were actually the priority for us in Farm Bill implementation, and I am going to ask again Administrator Padalino to talk about where we are in that implementation.

Mr. PADALINO. Okay. Thank you for that question.

The Congress provided $150 million that we worked—and one of the requirements was to make sure that we use that money for projects that were already pending, and we prioritized those projects, and we are obligating those projects right now, and all of those funds will be obligated by the end of April.

The backlog right now is about $2.4 billion, and I think what that represents is that there is a continual need for investment in infrastructure. As systems get older, they require new investments. As the community may grow or decrease, it requires different kinds of investments.

Over the years, we have seen the backlog go from one and a half to three billion dollars, and if you look at some of the data that is out there, the needs are in the hundreds of billions of dollars, but what we do is work with the communities to help develop their applications, get those to a complete stage and then begin the underwriting. And back to that $150 million, that is grant dollars that goes with the loan dollar to do a loan/grant combination.

OIG REPORT ON DUPLICATIVE PROGRAMS

Mr. NUNNELEE. Thank you.

All right, today the Office of Inspector General is releasing a report on duplication in Rural Business-Cooperative Service loan and grant programs. My guess is some of your work has been made more complex by actions of Congress, but tell me, what input did you give into the crafting of the Farm Bill and to this budget to help alleviate this issue?

Mr. O'BRIEN. Thank you for that question.

I will talk about the, you know, the—in our fiscal year 2015 budget proposal, we do propose to consolidate a number of our business grant programs, that is in partial reaction to, you know, concerns raised in that OIG report. We work closely with OIG, and as they conduct their reports and investigation, to make sure that they have the best information possible, and we see OIG as really a great partner in helping reform our programs over time.

In terms of the Farm Bill, new authority that consolidates the Rural Business Enterprise Grant (RBEG) and Rural Business Opportunity Grant (RBOG) programs, we were certainly asked and provided technical assistance. I think that the authorizers saw earlier proposals that we had done and also looked at not only OIG but GAO reports and embraced some of that streamlining. We appreciate the Farm Bill streamlining those two programs and look forward to continuing to look for, and as our proposal indicates, other ways to streamline and make more efficient the delivery of our programs.

Mr. NUNNELEE. Well, and it is certainly no secret to any of us, we are in some tough budget times and we are going to have to work smarter.

Mr. O'BRIEN. Uh-huh.

Mr. NUNNELEE. Because the needs aren't any less.

Mr. O'BRIEN. Absolutely.

BROADBAND PROGRAM

Mr. NUNNELEE. One final question, rural broadband is pretty important to the area I represent, and to all of rural America. So just tell me, what you are doing in the area of rural broadband? There was a report last year from OIG that was critical on some duplication and mismanagement of funds, so tell me where we are on that.

Mr. O'BRIEN. Absolutely. Thanks for that question. I will just mention a couple of things and then again ask Administrator

Padalino to talk about the broadband and telecommunication programs.

We were able, about 4 years ago, with a big influx of funding through the Recovery Act, to really make some big investments in harder to reach areas. We want to continue that momentum.

We actually in this fiscal year 2015 budget proposal, it is one of the few places that we actually increased the program, and that is in the broadband program. So we would certainly recognize that as a foundational, a 21st century infrastructure and I think our budget proposal indicates that. I will ask Administrator Padalino to expand.

Mr. PADALINO. Well, thank you, the first thing I think is the Recovery Act that you mentioned and we funded two projects in your district to help expand access to broadband for rural Mississippi. The OIG report—we have worked closely with OIG throughout their—they have had funds provided to make sure, and to give us guidance on how to manage the program. We have worked closely with them and responded and issued guidance based on their suggestions.

Over 70 percent of the Recovery Act funds have been disbursed and we are working with projects to get those complete. I think the need is still there, there are 6.5 million rural households that lack access to broadband and it is a need that we are going to have to keep focused on over the next few years.

Mr. NUNNELEE. Thank you.

Access to rural broadband is to my children's generation what access to electricity was to my grandparent's generation, and as we make that access available, it will transform rural America.

So thank you.

Thank you, Mr. Chairman.

Mr. ADERHOLT. Ms. DeLauro.

OPENING STATEMENT—MS. DELAURO

Ms. DELAURO. Thank you very much, Mr. Chairman.

If I could just say one thing. I have this pin on today that says "witness to hunger," and it is obviously not the topic of this hearing, though you do deal in rural America, and there certainly is a lot of poverty and a lot of hunger in rural America, and if you have a moment, anyone, and I say that to my colleagues on the committee, that—go by the Rayburn foyer. Look to the women who are the witnesses to hunger.

See the pictures of themselves and their children. Read the commentary about how they try to make do, and how they try to literally survive, and one woman, I read the commentary of one, and she dubbed her son the king of bananas because he loves bananas and she tries to give him a banana every day.

But when it gets to the last week or so of the month when the Food Stamp allocation has run out, she has no ability to be able to get fresh fruit and vegetables, so she buys what she can and whether it is nutritious or not. But it is really pretty poignant and when you do see the photographs and listen to these very courageous people who are in a very difficult economy trying to make their way.

And I mention this today because in this committee, we do have the wherewithal to help to try to make a difference, and that is so very, very true for our rural communities, and oftentimes it is hidden in rural America versus urban America, and we need to not only focus on some of the other areas that affect rural America, but the hunger issue as well.

RENTAL ASSISTANCE PROGRAM

And with that, I will, I think, reiterate what my colleagues have been talking about, and what is a real concern to me is in the rental assistance program in which we are looking at the $50 rent, tenant rent, minimum tenant rent. The research by the National Housing Law Project shows that the minimum rents would only impact the very lowest income tenants, and those who are making under $2,000 in annual income. That is pretty significant.

And I heard you say, I mean, and who are these households? Elderly households, nearly 60 percent of households occupying rural development rental housing and there are 62 years of age or older, disabled households, person with disabilities comprised nearly 48 percent of these households. Single female households comprise over 69 percent of total one-person households; female head of multiperson households, 75 percent of the multiperson rural development rental households.

Now, you talked about a hardship fund, and you talked—but not in the percentages. How many families are affected; 10,000, 50,000? What are the numbers here? And how extensive is this hardship program that will—and how would it work to help these people who are—can you fathom an annual income under $2,000?

So where do these people go? What do they do if we are not providing assistance? These people will be gone forever. The program may last forever, but these folks are gone forever. It is not about the program, it is about the people that we serve.

Mr. O'BRIEN. Absolutely, and Congresswoman, I will ask Administrator Hernandez to address the precise questions that you ask. I do just want to mention in the spirit of the first part of your statement, that, that Rural Development with Secretary Vilsack's leadership and direction is focusing more and more of our resources in the hardest to reach and the poorest places, as evidenced by the workaround Strike Force, and in fact, what we have done across the board throughout all of our programs, is done a very rigorous analysis of where our dollars go, and we have a goal for each one of our State directors to increase dollars into persistent poverty census tracks, for instance.

But I will ask Administrator Hernandez to talk about the details of the hardship exemption.

Mr. HERNANDEZ. Thank you very much. We agree with you. We are trying to make sure this has a minimum impact to our customers. We have the same passion to try to keep people in housing; the minimum income, is right around $10– and $12,000 for the folks that live there. The hardship clause that we have is a financial hardship, so those folks that are at $2,000, probably would not have to pay because they would be exempted because of the hardship clause.

Let me list you some of the criteria that we would use at the local level, not in D.C. but at the property level that the managers would make a decision on.

First, has the family lost eligibility or is awaiting for a decision for eligibility in the program? That is the first one.

Has the family been evicted because of not being able to pay minimum rent? And they would being exempt again.

Has a death occurred in the family?

Has the family income decreased because of a loss of jobs? We are trying to find ways to make sure that people have a good place to live, but again, we are looking at the big picture. How do we make sure this program is there to provide service to those customers?

So when we made these proposals, not just one proposal, there is a number of proposals in there. They are all together. We believe it will make the program more viable, provide great service to the folks, but everybody contributes. We contribute on our health care, and make it contribute lots of different ways. So this is another way to, I think, to make the program viable and dedicate the service to make sure there is a safe and decent housing for those folks.

Ms. DELAURO. My time is up, but you know, we are talking, how many people?

Mr. HERNANDEZ. It is 284,000 people in that group that seek rental assistance. Not all of those——

[The information follows:]

Approximately 286,000 households make use of rental assistance and about 42,000 households pay between $0 and $50 per month as their tenant contribution toward the rent payment. The actual number of households that would be affected by the minimum rent would be lower than this, but would depend on the number of exemptions approved via a hardship waiver that would take into account the parameters I discussed earlier.

Ms. DELAURO. No, but who are the lowest, the people who are making the $2,000 or less?

Mr. HERNANDEZ. They would probably be exempt from making a minimum rent.

Ms. DELAURO. Okay, well, I just think that you have to rethink this piece because it is really not moral to let these people go. I would rather see the program go than let these people go at the moment.

Mr. HERNANDEZ. Okay, thank you.

Mr. ADERHOLT. Mr. Fortenberry.

PROGRAM COORDINATION

Mr. FORTENBERRY. Thank you, Mr. Chairman.

Good morning. Thank you all for appearing before us today.

I want to talk back to Mr. Farr's point about the silos, and apply this conversation to a couple of different areas. One area that I am keenly interested in and have watched the development for a long time, and I think it is an important public policy priority, is in the whole area of biofuels, a bioeconomy. You have a decided focus there, which I think is important.

Mr. O'BRIEN. Uh-huh.

Mr. FORTENBERRY. But—not but, and though, I think it is necessary to have a conversation about the spectrum of renewable en-

ergy, biobased economy initiatives that are underway, not only in your department, but in the Department of Energy—

Mr. O'BRIEN. Uh-huh.

Mr. FORTENBERRY. Even the Department of Defense, because what we don't want to see, we obviously want to all see effective delivery of services for the lowest possible cost.

It is pretty difficult to get the full breadth of understanding of where all of these various initiatives are embedded. We should be working toward the same goal. If you could provide some commentary on that.

Secondly, in regards to silos, you have had some extensive conversation, Administrator Hernandez, on the certain—consolidation may not be the right word, but reforms within housing programs. I want to understand, though, in light of what you have said in terms of more effective delivery, how the cuts to the 502 Direct Loan Program will be sustainable in light of the expanded mission you have just talked about.

In that regard as well, the consolidation of certain grant programs for business assistance and I want to talk about a smaller one, the Rural Microentrepreneur Assistance Program (RMAP), the potential as you proposed to folding it under a mega grant program, could potentially lose its niche focus, which has helped save, or create thousands of jobs for a pretty good, fairly low cost.

So if that is too much information, I can go back and repeat each one, but whatever you would like to do is fine.

RENEWABLE ENERGY PROGRAM

Mr. O'BRIEN. Maybe we will talk about the energy issue, and RMAP, and then we will talk about the housing issues if that is okay, sir. Thank you for those questions.

Certainly, on renewable energy, it is, as you know very well, to Secretary Vilsack an issue he understands very well and he sees as a great opportunity in rural America and he is a great champion for it.

Having seen what can happen in his State of Iowa which is also my State of Iowa, so I certainly understand. You know, USDA, through the reauthorization of essentially all of the renewable energy programs in the Farm bill, is provided the authority and some mandatory dollars, and then we asked for some more discretionary dollars to be able to help build that entire supply chain; everything from basic research all the way to making sure that consumers have access.

Rural Development's role, and I will ask Administrator Salerno to talk a little bit more about this, is towards the end of that. You know, our strength is in financing small businesses, and financing manufacturers, and in this case, biorefineries that make renewable fuels or bioproducts. That, of course, is in our Rural Energy for America (REAP) program that received, again, mandatory dollars, and that we seek discretionary dollars for, as well as the 9003 program. So that is our role.

We work very closely with the agencies, with the Office of the Chief Economist to make sure that our plan is knit together and in fact statutorily, Rural Development, sits on the Bioeconomy Research and Development Board.

That includes Energy, that includes Defense, that includes EPA. We meet monthly, the Under Secretary of Rural Development is a co-chair for that, or at this time, actually, our Under Secretary for Research, Education and Economics (REE), Cathie Woteki is serving in that role. So there is a lot of collaboration, but I will ask the administrator——

Mr. FORTENBERRY. Could I interrupt you for one moment, please?

Mr. O'BRIEN. Uh-huh.

Mr. FORTENBERRY. This is interesting, the Bioeconomy Research and Development Board, which is bringing together cross-jurisdictional agencies to focus on a singular goal. I would like to see your chart from that.

Mr. O'BRIEN. Uh-huh.

Mr. FORTENBERRY. Obviously, there is a chart somewhere that shows the linkages between the spectrum of programs we have in this regard.

Mr. O'BRIEN. Absolutely.

Mr. FORTENBERRY. If you can provide that for me, please.

Mr. O'BRIEN. We would love to share that with you in the very near future.

[The information follows:]

The Biomass Research and Development Board (Board) coordinates research and development activities concerning biobased fuels, products, and power across federal agencies, and aims to maximize the benefits of federal programs and bring coherence to federal strategic planning. The Board meets quarterly and is currently comprised of members from the Departments of Energy, Agriculture, Interior, Transportation, Defense, and the Environmental Protection Agency, the National Science Foundation, and the Office of Science and Technology Policy.

The *Biomass Research and Development Act of 2000 (repealed in 2008 by Section 9001 of the Food, Conservation, and Energy Act of 2008 (FCEA), and then reestablished by Section 9008)* recognized the importance of greater cooperation among federal agencies in biomass research and development and established the Biomass Research and Development Board (Board). Provided below is a list of the Board's politically appointed members as of April 2014.

Co-Chairs	**Title**	**Affiliation**
Dr. David Danielson	Assistant Secretary, Energy Efficiency and Renewable Energy	Department of Energy
Dr. Cathie Woteki	Under Secretary for Research, Education, and Economics	Department of Agriculture
Members	**Title**	**Affiliation**
Doug O'Brien	Acting Under Secretary for Rural Development	Department of Agriculture
Lek Kadeli	Acting Administrator, Office of Research and Development, and Science Advisor	Environmental Protection Agency
Dr. Kevin Womack	Associate Administrator, Office of Research, Development, and Technology	Department of Transportation
Dr. Sharlene Weatherwax	Associate Director of Science for Biological and Environmental Research	Department of Energy
Vacant	Appointed Member	National Science Foundation
Vacant	Appointed Member	Department of the Interior
Vacant	Appointed Member	Department of Defense
Vacant	Appointed Member	Office of Science and Technology Policy

Board Operations Committee Members

- Jonathan Male, Office Director, Department of Energy
- Todd Campbell, Special Assistant to Secretary Vilsack and Under Secretary Tonsager, Department of Agriculture
- Joseph Graber, Program Manager, Department of Energy
- George Antos, Program Director, National Science Foundation
- Christopher Clark, Research Scientist, Environmental Protection Agency
- Shawn Johnson, Senior Advisor, Department of Transportation
- Bruce Rodan, Senior Policy Analyst, Office of Science and Technology Policy
- Robert Boyd, Associate Director, Department of Defense
- Alicia Lindauer, Board and Operations Committee Liaison, Department Of Energy
- Karen Mouritsen, Bureau of Land Management Liaison to the Office of the Assistant Secretary, Department of the Interior

Mr. FORTENBERRY. Thank you, Congressman.

Administrator Salerno.

Ms. SALERNO. Yes, I think actually I have a chart and I will provide you that. It would be great to have a briefing, but you are right, there are a lot of activities going on throughout our agency and of course across the Federal family, but we do work with the Department of Energy under the Rural Development mission area, and of course, we have the REAP program as well as the Rural Economic Development Loans and Grants, that provide assistance to promote with electric and telephone utilities that are available to do types of energy efficiencies.

We have the Rural Business Enterprise Grants, and then of course, we have our big program, the 9003 to promote, you know, less fossil fuel, and we have a current application going on with that.

But the Secretary has been very vocal about the bioeconomy, and it has dissipated across the entire USDA family. And we look forward to an opportunity to come and tell you about all of the—we are organized about doing it, which it goes across several agencies.

Mr. FORTENBERRY. Well, sometimes these hearings get a bit artificial because we zone in on an area that is getting a reduction, and we are not stepping back and thinking about, okay, what is the purpose of all of these narrower programs to provide adequate rural development, part of which is movement toward biobased economy, and sustainability, and that is what I am trying to gain some assurances, that we are not working independently. We are working interdependently, even with other agencies.

I sit on the other Energy and Water Subcommittee as well, and ask similar things. So that would be helpful if you could provide that. Now, the folding into the micro-enterprise loan program, who is going to address that?

Ms. SALERNO. Yes.

Mr. ADERHOLT. If you could briefly do that. Our timer is messed up and so we are over time. So——

Mr. FORTENBERRY. Well, I am looking at a green light. That is I am——

Mr. ADERHOLT. I know. I know. That is why I wanted to clarify, we're having some technical——

Mr. FORTENBERRY. I thought something wasn't right.

Mr. ADERHOLT. We are having some technical difficulties here, but go ahead and summarize your answer and we will go on to Ms. Pingree.

RURAL MICRO-ENTREPRENEUR ASSISTANCE PROGRAM

Ms. SALERNO. Sure. Thank you for the question on the rural micro-enterprise grant/loan program. That is the only Federal funds designated for the small micro-enterprise development organizations.

Mr. FORTENBERRY. Right.

Ms. SALERNO. We know that to be a big—those companies that are less than 10 people, that those are some of the big drivers——

Mr. FORTENBERRY. This is where most jobs come from in America, by the way.

Ms. SALERNO. Right.

Mr. FORTENBERRY. But we are—this is in danger of being folded into a mega grant program as I understand it?

Ms. SALERNO. You are talking about the micro-enterprise grant?

Mr. O'BRIEN. If I might, sir. The grant authority under RMAP would be maintained under the consolidated grant program so that those technical assistance grants to assistant organizations that are focusing on microentrepreneurs would have access to funds under that consolidated grant program. So that authority, we envision the authority would still be there. We would envision that we would continue to support it.

Mr. FORTENBERRY. But do you think you would lose the focus of the original mission, which again is, from my understanding——

Mr. O'BRIEN. We can certainly take your point. It is something that we would guard against because microentrepreneurs as you said, are the true job engines in rural places. Of course, the reason we looked at doing this is to consolidate, instead of, you know, five different Notices of Funds Availability (NOFA) over Notices of Solicitation of Applications (NOSAs) over time and all the work that it takes, that we would be able to do it once, but we would be able to continue to serve all of these different——

Mr. FORTENBERRY. I may need to come back to this.

Mr. O'BRIEN. Okay.

Mr. ADERHOLT. Ms. Pingree, and bear in mind. What I will do is I will just tap when it gets to about 5 minutes. So I don't know what the light will be, what color it will be, but—we will just go with the tapping. We have got a correct timer up here.

Ms. PINGREE. Got it.

Mr. ADERHOLT. So Ms. Pingree.

OPENING STATEMENT—MS. PINGREE

Ms. PINGREE. Thank you, Mr. Chair, and I promise I will listen closely for your tap.

Well, first, thank you very much all of you for being here today, and Deputy Under Secretary O'Brien, thank you very much for taking the time to come and visit us in Maine, when we were announcing the REAP funding for 10 Maine farms and businesses.

It was nice to have the opportunity to travel with you around our State a little bit to see some of the activity going on there, and I think you got to see a wide range of activity and then meet with several communities.

So, I really appreciate the outreach on that. Without getting too carried away here, rural development is such a critically important issue, I know to everybody on this committee, in their home States.

But in Maine, I think it is over $400 million a year that we benefit from, and everything from Value-Added Producer Grants to the housing things you are hearing about today, to water. It is just so critically important for us, and I know you administer a lot of programs and there are a lot of concerns, but I just want you to know how much we value it. We appreciate working with Virginia Manuel in our State and I think there are 60 some RD employees in Maine. It is just a really big part of what happens in a very small State like mine, which is big geographically, small with people and very small regarding money and resources usually. So you are critically important.

HIGH ENERGY GRANTS

I just want to ask, I hope, a brief question about the Rural Utility Service and High Energy Cost Grants. So a program we hear about again and again, and I think you heard about it that day you were visiting us, is the Rural Utilities Service High Energy Cost Grants. This grant program is of particular interest to the island communities that I represent off the coast of Maine.

I happen to live on one and often people think that is somewhat obscure, but there are 14-year-round island communities. They are an important part of our economic base, our fishing base, and critically important to our culture and history in Maine.

Many of those islands, in particular, aren't able to tap into the electric grid, so they rely heavily on diesel generation and some alternative fuels. Some islands like Matinicus, which is a big fishing community, pay up to $0.70 a kilowatt hour for electricity, four or five times what the folks on the mainland pay in our State and we don't have low electric rates to begin with. I think some of the people from Matinicus might have even talked to you in that meeting that you attended.

Mr. O'BRIEN. Could have, yes.

Ms. PINGREE. So getting these costs under control is vital to the survival of some of these communities, which is why these grants are so important.

They help the islands do energy efficiency work and make it possible to include renewable energy. Some of our islands are powered by wind power thanks to some of this assistance.

So, you can imagine that I am disappointed to see that the President's budget has proposed eliminating all funding for High Energy Cost Grant Program. Can you explain your rationale here?

I can't stress how vital this program is to the Maine island communities, so give me a little advice. What should I say to these constituents about why these cuts are being adopted and how are they going to handle losing that support? And I can just say after a long winter in Maine, it is not that fun to meet with a group of angry fishing communities who say, wait a minute, how do you expect us to survive? Where is our lifeline here?

Mr. O'BRIEN. Yeah. Thank you for that question, and thank you for hosting me for what was a great tour that made a deep impact on my understanding, in particularly, remote communities and island communities at the end of the day, and you do have people who certainly exercise their right to vocalize concerns which is a great thing about going to New England and traveling across the rest of the country.

I think I will ask Administrator Padalino to talk about some of the other things that we can do to help support those folks who live in those types of communities.

So Administrator Padalino.

Mr. PADALINO. Thank you for that.

I think this request reflects the tension between the tough budget environment and also trying to be creative with our solutions, and since last year's budget request in the electric loan program we issued a new regulation in December that opened the electric loan program up to energy efficiency activities, distributed generation,

demand-side management, and small scale on and off grid small-scale renewable. And those weren't available under that loan program before and those are the same activities that a typical energy cost grant recipient would be exploring.

So I think, I would be happy to work with you and your staff to educate you more on the program. I think it is a great program that provides enormous opportunity for our rural communities, not just for their electric needs, but for economic development where we can help reduce the per home electric cost and we can also create jobs as we make the homes, the building envelopes more efficient, as we help people produce power right on their rooftops, and we would be happy to work with you more on that.

Ms. PINGREE. Great. Well, I certainly would like to know more about that and will get more in-depth with you at another moment. But thank you very much.

Thank you, Mr. Chair.

Mr. ADERHOLT. Mr. Valadao.

Mr. VALADAO. Thank you, Mr. Chair.

FARM LABOR HOUSING PROGRAM

I want to associate myself with the comments made earlier by Chairman Rogers. I understand you talked quite a bit about self-help enterprises, and that is something that is very important in my district and I have always enjoyed seeing families build their own homes and the type of pride and ownership that goes along with that.

Peter Carey, President and CEO of Self-Help Enterprises in Visalia, has been someone who has worked really hard for us in the Valley and in his 40-year tenure did a great job for us. I just wanted to recognize him as well.

But going on to something a little bit different. USDA's farm worker housing programs provide, critical housing assistance to some of my district's most vulnerable residents. Self-Help Enterprises has used this program to build the Rancho Lindo Apartments, a 44-unit affordable rental housing project in Lamont, California. There was a great need for this housing, and the development rented out in 24 hours. There is a long waiting list now.

Rancho Lindo was financed with Section 514 loans and Section 516 grants. USDA's Farm Labor Housing Program, a total of $16 million, is proposed in fiscal year 2015, which will provide $23.8 million in loans. The loan amount proposed is $1 million below the current level. Grants remain at $8.36 million. This will finance only about 840 units, which of course, falls short of the need.

As you know, the vast majority of these applications, 26 out of 38 for fiscal year 2013, came from California. And I understand there is a cap that California only gets two applications funded.

My question is this: Isn't this a program we should be investing in? There is a demonstrated need in California. We need farm workers to pick crops and help sustain the Ag economy. So farm labor housing is really necessary. I would like to understand why USDA can't do a better job with than a $16 million request for these programs when it has a budget of more than $20 billion in discretionary funding.

If you agree, then shouldn't USDA be asking for more? If you disagree, please explain why.

Mr. O'BRIEN. Thank you, Congressman, for that question.

That is—we certainly understand that that is a critical program in California, and in many, many parts of the country, and that program, along with many others in the budget, did sort of fall into that category of fiscal situation that we find ourselves in, and the overall reduction that we propose in our Rural Development budget.

I will ask Administrator Hernandez to talk a little bit more about that program, and things that we can do to make sure that we can serve that community as much as possible.

Mr. HERNANDEZ. Thank you very much.

Farm worker housing is very important, not just in helping create communities, because that is what we are doing is creating a place where people can live and so they can also work, and so creating jobs is so important and that linkage between jobs and housing is important. As you know, housing is a conduit to family, community, and neighborhood. So we are trying to create these right vehicles through the right tools to have people in housing. So this is just one of the tools.

As you know we had 33 applicants this past year. What we are trying to do is spread the dollars a little more, so we went down from that $3 million, went down to the $2 million trying to fund more projects all over the country, not just in California. It is very important, sir, but we have other States as well that have a critical need for farm worker housing. So we are trying to make sure we have the opportunity to fund as many as possible. To improve on that, we are trying to find ways to reduce and streamline our process.

We are doing a lot of business process reengineering trying to find better ways to do our programs, become better managers of the program, so more of the dollars go actually to the implementation of the programs.

So that is where we are really working on is how to make it better, make it more streamlined so people know the scores they get, why they scored what they did, and so they understand how they can compete better.

With the limited resources we need to have better ways to implement the program and that is what we are focused on right now.

WATER AND WASTE GRANTS

Mr. VALADAO. All right. I am going to switch gears a little bit.

The budget proposes a reduction of about $150 million in water waste, water grants. While it is true that these grants are used to effectively write down loan interest rates, it is also true that very small communities of 500 users or smaller, for example, simply don't have the population to afford the system.

Does USDA have any information on the impact of this proposal to smaller communities?

Mr. O'BRIEN. Thank you for that question, Congressman.

And that—the budget line and the support to the Water and Waste Water Program obviously is one of the main budget author-

ity pillars that we have throughout our program, that along with Rental Assistance.

We, and I will ask Administrator Padalino to talk to that. But I can say that in the budget process that we were all part of, we looked at a lot of information to make some of these very difficult choices, and believe that we can continue to meet the critical part of our mission in this area.

Administrator Padalino.

Mr. PADALINO. Thank you for that.

And this request supports a grant level of $304 million together with a loan level of $1.2 billion for a total program level of $1.5 billion. With that mix, we are attempting to hit a 70 to 30 loan/grant combination for those eligible communities. Not every community is eligible for a grant.

One of the things that influenced that request was the historically low interest rates that we have seen over the last few quarters and that provides an ability for communities to take on a little bit more loan and still maintain reasonable rates.

We target our funds to the smallest communities and the poorest communities to make sure that we are using those grant dollars there and we anticipate in this request we will be able to make about 325 grants.

Mr. VALADAO. Thank you.

Mr. ADERHOLT. Mr. Bishop.

COMMUNITY FACILITIES PROGRAM

Mr. BISHOP. Thank you very much, and welcome to all of you.

In reviewing your budget, I notice that you are proposing a major reduction of nearly 35 percent in funding for the Community Facilities Program. As you know, this is really the only program which is available to rural communities to assist on development and construction of everything from community centers, elderly centers, day-care centers, county offices, and so many others.

In my district, they consider it a Godsend, which makes me even more concerned that over the past few years, you have had a tremendous amount of un-obligated balances and recoveries on an annual basis, which is very disturbing to me. I am sure that between us most members of the subcommittee of all, could easily find a number of eligible and worthwhile projects just in our districts to use these un-obligated funds and to obligate the entire $40 million.

Can you explain to the subcommittee why you are having such a tremendous balance in un-obligated funds over the past three fiscal years, and in particular, what are you now projecting—why are you now projecting, that there will be an estimated $11.349 million that will be available in un-obligated funds for fiscal year 2015 which we are here discussing today?

Why isn't this money getting out to the communities which it is needed?

I will ask my second question quickly.

Mr. O'BRIEN. Okay.

Mr. BISHOP. I notice that you proposed statutory language, which essentially eliminates guaranteed loans under the Community Facilities Program. How active is the program? How active has it been over the past few years in terms of total dollar amount of

guaranteed loans approved as well as the annual default rates that have been experienced in the program?

And did the department inform the authorizing committee with respect to its thoughts on the guaranteed loan program and its plans not to fund the program moving forward, given that we just approved the new Farm Bill——

Mr. O'BRIEN. Okay.

Mr. BISHOP [continuing]. Why are you now asking for appropriations bill language on this program which was touched on in the Farm Bill?

Mr. O'BRIEN. Right. Congressman, thank you for that question on what is absolutely an essential program in our rural communities, the Community Facilities Program.

I will talk globally because you actually do talk about the grant direct loan and guaranteed loan program in your question. I will ask Administrator Hernandez to provide some details.

First, to your question about the funding for Community Facilities Guarantee, we do propose zero funding this year, and the reason is, is because the way that the subsidy formulas are working with the CF guaranteed program versus the CF direct program. There is a subsidy needed that is, there is budget authority required for a program level in guaranteed for 2015, that is what the projection is, whereas in the CF direct, that is a zero subsidy forecast.

So what that means is, we are able to get a program level or a loan level very healthy—proposed $2.2 billion loan level in fiscal year 2015 that we propose for no budget authority in that direct program.

It just, it is just the way that the subsidy formula, which is primarily driven by the market's interest rates today, are working and we are just trying to make sure we get as many dollars out for the least amount of budget authority for taxpayers.

So, that explains the CF guaranteed. We do not propose to eliminate the program in any way, shape, or form. We are just saying in this year, because of the way that the subsidy formula works we don't propose a budget on that.

Mr. BISHOP. Un-obligated funds?

Mr. O'BRIEN. And I do want to talk about the un-obligated funds. I think it is one of the primary examples of what has happened as a result of the significant staff cutbacks in the last—in 2012, and 2013. At the beginning of my testimony, sir, I am sure you know, states that we have lost nearly 20 percent of our staff in those 2 years with the hiring freeze because of some reductions. We have had some challenges delivering every one of our programs and this is one of those examples.

The CF program as a whole, when you add grants, direct loans, and guaranteed programs together, has grown actually geometrically in the last few years because of, again, that low, or that zero subsidy rate for the direct loan. So we have gotten a lot more dollars out in terms of grants and loans when you add them together and we do have some un-obligated balances we are very concerned with, and in fact, this year because of your support and the committee's support we are able to start to hire critical hires. We are

doing that in CF and we propose we want to make sure to backfill some of those critical hires.

Mr. BISHOP. That is a lot of money, and our communities need that money and are crying for it.

Mr. O'BRIEN. Yes.

Mr. BISHOP. And for it to be un-obligated, is just unacceptable. It is very disturbing.

Mr. O'BRIEN. Yes, sir. I understand, and we are concerned about that, and are working to build our capacity to make sure that we can deliver those dollars to rural America.

SINGLE FAMILY FAMILY HOUSING DIRECT LOANS

Mr. ADERHOLT. Thank you.

Let me quickly, I do want to revisit the single family direct loan program just a minute. And, I don't want to spend a lot of time on it because there have been several people that have asked about it. But how many direct loans would USDA make under this budget request that you currently have, fiscal year 2015.

Mr. O'BRIEN. Go ahead, Tony?

Mr. HERNANDEZ. I can do that, yeah. Our estimate is that we will have for 2013 for the direct loan we did 7,111 for 2013. No, that is——

Mr. O'BRIEN. Yes.

Mr. HERNANDEZ [continuing]. For the Nation——

Mr. O'BRIEN. That is right.

Mr. HERNANDEZ. 7,000 for the Nation. Nationwide it was for 2013. So we will have much less than that this year. We believe it will be around 600 loans. I am sorry we have done 1,048 now, year to date. So it will be probably about 3,000 loans, 3,000, 4,000 loans is what we think.

Now, as you know we are actually asking for more dollars. Our budget request authority, is more. It is three times request as more, but what has changed is the economic assumptions for the subsidy rate. So it went from 2.7 percent to 7.38. So we are asking for more dollars but because it costs more to do the program it actually reduces the amount of dollars that we have, but we are asking for more.

So we are very committed to this program, and another demonstration of that commitment is how we are trying to improve how we manage the program and do more automation. So we believe we can do more, reduce the cost for operating the program, and this is a wonderful program. We need to keep funding this program.

HOUSING LOAN FEES

Mr. ADERHOLT. We may come back to that, but let me move on to—the budget proposed to allow the Rural Housing Service to charge a fee to lenders to access agency's loan guarantee systems. How much will be generated?

What are we looking at as far as what would be generated by this fee?

Mr. O'BRIEN. I will just mention, and ask Administrator Hernandez to provide those data points. This is a key strategy to your point in your opening statement, sir, on our ability to manage with

integrity this very quickly growing portfolio, to be able to have the resources to have the data system to make sure that our lenders are accountable to the taxpayers.

So Tony.

Mr. HERNANDEZ. In order to have a fee that we can continue to enhance the way we operate the program, right now, we have no appropriation to do automation. So we are looking for a fee, which is widely accepted in the industry, that the lender pays a fee that comes back to the agencies operating the program to talk about the enhancements so we can make their job easier.

As a former community developer, the way I always encourage lenders to provide affordable lending is to make it as easy as possible for them to do.

What they have told us and asked us, make it easier. The only way we can make it easier is to get revenue that they pay for, which means they will probably pass it on to the home buyer, which then is included in the loan amount that we finance. Money will come back to us so we can continue to enhance that. As you know, we are not fully automated right now in the guarantee program. We are almost there.

The next phase we are doing is what we call direct underwriting, delegated underwriting, to allow the lender to make the decision directly. Right now we have to look at it, give them a decision, go back and forth, and we are doing this manually.

They send us a fax. We look at it, give a decision, send the fax back. They then send us a check. We have to open the check, process the check. What we are hoping to do with this automation is allow direct underwriting that they will pay for a fee so it makes it easier for them to close more loans, get more people into homeownership, and it continually pays for itself so that we don't have to come back to Congress. Because this program has a negative subsidy today.

So we are trying to make sure this program can continue to be successful, but the best way to make it successful is to reduce the manual intervention which we are doing a tremendous amount of that, and we are on score right now to get that automation. And this fee will help us stay there and continue to enhance the program so we are very excited about this automation.

Mr. ADERHOLT. So almost all of the fee would be for automation?

Mr. HERNANDEZ. It is for automation.

Mr. O'BRIEN. Yeah, it would be dedicated. And there is a precedent in HUD, FHA they use a fee like this.

Mr. ADERHOLT. How often would the lender be charged this fee?

Mr. HERNANDEZ. The lender would be charged on loan closings. When they close the loan, it is $50 per loan.

Mr. ADERHOLT. Okay, does the budget reduce spending in other areas to account for the revenue generated by the fee?

Mr. HERNANDEZ. No.

Mr. ADERHOLT. How much access are lenders allowed to have in the system?

Mr. HERNANDEZ. Well, today, again, it is not quite automated so they only have limited access to the GUS system—Guaranteed Underwriting System. It is very limited. When they have delegated underwriting, they will have access to the system to make deci-

sions, and what that means, they won't have to ask us for our judgment to give them a yes or a no. So they will have full access once we have delegated underwriting, which we are not there yet. So it won't come until later in the fall. I think it is the fall time frame but I will check that to make sure.

Mr. ADERHOLT. What protocols have you got in place for the security of the system?

Mr. HERNANDEZ. Great question. Security is so important for us because we have lots of information here to make sure we are protecting people's—all of that information, financial information. So we are working tremendously with our IT staff to ensure there is significant protection of people's property which is their information, Social Security, income, all those things are there.

We are working tirelessly to make sure that happens. So we are not done yet with that, and that is why we are working with IT, and you have funded us this way to make sure we put the right proper protection in our program.

Mr. ADERHOLT. Mr. Farr.

FEDERAL-LOCAL PARTNERSHIPS

Mr. FARR. I have been having these sort of questions for folks in your positions with each panel, and it seems to me that we have reached a point in development in this country of sophistication enough to know what are the key ingredients of community development, of the war on poverty. I mean, it is sort of like medicine. You know, they are starting to standardize procedures. There is only so many ways you can take out an appendix.

So why don't we just take the basic standards and, you know, fund those? What my frustration with this—and I think there is a frustration that you feel, everybody feels about the Federal Government, there is so much of it. It is not too much government. It is too many governments. And each of those governments, or silos that you have, have administrative costs.

And I just get the feelings once in a while, our programs that we are administering cost more than the benefit that reaches Main Street, and I think this is what you are trying to do in consolidating and looking at and using out the IT.

My question is, and I really appreciate your looking at your StrikeForce for rural growth and opportunity, and identifying those 20 states in which the poorest counties in the United States are, and those are counties.

Is there a process, that you are developing where you can start to begin to see what the host county, or host State, needs to do to have in its basic ordinances and infrastructure in order to sustain the help that you are giving?

Mr. O'BRIEN. Yeah.

Mr. FARR. Because we have been throwing money at this problem for 30 years and it has been essentially Band-Aid, and as you indicated, or the Secretary indicated, these same counties have been poor every single census.

Mr. FARR. That is sort of like our foreign aid program. If we are so damn good at it how come the poorest countries are always the poorest countries? They never get better.

Mr. O'BRIEN. Right.

Mr. FARR. So I think it is the responsibility of the Federal government to begin putting some pressure back on by exposure to what States have developed this capacity infrastructure, and use that as a carrot to these States and say look, we will be here to help you and here is all the ways we can. But by God, you have got to start doing some stuff.

It is sort of like what we are doing the flood plain zoning. We finally get along and say, okay, it wasn't us. It was the casualty insurance companies. And say we are not going to keep insuring these houses. If you want to build them, go ahead, but you are not going to get any insurance for it.

Mr. O'BRIEN. Right.

Mr. FARR. Or it is going to be cost prohibitive.

Mr. O'BRIEN. Right.

Mr. FARR. We ought to be doing that as a little bit of a carrot to these States. I know that as a county supervisor I was always asking, who is doing this better?

Mr. O'BRIEN. Right.

Mr. FARR. Who does it smarter? Or even when I was a State legislator, what other States are doing this stuff more, you know, we have a National Association of State Directors. We have a National Association of County Elected Officials, of mayors, and they are all just like us. They are looking for—and I think the problem we have and the government, the Federal Government ought to the lead agency, is how do we work out of ourselves out of a job? You ought not have to be back in those same counties every year after year.

Mr. O'BRIEN. Right.

Mr. FARR. Why have other States have poor counties but they are not on your list?

Mr. O'BRIEN. Right.

Mr. FARR. They are doing something that these 20 States aren't doing.

Mr. O'BRIEN. Yeah, thanks for that question. I will try to be brief, because as you know, Congressman, Secretary Vilsack and the team here at Rural Development are doing a lot in this space so I will just try to highlight a few things.

In terms of making sure that our local partners all the way up from, you know, local, county, up to the State, are the best partners possible so that the Federal dollars can make the greatest impact, a couple things we are doing. Internally, over the last year-and-a-half we have done a deeper dive on the capacity of each of the States to do community economic development, and not surprising, we found it is across the board.

Some places—I am from Iowa. A lot of Iowa is very evolved in its capacity to do economic development. What we need to do there, is make sure that folks have the easiest time of accessing our programs. We don't have to do the economic development for them. We have to make sure to partner and support them.

Other places, typically in Appalachia, the Delta, Indian country, and the Southwest Border, and then in other places like in Maine, in Michigan, certainly in different parts through the Valley in California. We find because of low resource communities, they have a much harder time just having the capacity and accessing our programs.

So what StrikeForce is about, we are doing that throughout Rural Development and working with our State directors so that each of them have a strategy that fits the different communities in their State in terms of our engagement.

Now, to your question about what we are doing to make sure that local communities and States are adopting these best practices in community economic development. It is not a mystery anymore, sir. Something that the authorizers provided the Secretary in the Farm bill was the ability to prioritize projects that are part of a multi-jurisdictional strategic economic development plan, and they provided some pretty rigorous bounds on what that means. And a lot of that is the best practice that you are talking about; that there is broad collaboration; that the progress of the strategy is measured; that there is a plan to leverage as many private and nonprofit dollars as possible.

So we are beginning, it is part of our Farm bill implementation, and we are beginning this year through our administrative process NOFA and NOSAs et cetera, to make sure that applicants understand that what we want to do, and we are prioritizing, is helping those projects in those communities that are doing that best practice, and we will be utilizing and drafting a regulation in the future.

Mr. FARR. You put some burden back on the local State responsibility of, hey, you guys, own up. These are sort of the common best management practices.

Mr. O'BRIEN. Right.

Mr. FARR. You know what we do in California a lot, the highway department, they won't help counties that don't go out and raise their own revenues.

Mr. O'BRIEN. Right.

Mr. FARR. They say, if you are not a self-help county, you go to the end of the line, and if there is any money left over we will do your projects.

Mr. O'BRIEN. Right.

Mr. FARR. It is hustling, but nobody likes taxes. But if that is the only way we can get our roads repaired and built, that we are willing to tax ourselves, and I think that is a tough way to do it, but actually, it is a responsible way.

Mr. O'BRIEN. Right.

Mr. FARR. Why should we be helping those that don't want to help themselves?

Mr. O'BRIEN. Right, and we do, and I think probably the water program might be the best example of a very sort of evolved way of making sure that local communities provide as much as they can.

You know, there is a—in the water program, the lower resource community, the more grant that they can receive. But if they are a high resource community, we require them to do, you know, essentially all loan.

We are trying to bring more of that sophistication into our other programs, and then at the same time while it is not a requirement, I think it is a carrot that you talked about in this priority that we received in the Farm bill that makes it clear to communities that do the best practice that they are going to have some priority.

Mr. ADERHOLT. Ms. Pingree.

HEALTHY FOOD FINANCING INITIATIVE

Ms. PINGREE. Thank you, Mr. Chair. Again, thank you for all of your testimony today. I just have one other thing I want to ask about.

So, this is about HFFI in rural communities. Because the passage of the Farm Bill included the expansion of the Healthy Food Financing Initiative and a new home for it at the USDA at your agency, RD, we will be looking this over. I am a very strong advocate of this program and it is an important way for communities to improve healthy food access and build local economies and enhance public health.

I think a lot of people, when they hear the term "food desert", either their eyes glaze over or they think it is something specifically about inner city neighborhoods.

Mr. O'BRIEN. Uh-huh.

Ms. PINGREE. And it is of course very important to make sure that urban areas have more access to healthy foods. But I think people often don't understand that in rural communities, and Maine is a very rural state, we have a lot of people who don't have access to healthy food.

In some counties in Maine, Aroostook County, Washington County, that are remote, people often have to drive hours to a grocery store that has the ability to meet their needs, or a farm stand or many of the other things they might go to.

So I think it is really important that a program like this also looks at rural areas' needs, and I just want to hear from you, does the program have the flexibility to serve the needs of rural communities as well as urban ones?

How can we make sure that some of the unique characteristics of these communities are recognized by RD, and that RD works with the CDFIs to prepare some of the criteria necessary to evaluate the proposals?

Mr. O'BRIEN. Yeah, and thank you for that question, Congresswoman. The Healthy Food Financing Initiative of course, was an authority provided in the 2014 Farm Bill. The new loan grant program, and we made a decision within the Department that Rural Development was the best place to administer that because of our expertise in providing loans to small businesses and working with nonprofits.

We certainly have and understand the need for access to food in rural places. I think we have a particular expertise through our Rural Business Cooperative Service (RBCS) and otherwise, in making sure that businesses can be successful in this type of social mission. And in particular, in here, I think with CDFI, and actually social impact investors, I think there is some real opportunity to really leverage some real dollars to do good things in rural America.

So that rural places are certainly going to be our focus, but it does go beyond rural places. That is the authority to also go into urban places.

Ms. PINGREE. Great, thank you very much.

Thank you, Mr. Chair.

Mr. ADERHOLT. Mr. Bishop.

BROADBAND PROJECTS IN GEORGIA

Mr. BISHOP. Thank you very much.

I would like to ask for something for the record. Can you give me the status of all of the outstanding broadband projects in the State of Georgia, and in particular, in my district, and also can you give us an update on the projects that were approved under the stimulus program nationwide, and how many of them have been completed?

Was 100 percent of the funding obligated and expected broadband services up and running? How many are 75 percent, and how many are 50 percent? And in my district, would you give me an update on the performance of, I think, that was a grant that was awarded in 2010 to South Georgia Regional Information Technology Authority (SGRITA) could you kind of give me an update on that?

Mr. O'BRIEN. Administrator Padalino.

Mr. PADALINO. Sure, thank you for that.

I will start the big picture and work our way down to SGRITA with the information. The Recovery Act provided an enormous amount of funds to fund broadband projects. Between loan and grant it was $3.2 billion. We have disbursed over 70 percent of those funds to 255 projects, and those projects are—many of them are still under construction, on target to be complete by September 30, 2015.

Of those 255, 44 of those projects are fully complete, fully constructed and people are receiving service. We have another 183 projects of that 255 that are partially operational, meaning part of the funded service area has service available to some of the residents. And those, especially as we are entering the spring and summer build-out seasons, we expect many more cutovers to happen being the fourth year of the construction.

For South Georgia Regional Information Technology Authority, they received a $6.6 million loan, and a $6.6 million grant that together was a two-phased project, wireless and a wire line. Part of that wireless project, it is my understanding, is available to some residents, and I was researching that project last night, and understand that the borrowers—the recipients focused on building out the fiber part of that project this year.

Almost all of the funds of that project are under construction right now, and we expect that to be completed on time by the end of next summer.

Mr. BISHOP. Thank you for that. Could you provide that information for us in writing?

Mr. PADALINO. Yes, I can provide you the detailed information on Georgia and telecommunications in general, telephone companies, and broadband companies, what we funded there, and by your district.

Mr. BISHOP. Thank you.

[The information follows:]

The information requested has been provided to the Committee.

RURAL MICRO-ENTREPRENEUR ASSISTANCE PROGRAM

Mr. BISHOP. I want to go back to Mr. Fortenberry's concern about the consolidation of your rural loan programs. Particularly, I have an interest in the Rural Microentrepreneur Assistance Program. You know, you are going to create a new economic development grant program which will merge all of these programs, but I am concerned, as was Mr. Fortenberry, with the lack of focus once you consolidate them.

It seems to me that the microloan program is probably the best bang for the buck that you could possibly have because it is so small and it is a revolving fund. And it seems to me that you kind of—it gets lost in the wash, if you will, if you put it together with all of these other programs that are bigger and perhaps more exotic.

How can we make sure that the focus remains and that with the few staff that you have that they fund these organizations that can then make these microloans, which are revolving? I mean, they will go on forever.

Mr. O'BRIEN. And I will ask Administrator Salerno to talk about it a little bit. I just want to pick up on a couple of your points.

The first, on the bang for the buck for this type of program, and we agree, that in fact, is why if you add up the grant programs that we proposed to streamline, and look at that number, we actually increase, and it is, again, one of the few places that we propose an increase in this budget, in grant, in total, and that would incur and include the RMAP program. The reason we do that is because we think that that capacity building for small businesses, many times that is the hurdle for the small business, and we think that that is a critical place and where a dollar can go farther.

You also mention that with the few people we have, how can we make sure that, that will remain a focus. I can absolutely say RMAP is a very important program for us, the loan side of that, and we will continue to be focused on it.

And because of the small, relatively small number of staff that we have in RBCS that, in fact, is what drove us to try and make sure that we streamline these programs as much as possible so that we can have the most effective implementation with the least amount of people.

And I ask Administrator Salerno.

Ms. SALERNO. Yeah, I just wanted to add, that I am a former small business owner and from a rural town in Texas, and I think the reason this is a good idea, is because we want to use as much of our resources to do the outreach and those fixed costs to do all of the programs.

We understand that and recognize that any time you are consolidating, certain constituencies are going to be, you know, worried about it. But I think the Farm bill has given us a real good idea of how we are going to implement, and I think it provides an opportunity for us to look at this and make sure that we use all of the staff resources on outreach, and delivery of the programs rather than some of the administrative stuff that we have to do by having these five small programs.

Mr. BISHOP. I know, but together though, it gives you more flexibility in terms of, for example, you are suggesting that you could make more and you would have more funds, more resources available for the micro—the MRAP program—the RMAP program, excuse me—than you would have had before because that would allow you, if you had the need, to expand the resources, whereas maybe you might not have as much need, or you may choose not to utilize as many of the resources as some of these other programs.

Is that what you are suggesting; it gives you more flexibility?

Ms. SALERNO. No, I think the flexibility is that—or the limited resources we have to administer it that we are doing it, we have a consolidated grant program. So we are not having to put out five different NOFAs, five different reviews, and instead, we will be utilizing those resources to make sure we do outreach.

Mr. BISHOP. I understand that. You have one infrastructure, but will it give you flexibility also, so that you could perhaps make more micro-enterprise loans?

Mr. O'BRIEN. I think that the intent——

Mr. BISHOP. Because all of the money is lumped together.

Mr. O'BRIEN. Right.

Mr. BISHOP. The program is consolidated.

Mr. O'BRIEN. The intent would be to continue to serve all of the different constituencies that are currently served.

Mr. BISHOP. Right.

Mr. O'BRIEN. So while it would provide us some flexibility, I think that we would want to continue down the path that the traditional direction that this committee and Congress has provided us in terms of, you know, somewhat proportionally serving all of these different types of entities.

Mr. BISHOP. I mean, you say proportionately. But what I am trying to—but it still gives you the discretion as to decide what that proportion is.

Mr. O'BRIEN. And, you know, we would be happy to work with this committee in terms of how we could exercise that discretion. I think there is a lot of ways that you could make sure that we are working in a way that is—that meets the intent of this.

Mr. BISHOP. Are your hands tied?

With your proposal for consolidating, would your hands be tied or would you have more flexibility than you previously had without consolidating?

Mr. O'BRIEN. I think we would have more flexibility than we previously had.

Mr. BISHOP. But my question is——

Mr. O'BRIEN. But our intent is to continue to do it to make sure that all of the different entities are served. Thank you.

Mr. BISHOP. Thank you, Mr. Chairman.

ELECTRIC PROGRAM FEE

Mr. ADERHOLT. Thank you.

All right, I think we are just concluding. Let me just end with one question. I wanted to ask about rural electric program fee proposal.

The budget proposes to allow Rural Utilities Service to charge as far as a fee for environmental and historical preservation reviews. There are a number of Federal programs that allow for fee for service, some are successful. Just a little idea about this proposal, and Mr. Padalino, I know this may be a question that would be directed mainly to you.

How much money would be collected through this proposal?

Mr. PADALINO. We don't know that answer at this time. We haven't been able to finance baseload generation for a number of years because the losses weren't—they are not included as part of the subsidy rate calculation. So we don't really have that historical data going back in recent years.

We have been working internally with the Farm bill implementation team to figure out if we have to implement that proposal by regulation, or how we need to articulate that, and kind of as that becomes more clear, I think we will have more information on that. And I would be happy to supplement.——

Mr. ADERHOLT. Okay.

Mr. PADALINO [continuing]. You know, going down the road.

Mr. ADERHOLT. Okay, and explain exactly how the fees would be used.

Mr. PADALINO. The fees would go to help—to help pay for the subsidy cost associated with making the loan for the generation facility.

Mr. ADERHOLT. And do you anticipate hiring permanent staff with the fees.

Mr. PADALINO. No.

[The information follows:]

Transmission line proposals can be very complex covering multiple jurisdictions including States with the potential for environmental, historic preservation, and landscape-level effects. Many projects are locally and regionally significant and controversial and having a greater agency presence is desirable to ensure that the agency's and the public's interests are adequately addressed. In many cases Rural Utilities Service (RUS) is serving as the lead agency for the environmental review activities under the National Environmental Policy Act and as the lead agency in the National Historic Preservation Act, Section 106 review process. Of all of the Federal agencies involved in the review and permitting of electric transmission facilities, RUS was the only agency that did not have cost recovery authority. This action proposes to give RUS cost recovery authority. The proposed cost recovery language is consistent with the intent of that for the Federal land management agencies and, if authorized, is expected to greatly improve the agency's ability to more effectively manage and process transmission related applications for financial assistance from its borrowers. Not being able to be as hands-on with face-to-face meetings when necessary has been a deterrent in expediting the review and permitting processes for these proposals. RUS estimates that the cost implications for borrowers would be modest. The user fees will be limited to travel and per diem expenses. RUS estimated that the costs per project would be no more than $15,000–20,000 per project ($2,500 per travel event at a maximum of 8 travel events per project). RUS estimated that these costs would apply to 4–7 projects per year. With acost of $15,000–20,000 per project for 7 projects, the total amount estimated would be between $105,000–140,000 per year. The fee structure would be limited to and based on the General Services Administration's per diem rates *www.gsa.gov/perdiem.* None of the revenue will be used for additional RUS staff; all proposed resources will be used by existing RUS staff for travel and per diem expenses.

Mr. ADERHOLT. Okay. All right.

Well, thank you so much all for being here this morning, and a little bit this afternoon. We appreciate your service to USDA, and

especially to Rural Development across, which means so much to rural America. And with that, we stand adjourned.

Mr. O'BRIEN. Thank you, sir.

RURAL DEVELOPMENT
BUDGET HEARING FOR FISCAL YEAR 2015
APRIL 4, 2014

QUESTIONS SUBMITTED BY CHAIRMAN ROBERT ADERHOLT

RD Mission Area

Mr. Aderholt: Please update the table in the fiscal year 2014 hearing record of specially targeted areas such as Empowerment Zones/Enterprise Communities and Colonias that Rural Development programs serve and the States where they are located and the amount of federal funds each has received to date.

Response: The information is provided for the record. Note that the authority for Empowerment Zones and Enterprise Communities expired in FY 2009, thus the figures provided, in the first table, below, are funds from FY 2008 and FY 2009 only. No special designation existed for FY 2010 - FY 2014. The information is provided for the record.

[The information follows:]

EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES RECIPIENTS FOR FISCAL YEARS 2008 - 2014

(Dollars in Thousands)

Community Name	State	Designation	Funding(Cumulative)
Metlakatala Indian Community	AK	Round II EC	$2,200
Four Corners EC	AK	Round II EC	2,200
Desert Communities EZ	CA	Round II EZ	17,600
Westside-Tule EC	CA	Round II EC	2,200
Empowerment Alliance of SW FL	FL	Round II EC	2,200
Southwest Georgia United EZ	GA	Round II EZ	17,600
Molokai EC	HI	Round II EC	2,200
Southernmost Illinois Delta	IL	Round II EZ	17,600
Town of Austin EC	IN	Round II EC	2,200
Wichita County EC	KS	Round II EC	2,200
Bowling Green EC	KY	Round II EC	2,200
Kentucky Highlands EZ	KY	Round II EZ	40,000
Aroostook County EZ	ME	Round II EZ	2,900
Empower Lewiston EC	ME	Round II EC	2,200
Clare County EC	MI	Round II EC	2,200
Mid-Delta EZ	MS	Round II EZ	40,000
Fort Peck Assiniboine & Sioux Tribe EC	MT	Round II EC	2,200
City of Deming EC	NM	Round II EC	2,200
Griggs-Steele EZ	ND	Round II EZ	17,600
Tri-County Indian Nations EC	OK	Round II EC	2,200
Fayette EC	PA	Round II EC	2,200
Allendale ALIVE EC	SC	Round II EC	2,200
Oglala Sioux Tribe EZ	SD	Round II EZ	17,600
Clinch-Powell EC	TN	Round II EC	2,200
FUTURO Communities EC	TX	Round II EC	2,200
FUTURO Communities EZ	TX	Round II EZ	2,900
Rio Grande Valley EZ	TX	Round II EZ	40,000
Five Star EC	WA	Round II EC	2,200
Northwoods NiiJii EC	WI	Round II EC	2,200
Upper Kanawha Valley EC	WV	Round II EC	2,200

Water and Waste Disposal Section 306C Colonias Grants
Information for FY 2010 through 2013* (new addition to table)

STATE	FY 2010	FY 2011	FY 2012	FY 2013
ARIZONA	$4,994,747	$6,354,660	$6,381,000	$17,206,612
CALIFORNIA	2,145,000	3,516,000	2,453,000	0
NEW MEXICO	8,732,850	8,300,000	8,000,230	4,272,200
TEXAS	8,971,000	13,909,800	8,494,000	0
TOTAL	$25,069,000	$32,080,000	$25,328,230	$21,478,812

WWD Section 306C RHS Colonias Grants FY 2012-2013

	306C WWD Grant Amount Obligate	
STATE	FY 2012	FY 2013
ARIZONA	$321,601	$85,653.85
NEW MEXICO	39,834	6,997
TEXAS	39,031	45,061
TOTAL	$400,466	$137,711.85

COLONIAS RECIPIENTS FOR FISCALS YEARS 2004 - 2014
Community Facilities Projects in Colonias counties funded FY 2004-2014
(No Projects Funded in Colonias in 2014)

Community Facilities Projects in Colonias counties funded FY 2004-2014					
FY	Organization Name	State	Direct	Guaranteed	Grant
2004	SAN LUIS, CITY OF	AZ	$43,225		$23,275
2004	SOMERTON, CITY OF	AZ	2,915,848		50,000
2004	WILLCOX UNITED	AZ	307,275		42,725
2004	DESERT ALLIANCE FOR	CA			62,500
2004	RANCHO MIRAGE REHAB	CA		$18,192,394	
2004	LUNA, COUNTY OF	NM			25,200
2004	CAMERON, COUNTY OF	TX	207,500		25,000
2004	MARFA, CITY OF	TX			186,750
2004	PRESIDIO COUNTY	TX			500,000
2005	BOWIE UNIFIED SCHOOOL DISTRICT	AZ			44,200
2005	PINAL-GILA COUNCILS	AZ	1,210,000		
2005	SAN LUIS, CITY OF	AZ	480,550		79,550
2005	ST DAVID UNIFIED	AZ			14,668
2005	SUNNYSIDE FIRE DIST	AZ	82,500		32,000
2005	DESERT ALLIANCE FOR COMMUNITY EMPOWERMENT	CA			20,100
2005	IMPERIAL, COUNTY OF	CA			50,000
2005	WESTMORLAND, CITY OF	CA			60,000
2005	EDWARDS, COUNTY OF	TX	1,304,000		100,000
2005	FORT STOCKTON ISD	TX	35,000		
2005	SAN DIEGO, CITY OF	TX	485,000		35,000
2006	AMADO COMMUNITY FOOD BANK	AZ			50,000
2006	CHARLES WM LEIGHTON JR. HOSPICE INC	AZ	147,000		28,000
2006	PINAL-GILA COUNCIL'S SENIOR FOUNDATION	AZ	250,000		
2006	PPEP MICROBUSINESS & HOUSING DEVELOPMENT	AZ			157,329

FY	Organization Name	State	Direct	Guaranteed	Grant
2006	ST DAVID UNIFIED SCHOOL DIST NO 21	AZ			45,000
2006	CALIPATRIA UNIFIED	CA			49,875
2006	CAMPESINOS UNIDOS	CA			31,329
2006	DESERT ALLIANCE FOR COMMUNITY EMPOWERMENT	CA			35,000
2006	HEBER ELEMENTARY SCHOOL DISTRICT	CA			50,000
2006	NILAND FIRE DISTRICT	CA			75,000
2006	RANCHO MIRAGE REHABILITATION HOSPITAL	CA		4,000,000	
2006	SALTON COMMUNITY SERVICES DISTRICT	CA			22,275
2006	SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT	CA			44,464
2006	COMMUNITY COUNCIL	TX			30,000
2006	COUNTY OF EDWARDS	TX			34,800
2006	FT STOCKTON, CITY OF	TX			35,807
2006	IDEA ACADEMY, INC.	TX		3,638,000	
2007	COCHISE COUNTY FAIR	AZ	70,000		18,000
2007	COMMUNITY FOOD BANK	AZ			45,000
2007	NORTHERN COCHISE COMMUNITY HOSPITAL	AZ	535,000		
2007	REGIONAL CENTER FOR BORDER HEALTH	AZ	1,795,000		
2007	WORLD MINISTRIES	AZ	271,972		50,000
2007	CLINICAS DE SALUD DEL PUEBLO, INC	CA			106,350
2007	IDYLLWILD FIRE PROTECTION DISTRICT	CA	190,000		38,000
2007	IMPERIAL, COUNTY OF	CA			85,077
2007	SALTON COMMUNITY SERVICES DISTRICT	CA			30,000

FY	Organization Name	State	Direct	Guaranteed	Grant
2007	UNITED FAMILIES, INC.	CA			14,985
2007	WINTERHAVEN FIRE DS	CA			18,000
2007	APPLETREE EDUCATIONAL CENTER	NM			30,000
2007	BROOKS, COUNTY OF	TX	650,000		100,000
2007	CAMERON WORKS, INC.	TX			250,000
2007	BEEVILLE, CITY OF	TX	210,100		100,000
2007	ROCKSPRINGS, CITY OF	TX			35,850
2007	DIMMIT, COUNTY OF	TX	55,000		45,000
2007	EDWARDS, COUNTY OF	TX			70,532
2008	COMMUNITY FOOD BANK	AZ			90,000
2008	EHRENBERG FIRE DISTRICT	AZ	1,981,540		
2008	FORT THOMAS FIRE DISTRICT	AZ	31,275		7,225
2008	TOHONO O'ODHAM COMMUNITY COLLEGE	AZ			272,350
2008	TOMBSTONE, CITY OF	AZ			49,700
2008	WORLD MINISTRIES	AZ	90,000		
2008	CALIPATRIA, CITY OF	CA			40,000
2008	IMPERIAL, COUNTY OF	CA			41,950
2008	SALTON COMMUNITY SERVICES DISTRICT	CA			30,000
2008	WINTERHAVEN FIRE DS	CA			25,500
2008	SIERRA, COUNTY OF	NM			30,100
2008	HIDALGO, COUNTY OF	TX	225,000		46,308
2008	FT STOCKTON,CITY OF	TX	$397,000		
2008	LA SALLE, COUNTY OF	TX	3,000,000		100,000
2009	COMMUNITY COUNSELING CENTERS, INC.	AZ	183,124		
2009	COMMUNITY FOOD BANK	AZ			14,287

FY	Organization Name	State	Direct	Guaranteed	Grant
2009	GRAHAM, COUNTY OF	AZ			14,077
2009	MESCAL-J6	AZ	160,000		
2009	REGIONAL FIRE	AZ	301,500		
2009	SUNSITES-PEARCE FIRE DISTRICT	AZ			19,165
2009	TOHONO O'ODHAM COMMUNITY COLLEGE	AZ			220,000
2009	CLINICAS DE SALUD DEL PUEBLO, INC	CA			59,625
2009	CLINICAS DE SALUD DEL PUEBLO, INC	CA			30,000
2009	IMPERIAL, COUNTY OF	CA			11,700
2009	IMPERIAL, COUNTY OF	CA			6,750
2009	NILAND FIRE DISTRICT	CA			15,000
2009	SALTON COMMUNITY SERVICES DISTRICT	CA			20,250
2009	UNITED FAMILIES,INC	CA			21,300
2009	UNITED FAMILIES,INC	CA			10,650
2009	LORDSBURG, CITY OF	NM			52,419
2009	COTULLA, CITY OF	TX	547,000		40,000
2009	WEBB, COUNTY OF	TX			200,000
2009	JIM HOGG COUNTY	TX	1,317,000		3,949,000
2009	LAREDO INT'L FAIR & EXPOSITION, INC.	TX	117,000		143,000
2009	SAN DIEGO, CITY OF	TX	100,000		
2009	ST. MARY'S CHARTER SCHOOL	TX		1,130,000	
2010	AJO AMBULANCE, INC.	AZ		1,425,000	
2010	BISBEE HOSPITAL ASSOCIATION	AZ	7,080,250	2,800,000	
2010	CHICANOS POR LA CAUSA INC.	AZ			59,053
2010	COMMUNITY FOOD BANK	AZ			200,000
2010	LA PAZ REGIONAL HOSPITAL	AZ			78,523
2010	MARANA HEALTH	AZ	9,933,486	9,933,489	
2010	PINAL HISPANIC COUNCIL	AZ	1,617,000		

FY	Organization Name	State	Direct	Guaranteed	Grant
2010	SAGUARO FOUNDATION COMMUNITY LIVING PROG	AZ	2,764,000		
2010	TOHONO O'ODHAM COMMUNITY COLLEGE	AZ			196,600
2010	WILLCOX, CITY OF	AZ			117,700
2010	CLINICAS DE SALUD DEL PUEBLO, INC	CA			135,110
2010	IMPERIAL, COUNTY OF	CA			25,200
2010	SALTON COMMUNITY SERVICES DISTRICT	CA			46,500
2010	SAN JOSE COM.& BEA MAIN LEARNING CENTER	CA			27,000
2010	WINTERHAVEN FIRE DS	CA			46,500
2010	BAYARD, CITY OF	NM	288,250		197,750
2010	ALTON, CITY OF	TX	500,000		500,000
2010	BROOKS COUNTY INDEPENDENT SCHOOL DISTRIC	TX			298,809
2010	HIDALGO, CITY OF	TX			159,486
2010	LA FERIA, CITY OF	TX	379,000		464,431
2010	COMMUNITY SERVICES AGENCY OF SOUTH TEXAS	TX			126,767
2010	EDWARDS, COUNTY OF	TX			445,500
2010	FANNIN COUNTY MULTI PURPOSE COMPLEX,INC.	TX			80,174
2010	JIM HOGG, COUNTY OF	TX	125,000		50,000
2010	JIM HOGG, COUNTY OF	TX			50,000
2010	MERCEDES, CITY OF	TX	1,549,000		500,000
2010	STARR, COUNTY OF	TX	105,000		315,000
2010	UVALDE, CITY OF	TX	5,653,000		500,000
2011	SAN JOSE COM.& BEA MAIN LEARNING CENTER	CA			27,000
2011	SAN JOSE COM.& BEA MAIN LEARNING CENTER	CA			35,000

FY	Organization Name	State	Direct	Guaranteed	Grant
2011	HABITAT FOR HUMANITY OF YUMA INC	AZ			60,000
2011	HABITAT FOR HUMANITY OF YUMA INC	AZ			100,000
2011	MERKEL, CITY OF	TX	445,000		
2011	BAYARD, CITY OF	NM	105,954		
2011	MATHIS CLUBS AND LIBRARY	TX			9,735
2011	ALPINE PUBLIC LIBRARY ASSOCIATION	TX			30,000
2011	BROOKS COUNTY INDEPENDENT SCHOOL DISTRIC	TX			298,809
2011	SIERRA COUNTY	NM			55,500
2011	FRIO HOSPITAL ASSOCIATION	TX	209,252		
2011	STARR, COUNTY OF	TX			315,000
2011	JIM HOGG, COUNTY OF	TX	1,317,000		
2011	SALTON COMMUNITY SERVICES DISTRICT	CA			46,500
2011	BAYARD, CITY OF	NM	67,000		
2011	BAYARD, CITY OF	NM			49,000
2011	DUNCAN, TOWN OF	AZ	56,377		
2011	DUNCAN, TOWN OF	AZ			30,357
2011	CLINICAS DE SALUD DEL PUEBLO, INC.	CA			30,600
2011	CLINICAS DE SALUD DEL PUEBLO, INC.	CA			29,625
2011	CLINICAS DE SALUD DEL PUEBLO, INC.	CA			30,225
2011	CLINICAS DE SALUD DEL PUEBLO, INC.	CA			44,660
2011	REEVES COUNTY HOSPITAL DISTRICT	TX			50,000
2011	IMPERIAL, COUNTY OF	CA			6,750
2011	IMPERIAL, COUNTY OF	CA			4,950
2011	IMPERIAL, COUNTY OF	CA			6,750
2011	IMPERIAL, COUNTY OF	CA			6,750

FY	Organization Name	State	Direct	Guaranteed	Grant
2011	WINTERHAVEN FIRE DS	CA			39,000
2011	WINTERHAVEN FIRE DS	CA			7,500
2011	HIDALGO, CITY OF	TX			159,486
2011	TRI-VALLEY IMPROVEMENT ASSOCIATION	AZ			35,100
2011	COTULLA, CITY OF	TX	547,000		
2012	THE QUARTZSITE SENIOR CITIZENS, INC.	AZ			$28,226
2012	GUADALUPE, TOWN OF	AZ			$47,874
2012	MJY COMMUNITY DEVELOPMENT INC	AZ	3,000,000		
2012	CENTER FOR ACADEMIC SUCCESS	AZ	1,705,000		
2012	SUNNYSIDE FIRE DISTRICT	AZ	$280,000		
2012	SUN LIFE FAMILY HEALTH CENTER INC	AZ	2,616,825		
2012	SUN LIFE FAMILY HEALTH CENTER INC	AZ	2,162,132		
2012	AMITY FOUNDATION INC	AZ	1,800,000		
2012	AGAINST ABUSE INC	AZ			47,700
2012	SOUTHERN COACHELLA VALLEY CSD	CA			6,530
2012	IMPERIAL VALLEY FOOD PANTRY	CA			20,000
2012	IMPERIAL, COUNTY OF	CA			3,750
2012	IMPERIAL, COUNTY OF	CA			23,700
2012	IMPERIAL, COUNTY OF	CA			1,875
2012	IMPERIAL, COUNTY OF	CA			775
2012	IMPERIAL, COUNTY OF	CA			7,500
2012	IMPERIAL, COUNTY OF	CA			7,500
2012	IMPERIAL, COUNTY OF	CA			3,750
2012	BURN INSTITUTE-IMPERIAL VALLEY	CA			22,500

FY	Organization Name	State	Direct	Guaranteed	Grant
2012	CLINICAS DE SALUD DEL PUEBLO, INC	CA			13,575
2012	CLINICAS DE SALUD DEL PUEBLO, INC	CA			27,900
2012	CLINICAS DE SALUD DEL PUEBLO, INC	CA			14,250
2012	BAYARD, CITY OF	NM			9,800
2012	BAYARD, CITY OF	NM			22,250
2012	HATCH, VILLAGE OF	NM			50,000
2012	HATCH, VILLAGE OF	NM			50,350
2012	PRESIDIO COUNTY HEALTH SERVICES, INC.	TX	150,000		
2012	CITY OF HIDALGO	TX	9,963,000		
2012	CITY OF HIDALGO	TX	1,500,000		
2012	DIMMIT COUNTY EMS	TX	91,900		
2012	DIMMIT COUNTY EMS	TX			35,000
2012	FREER, CITY OF	TX			31,851
2012	FREER, CITY OF	TX	26,061		
2013	INTERNATIONAL SONORAN DESERT ALLIANCE	AZ			80,000
2013	CITY OF PENITAS	TX		2,995,000	
2013	GALILEE CENTER	CA			50,000
2013	GRAHAM COUNTY INTERFAITH ALLIANCE	AZ			12,110
2013	NINOS, INC.	TX		2,999,100	
2013	ENCINAL, CITY OF	TX		1,513,000	
2013	CROSSROADS MISSION	AZ			1,851
2013	ST DAVID UNIFIED SCHOOL DIST NO 21	AZ			5,380
2013	SIERRA VISTA HOSPITAL	NM			57,572
2013	KINNEY COUNTY	TX			40,600
2013	ARIVACA COMMUNITY CENTER	AZ			30,525
2013	SIERRA VISTA HOSPITAL	NM			55,350
2013	HATCH, VILLAGE OF	NM			3,528
2013	HATCH, VILLAGE OF	NM			86,650

FY	Organization Name	State	Direct	Guaranteed	Grant
2013	PECOS CITY, TOWN OF	TX			14,500
2013	YUMA COMMUNITY FOOD BANK	AZ			78,550
2013	IMPERIAL, COUNTY OF	CA			19,050
2013	MOUNTAIN HEALTH & COMMUNITY SERVICES,INC	CA		1,000,000	

Mr. Aderholt: Please update the list provided in the fiscal year 2014 hearing record of all authorized rural empowerment zones and enterprise communities that have received USDA funds for fiscal years 2008 through 2014 and identify whether those recipients are Round I, Round II or Round III.

Response: The information is provided for the record. Note that the authority for Empowerment Zones and Enterprise Communities expired in FY2009, thus the figures provided, in the first table, below, are funds from FY2008 and FY2009 only. No special designation existed for FY 2010 - FY 2013. The information is provided for the record.

[The information follows:]

EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES RECIPIENTS FOR FISCAL YEARS 2008 - 2014

(Dollars in Thousands)

Community Name	State	Designation	Funding(Cumulative)
Metlakatala Indian Community	AK	Round II EC	$2,200
Four Corners EC	AK	Round II EC	2,200
Desert Communities EZ	CA	Round II EZ	17,600
Westside-Tule EC	CA	Round II EC	2,200
Empowerment Alliance of SW FL	FL	Round II EC	2,200
Southwest Georgia United EZ	GA	Round II EZ	17,600
Molokai EC	HI	Round II EC	2,200
Southernmost Illinois Delta	IL	Round II EZ	17,600
Town of Austin EC	IN	Round II EC	2,200
Wichita County EC	KS	Round II EC	2,200
Bowling Green EC	KY	Round II EC	2,200
Kentucky Highlands EZ	KY	Round II EZ	40,000
Aroostook County EZ	ME	Round II EZ	2,900
Empower Lewiston EC	ME	Round II EC	2,200
Clare County EC	MI	Round II EC	2,200
Mid-Delta EZ	MS	Round II EZ	40,000
Fort Peck Assiniboine & Sioux Tribe EC	MT	Round II EC	2,200

Community Name	State	Designation	Funding(Cumulative)
City of Deming EC	NM	Round II EC	2,200
Griggs-Steele EZ	ND	Round II EZ	17,600
Tri-County Indian Nations EC	OK	Round II EC	2,200
Fayette EC	PA	Round II EC	2,200
Allendale ALIVE EC	SC	Round II EC	2,200
Oglala Sioux Tribe EZ	SD	Round II EZ	17,600
Clinch-Powell EC	TN	Round II EC	2,200
FUTURO Communities EC	TX	Round II EC	2,200
FUTURO Communities EZ	TX	Round II EZ	2,900
Rio Grande Valley EZ	TX	Round II EZ	40,000
Five Star EC	WA	Round II EC	2,200
Northwoods NiiJii EC	WI	Round II EC	2,200
Upper Kanawha Valley EC	WV	Round II EC	2,200

Mr. Aderholt: Are there carryover funds still available in the rural empowerment zone and enterprise community grants program? If so, how much? Why is there a carryover?

Response: This program expired in FY 2009. There was a balance of funds for Empowerment Zones Enterprise Communities of $33,453. The balance reflects residual funds remaining which were not expended prior to the expiration of the program authority in 2009. This is a no year account.

CARRYOVER FUNDS

Mr. Aderholt: Please provide a chart showing the carryover for each program in RD at the end of fiscal year 2013.

Response: The information is submitted for the record.

[The information follows:]

Fiscal Year 2013 Carryover for Rural Development Programs (as of September 30, 2013).

	Carryover Budget Authority	
Rural Housing Service		
Loan Programs:		
Guaranteed community facility loans	$2,744,129	
Guaranteed community facility loans - 2008 disasters	66,270	
Direct community facility loans - 2008 disasters	1,336	
Sec. 502 Guaranteed single family housing (SFH) purchase	909,756	a/
Sec. 502 Guaranteed SFH refinance	12,011	a/
Cost for modifying Sec. 502 Guaranteed loans	397,205	a/

Sec. 502 Guaranteed SFH purchase 2005 hurricanes.....	33,451
Sec. 502 Guaranteed SFH purchase 5/06/07 disasters.....	588
Sec. 502 Guaranteed SFH purchase 2008 disasters.....	7,306
Sec. 504 housing repair loans - 2005 hurricanes.....	1,285
Sec. 538 Guaranteed multi-family housing 2008 disasters.....	692,343
Sec. 514 Farm Labor housing loans.....	11,533,729
Multi-family housing revitalization modifications.....	3,404,843
Multi-family housing revitalization zero percent loans.....	2,695,846
Multi-family housing revitalization soft second loans.....	13,356,866
Multi-family housing preservation demo revolving loan fund..	4,297,176
Grant Programs:	
Rural community development initiative grants.....	6,835,200
Rural cooperative home based health care demo.....	583,235
Hazardous weather early warning systems grants.....	37,382
Economic impact initiative grants.....	1,773,440
Community facility grants.....	2,887,218
Community facility grants - Tribal College.....	142,274
Community facility grants - 2008 disasters.....	234,130
Community facility grants - 5/6/07 tornado.....	98,314
Community facility grants - 2005 hurricanes.....	853,158
Seasonal and migrant farm workers nat. disaster grants.....	134,973
Sec. 504 very low-income housing repair grants.....	791,706
Sec. 504 very low-income housing repair grants - 2008 Disasters.	1,545
Sec. 509 Compensation for construction defects grants.....	386,947
Sec. 533 Housing preservation grants.....	88,828
Sec. 516 Domestic farm labor housing grants.....	9,557,231
Processing workers housing grants.....	2,167,370
Multi-family housing vouchers.....	3,988,591
Multi-family housing revitalization grants.....	4,031,821
Sec. 523 Mutual and self-help housing grants.....	8,884,140
Subtotal.....	83,631,642
Rural Utilities Service	
Loan Programs:	
Direct water and waste disposal loans.....	398,494
Guaranteed water and waste disposal loans.....	1,278,635
Direct broadband telecommunication 4%- Mandatory.....	4,546
Direct broadband telecommunication treasury - Discretionary.	1,228,482
Direct broadband telecommunication treasury - Mandatory.....	122,683
Grants Programs:	
Rural water and waste disposal grants.....	75,094,208
Rural water and waste disposal grants 03/04 Hurricanes.....	931,268
Rural water and waste disposal grants 2008 disasters.....	4,258,675
Rural water and waste disposal technical assistance grants..	116,160

Rural water and waste disposal grants - circuit rider.....	2,691,155
Rural water and waste disposal grants - Alaska village.....	11,713,009
Rural water and waste disposal grants - Native American.....	4,938,763
Rural water and waste disposal grants - Colonias.....	6,328,874
Hawaiian Homelands grants.....	17,614,511
Individually-Owned water well system grants.....	26,350
Solid waste management grants.....	702
Distance learning and telemedicine grants.....	29,087,008
Delta healthcare services grants.....	2,775,327
Broadband telecommunication grants.....	2,451,514
Public Broadcasting Systems grants.....	3,030,922
High energy cost grants.....	16,497,016
Subtotal.....	180,588,299

Rural Business and Cooperative Development Service		
Loan Programs:		
Business and industry guaranteed loans.....	14,546,883	
Business and industry guaranteed loans 2008 disasters.....	73,993	
Business and industry NADBank guaranteed loans.....	251,858	
Business and industry guaranteed loans Native American.....	19,316	
Rural economic development loans.....	4,891,317	
Renewable energy guaranteed loans - Mandatory.....	18,673,667	
Biorefinery guaranteed loan - Mandatory.....	71,177,825	b/
Rural microenterprise direct loans - Mandatory.....	1,754,700	
Grants Programs:		
Rural business enterprise grants.....	4,058,465	
Rural business enterprise grants-2008 Disasters.....	149,734	
Rural business opportunity grants.....	115,594	
Rural business enterprise grants - Native American.....	370,923	
Rural business enterprise grants - Tech Assist Transp.....	2,182	
Rural business enterprise grants - Native American Tribes Transportation.....	1	
Rural business opportunity grants - Native American.....	138,301	
Rural business enterprise grants - Mississippi Delta.....	299,484	
Rural business opportunity grants - Mississippi Delta.....	32,339	
Grant to Delta Regional Authority.....	215	
Special earmark grants.....	500	
Renewable energy grants - Mandatory.....	3,789,101	
Renewable energy feasibility studies - Mandatory.....	1,105,778	
Renewable energy audits and technical assistance - Mandatory	400,438	
Renewable energy grants under $20,000 - Mandatory.....	793,494	
Rural microenterprise grants to assist organizations		

- Mandatory	468,135	
Bioenergy program for advanced biofuels payments - Mandatory	51,131,399	c/
Rural economic development grants - Mandatory	1,063,570	
Value-added agricultural product market development grants, discretionary	11,929,193	
Agricultural marketing resource center grants	1,077,186	
Special earmark grants	314	
Rural empowerment zone and enterprise community grants	33,456	
Value-added agricultural product market development grants, mandatory	524,311	
Agricultural marketing resource center grants, mandatory	233,090	
Value-added agricultural product market development grants, beginning and socially disadvantaged farmers and ranchers, mandatory	4,210	
Value-added agricultural product market development grants, mid-tier chains, mandatory	71,849	
Agriculture innovation center demonstration program grants	16,452	
Subtotal	174,652,391	
Grand Total	438,872,332	

a/ $1,314,000 of Unobligated balances rescinded pursuant to general provision 733 of PL 113-76.
b/ $40,694,000 in Unobligated balances rescinded pursuant to general provision 741 of PL 113-76.
c/ $8,000,000 of Unobligated balances rescinded pursuant to general provision 734 of PL 113-76.

Mr. Aderholt: Please update a ten-year table showing the latest information on defaults for all Rural Development direct and guaranteed loan programs.

Response: The information is submitted for the record.
[The information follows:]

RURAL HOUSING INSURANCE FUND
WRITE-OFFS AND LOSSES ON DIRECT LOANS
FY 2004 Through FY 2013

(in thousands of dollars)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total
Write-offs on Direct Loans:											
General Purpose Loans 1/	$134,891	$93,561	$71,846	$247,626	$43,758	$88,258	$142,412	$181,030	$239,686	$265,882	**$1,508,950**
Domestic Farm Labor Loans	59	77	52	0	30	0	22	0	0	0	**240**
Rental or Cooperative Loans	10,218	9,332	5,540	27,208	18,109	21,025	25,211	13,742	23,392	19,488	**173,265**
Self-Help	0	0	0	162	0	0	0	0	0	0	**162**
Total Write-offs on Direct Loans	$145,168	$102,970	$77,438	$274,996	$61,897	$109,283	$167,645	$194,772	$263,077	$285,370	**$1,682,616**
Gain(-) or Loss at Acquisition of Acquired Property and Chattels	(2,799)	(580)	9	(3,436)	(10,550)	(8,269)	(6,821)	1,127	(2,637)	(3,605)	**-$37,561**
Gain(-) or Loss on Sale of Acquired Property and Chattels	12,517	6,675	2,627	2,430	4,291	5,660	8,654	10,550	10,759	9,442	**$73,605**
Less Recoveries: 2/	0	0	0	0	21,102	19,967	22,705	23,120	28,698	30,481	**$146,073**
Total Losses on Direct Loans Net of Recoveries	**$154,886**	**$109,065**	**$80,074**	**$273,990**	**$34,536**	**$86,707**	**$146,773**	**$183,329**	**$242,501**	**$260,726**	**$1,572,587**

1/ Includes single family homeownership and repair loans (section 502, 504, and single family credit sales)

2/ Recoveries are included on financing loans only.

Note: Amounts include currently not collectable receivables written off the financial records, but still included on the borrower record.

WRITE-OFFS AND LOSSES ON INSURED LOANS
FY 2004 Through FY 2013

(in thousands of dollars)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total
Write-offs on Insured Loans:											
Water and Waste Disposal Loans	$1,156	$170	$0	$9,694	$3,930	$1,509	$1,555	$2,660	$1,002	$1,261	**$22,937**
Community Facility Loans	8,806	4,100	6,909	8,869	14,709	4,306	10,228	15,159	15,316	27,896	**116,298**
Business and Industry Loans	9,665	3,678	4,939	21,566	15,334	4,329	1,118	2,047	2,824	929	**66,429**
Association Loans	0	0	251	100	0	0	0	0	0	0	**351**
Total Write-offs on Insured Loans	$19,627	$7,948	$12,099	$40,229	$33,973	$10,144	$12,901	$19,866	$19,142	$30,086	**$206,015**
Less Recoveries: 1/											
Community Facilities Loans	725	450	42	0	195	0	0	0	0	0	**1,412**
Business and Industry Loans	0	128	295	1,121	0	0	0	0	0	0	**1,544**
Total Recoveries	725	578	337	1,121	195	0	0	0	0	0	**$2,956**
Total Losses on Insured Loans	$18,902	$7,370	$11,762	$39,108	$33,778	$10,144	$12,901	$19,866	$19,142	$30,086	**$203,059**

1/ Recoveries are included on financing loans only.

Note: Amounts include currently not collectable receivables written off the financial records, but still included on the borrower record.

LOSS SETTLEMENT ON GUARANTEED LOANS
FY 2004 Through FY 2013

(in thousands of dollars)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total
Direct Paid to Lenders:											
Water and Waste Disposal Loans	0	0	0	0	0	$1,096	$633	0	0	0	**$1,729**
Community Facility Loans	$7,475	$2,382	$871	$1,283	$754	20,476	3,026	$647	$3,292	$4,450	**44,656**
Business and Industry Loans	60,436	40,086	27,273	30,955	23,467	27,085	68,230	42,478	65,883	58,834	**444,727**
Liquidating Combined Programs	0	0	0	13	15	0	0	0	0	0	**28**
Total Loss Paid to Lenders	$67,911	$42,468	$28,144	$32,238	$24,221	$48,657	$71,889	$43,125	$69,175	$63,284	**$491,112**
Investments in Guaranteed Loans Purchased from Holders 1/:											
Financing Community Facility Loans	4,674	4,999	1,000	21,460	20,047	2,107	8,007	6,919	95,481	0	**164,694**
Financing Business and Industry Loans	57,956	37,293	57,394	34,397	37,184	71,953	93,683	128,015	128,015	139,621	**785,511**
Liquidating Combined Programs	429	0	0	0	0	0	0	0	0	0	**429**
Write-offs Paid on Guaranteed Loans Purchased from Holders:											
Financing Community Facility Loans	0	0	1,718	6,563	20,638	533	0	0	975	0	**30,427**
Financing Business and Industry Loans	44,376	19,300	48,103	37,526	17,404	17,436	23,131	61,429	36,219	86,625	**391,549**
Liquidating Combined Programs	1,927	431	0	0	0	0	0	2,189	0	0	**4,547**
Total Write-offs on Guaranteed Loans Purchased from Holders:	$46,303	$19,731	$49,821	$44,089	$38,042	$17,969	$23,131	$63,618	$37,194	$86,625	**$426,523**
Recoveries 2/											
Community Facility Loans	0	345	5,432	549	656	301	804	3,614	875	106	**12,682**
Business and Industry Loans	25,082	37,189	22,737	25,952	24,717	17,208	23,683	32,143	41,309	56,379	**306,399**
Total Recoveries	$25,082	$37,534	$28,169	$26,501	$25,373	$17,509	$24,487	$35,757	$42,184	$56,485	**$319,081**
Total Losses Paid to Lenders and Write-offs on Guaranteed Loans Purchased From Holders Net of Recoveries:	**$89,132**	**$24,665**	**$49,796**	**$49,826**	**$36,890**	**$49,117**	**$70,533**	**$70,986**	**$64,185**	**$93,424**	**$598,554**

1/ Not included in total losses and write-offs.
2/ Recoveries are included on financing loans only.

RURAL HOUSING INSURANCE FUND
LOSS SETTLEMENT ON GUARANTEED LOANS
FY 2004 Through FY 2013

(in thousands of dollars)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TOTAL
Direct Paid to Lenders:											
Single Family Housing Loans	$122,100	$104,356	$103,783	$98,679	$103,089	189,901	198,245	295,106	$449,367	$624,655	**$2,289,281**
Multi-Family Housing	0	0	0	0	0	12	4	17	2	2	37
Total Loss Paid to Lenders	$122,100	$104,356	$103,783	$98,679	$103,089	$189,913	$198,249	$295,123	$449,369	$624,657	**$2,289,318**
Investments in Guaranteed Loans Purchased from Holders 1/:											
Multi-Family Housing Loans	0	0	2,369	1,151	27,817	14,879	0	998	0	0	**47,214**
Recoveries 2/											
Single Family Housing Loans	$776	$888	$1,033	$2,401	$5,426	$5,903	$11,165	$9,976	$17,753	$17,701	**$73,022**
Multi-Family Housing Loans	0	0	0	0	27	178	2,170	1,898	1,225	1,482	**6,980**
Total Recoveries	$776	$888	$1,033	$2,401	$5,453	$6,081	$13,335	$11,874	$18,978	$19,183	**$80,002**
Total Losses Paid to Lenders and Write-offs on Guaranteed Loans Purchased From Holders Net of Recoveries:	**$121,324**	**$103,468**	**$102,750**	**$96,278**	**$97,636**	**$183,832**	**$184,914**	**$283,249**	**$430,391**	**$605,474**	**$2,209,316**

1/ Not included in total losses and write-offs.
2/ Recoveries are included on financing loans only.

RURAL UTILITITY SERVICE PROGRAMS
WRITE-OFFS AND LOSSES ON INSURED LOANS
FY 2004 Through FY 2013

(in thousands of dollars)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY2009	FY2010	FY2011	FY2012	FY 2013	Total
Write-offs on Insured Loans:											
Electric Loans	$7	0	$13,669	$9,699	$6,297	$601	$166,601	0	0	$3,413	**$200,287**
Telecommunication Loans	0	0	0	1,286	3,929	0	0	0	0	0	**5,215**
Rural Telephone Bank Loans	0	0	0	0	0	0	0	0	0	1,698	**1,698**
Distance Learning Telemedicine Loans	61	$3,278	5,388	1,903	1,960	207	9,635	0	0	2,991	**25,423**
Broadband Loans	0	0	0	0	0	0	0	0	0	71,472	**71,472**
Total Write-offs on Insured Loans	$68	$3,278	$19,057	$12,888	$12,186	$808	$176,236	0	0	$79,574	**$304,095**
Less Recoveries:											
Distance Learning Telemedicine Loans	0	0	0	0	0	1	0	0	0	0	**1**
Total Recoveries 1/	0	0	0	0	0	1	0	0	0	0	**1**
Total Losses on Insured Loans Net of Recoveries	**$68**	**$3,278**	**$19,057**	**$12,888**	**$12,186**	**$807**	**$176,236**	**$0**	**$0**	**$79,574**	**$304,094**

1/ Recoveries are included on financing loans

Note: Amounts include currently not collectable receivables written off the financial records, but still included on the borrower record.

Note: No write-offs were reported in 2011 and 2012 because the restructured loans had been written off in prior years.

Mr. Aderholt: Please include a similar table showing the latest information on delinquencies for all Rural Development direct and guaranteed loan programs.

Response: The information is submitted for the record.
[The information follows:]

RURAL DEVELOPMENT
COMPARISON OF BORROWER DELINQUENCY RATES

Agency and Loan Program	As Of September 30, 2012						As Of September 30, 2013					
	Number of Loans	Number of Loans Delinquent	Percent Delinquent # Loans	Total Principal Outstanding	Total Principal and Interest Delinquent	Percent Delinquent $ Value	Number of Loans	Number of Loans Delinquent	Percent Delinquent # Loans	Total Principal Outstanding	Total Principal and Interest Delinquent	Percent Delinquent $ Value
Utility Programs:												
Water and Waste Disposal Programs:												
Direct	17,836	105	0.6%	12,004,297,000	21,589,000	0.2%	17,005	90	0.5%	12,080,703,000	17,955,000	0.1%
Guaranteed	69	0	0.0%	90,699,867	0	0.0%	68	0	0.0%	78,665,770	0	0.0%
Subtotal, Water Waste Disposal Programs	17,905	105	0.6%	12,094,996,867	21,589,000	0.2%	17,073	90	0.5%	12,159,368,770	17,955,000	0.1%
Community Programs:												
Community Facility Programs:												
Direct	6,164	161	2.6%	4,165,281,000	23,203,000	0.6%	6,121	141	2.3%	4,708,785,000	22,572,000	0.5%
Guaranteed	713	21	2.9%	1,173,174,000	16,495,461	1.4%	701	17	2.4%	1,242,806,021	15,413,625	1.2%
Subtotal, Community Facility Programs	6,877	182	2.6%	5,338,455,000	39,698,461	0.7%	6,822	158	2.3%	5,951,591,021	37,985,625	0.6%
Business and Cooperative Development Programs:												
Business and Industry Programs												
Guaranteed	3,731	264	7.1%	7,062,920,165	178,625,712	2.5%	3,502	219	6.3%	6,693,179,701	161,482,113	2.4%
NADBank Guaranteed	21	1	4.8%	26,297,087	349,582	1.3%	14	1	7.1%	13,791,581	375,412	2.7%
Subtotal, Business and Industry Programs	3,752	265	7.1%	7,089,217,252	178,975,294	2.5%	3,516	220	6.3%	6,706,971,282	161,857,525	2.4%
Subtotal, RCAP	**28,534**	**552**	1.9%	**24,522,669,119**	**240,262,755**	1.0%	**27,411**	**468**	1.7%	**24,817,931,073**	**217,798,150**	0.9%

RURAL DEVELOPMENT
COMPARISON OF BORROWER DELINQUENCY RATES

Agency and Loan Program	As Of September 30, 2012						As Of September 30, 2013					
	Number of Loans	Number of Loans Delinquent	Percent Delinquent # Loans	Total Principal Outstanding	Total Principal and Interest Delinquent	Percent Delinquent $ Value	Number of Loans	Number of Loans Delinquent	Percent Delinquent # Loans	Total Principal Outstanding	Total Principal and Interest Delinquent	Percent Delinquent $ Value
RUS:												
Electric Programs:												
Electric (includes Restructured Loans)	1,811	1	0.1%	7,679,806,184	948,400	0.0%	1,563	1	0.1%	6,879,911,366	1,089,678	0.0%
FFB and FFB A/R	1,392	0	0.0%	35,407,570,012	0	0.0%	1,523	1	0.1%	38,910,933,430	1,397,139	0.0%
Guaranteed CFC/COBank	17	0	0.0%	289,496,096	0	0.0%	17	0	0.0%	273,519,135	0	0.0%
Subtotal, Electric Loans	3,220	1	0.0%	43,376,872,292	948,400	0.0%	3,103	2	0.1%	46,064,363,931	2,486,817	0.0%
Telecommunications Programs:												
Telecommunications (includes Restructured Loans)	1,322	4	0.3%	2,437,834,529	3,684,855	0.2%	1,204	5	0.4%	2,271,626,748	71,585,680	3.2%
FFB and FFB A/R	168	0	0.0%	865,541,064	0	0.0%	169	0	0.0%	930,855,272	0	0.0%
Subtotal, Telecommunications Programs	1,490	4	0.3%	3,303,375,593	3,684,855	0.1%	1,373	5	0.4%	3,202,482,020	71,585,680	2.2%
Subtotal, Electric and Telecommunications Programs	4,710	5	0.1%	46,680,247,885	4,633,255	0.0%	4,476	7	0.2%	49,266,845,951	74,072,497	0.2%
Distance Learning & Medical Link Treasury Rate Direct	23	6	26.1%	24,346,083	17,367,807	71.3%	15	5	33.3%	16,872,972	18,346,412	108.7%
Broadband/Internet Services Programs:	236	19	8.1%	991,854,471	178,888,087	18.0%	233	19	8.2%	1,076,810,474	111,014,514	10.3%
Subtotal, Broadband/Internet Services Programs	236	19	8.1%	991,854,471	178,888,087	18.0%	233	19	8.2%	1,076,810,474	111,014,514	10.3%
Rural Telephone Bank Program	226	1	0.4%	337,073,978	1,705,078	0.5%	201	1	0.5%	280,604,207	41,157,143	14.7%
Subtotal, RUS	**5,195**	**31**	0.6%	**48,033,522,417**	**202,594,227**	0.4%	**4,925**	**32**	0.6%	**50,641,133,604**	**244,590,566**	0.5%

RURAL DEVELOPMENT
COMPARISON OF BORROWER DELINQUENCY RATES

Agency and Loan Program	As Of September 30, 2012						As Of September 30, 2013					
	Number of Loans	Number of Loans Delinquent	Percent Delinquent # Loans	Total Principal Outstanding	Total Principal and Interest Delinquent	Percent Delinquent $ Value	Number of Loans	Number of Loans Delinquent	Percent Delinquent # Loans	Total Principal Outstanding	Total Principal and Interest Delinquent	Percent Delinquent $ Value
RHS:												
Rural Housing Insurance Fund (RHIF) Programs:												
Single Family Housing (Sec. 502):												
Direct	257,111	64,459	25.1%	15,586,143,629	187,482,907	1.2%	250,959	65,847	26.2%	15,415,862,537	237,016,281	1.5%
Guaranteed	671,274	88,532	13.2%	75,683,366,487	343,926,827	0.5%	775,355	91,808	11.8%	89,742,912,407	340,737,568	0.4%
Modular Housing Demonstration Program	36	4	11.1%	528,223	524	0.1%	36	7	19.4%	515,809	1,241	0.2%
Subtotal, Single Family Housing	928,421	152,995	16.5%	91,270,038,339	531,410,258	0.6%	1,026,350	157,662	15.4%	105,159,290,753	577,755,090	0.5%
Very Low-income Housing Repair (Sec. 504)	50,736	5,689	11.2%	190,122,226	1,039,031	0.5%	48,940	6,711	13.7%	177,220,098	1,641,381	0.9%
Multi-Family Housing (Sec. 515)												
Direct	24,429	1,777	7.3%	10,825,912,000	27,572,000	0.3%	23,982	1,614	6.7%	10,713,553,000	25,736,000	0.2%
Guaranteed	550	3	0.5%	668,204,431	3,485,955	0.5%	615	1	0.2%	750,593,362	18,561	0.0%
Subtotal, Multi-Family Housing	24,979	1,780	7.1%	11,494,116,431	31,057,955	0.3%	24,597	1,615	6.6%	11,464,146,362	25,754,561	0.2%
Site Development (Sec. 524)	15	12	80.0%	6,228,000	3,305,000	53.1%	12	11	91.7%	5,357,000	2,443,000	45.6%
Subtotal, RHIF	1,004,151	160,476	16.0%	102,960,504,996	566,812,244	0.6%	1,099,899	165,999	15.1%	116,806,014,213	607,594,032	0.5%
Farm Labor Housing	1,044	79	7.6%	329,137,000	358,000	0.1%	979	54	5.5%	341,243,000	202,000	0.1%
Subtotal, RHS	**1,005,195**	**160,555**	16.0%	**103,289,641,996**	**567,170,244**	0.5%	**1,100,878**	**166,053**	15.1%	**117,147,257,213**	**607,796,032**	0.5%

RURAL DEVELOPMENT
COMPARISON OF BORROWER DELINQUENCY RATES

Agency and Loan Program	As of September 30, 2012						As of September 30, 2013					
	Number of Loans	Number of Loans Delinquent	Percent Delinquent # Loans	Total Principal Outstanding	Total Principal and Interest Delinquent	Percent Delinquent $ Value	Number of Loans	Number of Loans Delinquent	Percent Delinquent # Loans	Total Principal Outstanding	Total Principal and Interest Delinquent	Percent Delinquent $ Value
RBCS:												
Rural Development Loan Fund	1,028	14	1.4%	453,693,800	901,882	0.2%	1,048	19	1.8%	440,390,800	1,042,176	0.2%
Rural Economic Development Program	352	15	4.3%	112,564,484	66,145	0.1%	361	12	3.3%	123,615,495	39,177	0.0%
Business and Industry Loans	55	24	43.6%	29,854,000	16,959,000	56.8%	46	19	41.3%	24,954,000	15,390,000	61.7%
RMAP	142	0	0.0%	14,914,045	0	0.0%	85	3	3.5%	20,331,259	1,431	0.0%
Subtotal, RBCS	**1,577**	**53**	3.4%	**611,026,329**	**17,927,027**	2.9%	**1,540**	**53**	3.4%	**609,291,554**	**16,472,784**	2.7%
TOTAL RURAL DEV. LOAN PROGRAMS	**1,040,501**	**161,191**	15.5%	**176,456,859,861**	**1,027,954,253**	0.6%	**1,134,754**	**166,606**	14.7%	**193,215,613,444**	**1,086,657,532**	0.6%

DEFAULT AND DELINQUENCY RATES

Mr. Aderholt: Please provide a ten-year table showing the default and delinquency rates for all Rural Development direct and guaranteed loan programs.

Response: The information is submitted for the record.
[The information follows:]

Rural Development Loan Portfolio	September 30, 2004 Delinquent Loans > 30 Days			September 30, 2005 Delinquent Loans > 30 Days		
	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.
Direct Portfolio						
Rural Housing						
Single Family Housing	$13,584,339,083	$2,235,980,386	16.46	$13,174,315,570	$2,069,685,572	15.71
Multi-Family Housing	$11,766,019,000	$156,085,003	1.33	$11,722,944,000	$158,488,995	1.35
Community Facility	$1,665,139,031	$58,607,823	3.52	$1,824,902,000	$55,131,936	3.02
Total Rural Housing	**$27,015,497,114**	**$2,450,673,212**	**9.07**	**$26,722,161,570**	**$2,283,306,503**	**8.54**
Rural Utilities						
Water & Waste	$7,814,102,176	$45,106,566	0.58	$8,170,218,000	$54,815,808	0.67
Electric	$27,966,165,698	$5,248,987	0.02	$30,160,419,954	$4,739,479	0.02
Telecommunications	$4,431,699,048	$32,991,992	0.74	$4,059,525,752	$50,100,636	1.23
Total Rural Utilities	**$40,211,966,922**	**$83,347,545**	**0.21**	**$42,390,163,706**	**$109,655,923**	**0.26**
Rural Business						
Business and Industry	$90,709,000	$41,742,652	46.02	$83,725,000	$46,622,037	55.68
RMAP						
Intermediary Relending Prog/HHS	$412,897,545	$5,476,471	1.33	$429,131,415	$5,525,656	1.29
Rural Economic Development	$75,449,804	$1,163,327	1.54	$73,228,861	$1,494,759	2.04
Total Rural Business	**$579,056,349**	**$48,382,450**	**8.36**	**$586,085,276**	**$53,642,452**	**9.15**
Total Direct Portfolio	**$67,806,520,385**	**2,582,403,207**	**3.81**	**$69,698,410,552**	**2,446,604,878**	**3.51**
Guaranteed Portfolio						
Rural Housing						
Single Family Housing	$13,442,389,420	$775,305,119	5.77	$14,118,215,281	$797,711,928	5.65
Multi-Family Housing	$102,296,491	$0	0.00	$179,187,551	$0	0.00
Community Facility	$438,808,533	$11,238,820	2.56	$496,906,318	$22,233,438	4.47
Total Rural Housing	**$13,983,494,444**	**$786,543,939**	**5.62**	**$14,794,309,150**	**$819,945,366**	**5.54**
Rural Utilities						
Water & Waste	$33,066,754	$0	0.00	$32,060,220	$2,310,491	7.21
Electric/Other	$479,321,176	$0	0.00	$453,304,181	$0	0.00
Total Rural Utilities	**$512,387,930**	**$0**	**0.00**	**$485,364,401**	**$2,310,491**	**0.48**
Rural Business						
Business and Industry	$4,233,690,385	$495,327,907	11.70	$4,225,993,265	$413,041,608	9.77
Total Rural Business	**$4,233,690,385**	**$495,327,907**	**11.70**	**$4,225,993,265**	**$413,041,608**	**9.77**
Total Guaranteed Portfolio	**18,729,572,759**	**1,281,871,846**	**6.84**	**19,505,666,816**	**1,235,297,465**	**6.33**
Total Loan Portfolio	**$86,536,093,144**	**$3,864,275,053**	**4.47**	**$89,204,077,368**	**$3,681,902,343**	**4.13**

Rural Development Loan Portfolio	September 30, 2006 Delinquent Loans > 30 Days			September 30, 2007 Delinquent Loans > 30 Days		
	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.
Direct Portfolio						
Rural Housing						
Single Family Housing	$13,010,046,315	$1,992,371,041	15.31	$13,100,046,926	$2,069,216,379	15.80
Multi-Family Housing	$11,629,408,000	$170,960,311	1.47	$11,556,725,000	$197,470,331	1.71
Community Facility	$2,141,666,000	$56,554,423	2.64	$2,480,261,000	$77,472,210	3.12
Total Rural Housing	**$26,781,120,315**	**$2,219,885,775**	**8.29**	**$27,137,032,926**	**$2,344,158,920**	**8.64**
Rural Utilities						
Water & Waste	$8,635,464,000	$61,511,959	0.71	$9,152,362,000	$45,190,889	0.49
Electric	$34,015,167,760	$3,117,610	0.01	$35,867,873,209	$928,440	0.00
Telecommunications	$3,956,553,456	$45,901,538	1.16	$3,992,748,297	$52,187,044	1.31
Total Rural Utilities	**$46,607,185,216**	**$110,531,107**	**0.24**	**$49,012,983,506**	**$98,306,373**	**0.20**
Rural Business						
Business and Industry	$71,558,000	$43,422,870	60.68	$60,980,000	$38,719,635	63.50
RMAP						
Intermediary Relending Prog/HHS	$442,665,122	$831,775	0.19	$460,036,613	$831,775	0.18
Rural Economic Development	$88,961,100	$760,828	0.86	$90,632,446	$600,000	0.66
Total Rural Business	**$603,184,222**	**$45,015,473**	**7.46**	**$611,649,059**	**$40,151,410**	**6.56**
Total Direct Portfolio	**$73,991,489,753**	**2,375,432,355**	**3.21**	**$76,761,665,491**	**2,482,616,703**	**3.23**
Guaranteed Portfolio						
Rural Housing						
Single Family Housing	$15,095,751,938	$820,439,446	5.43	$17,103,241,171	$905,853,491	5.30
Multi-Family Housing	$229,762,264	$1,388,483	0.60	$253,858,346	$55,080,375	21.70
Community Facility	$547,432,906	$16,044,074	2.93	$662,512,244	$27,870,514	4.21
Total Rural Housing	**$15,872,947,108**	**$837,872,003**	**5.28**	**$18,019,611,761**	**$988,804,380**	**5.49**
Rural Utilities						
Water & Waste	$33,601,928	$0	0.00	$36,880,548	$0	0.00
Electric/Other	$391,403,954	$0	0.00	$402,490,984	$0	0.00
Total Rural Utilities	**$425,005,882**	**$0**	**0.00**	**$439,371,532**	**$0**	**0.00**
Rural Business						
Business and Industry	$3,900,929,662	$319,114,148	8.18	$3,681,893,100	$331,292,096	9.00
Total Rural Business	**$3,900,929,662**	**$319,114,148**	**8.18**	**$3,681,893,100**	**$331,292,096**	**9.00**
Total Guaranteed Portfolio	**20,198,882,652**	**1,156,986,151**	**5.73**	**22,140,876,393**	**1,320,096,476**	**5.96**
Total Loan Portfolio	**$94,190,372,405**	**$3,532,418,506**	**3.75**	**$98,902,541,884**	**$3,802,713,179**	**3.84**

Rural Development Loan Portfolio	September 30, 2008 Delinquent Loans > 30 Days			September 30, 2009 Delinquent Loans > 30 Days		
	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.
Direct Portfolio						
Rural Housing						
Single Family Housing	$13,348,213,250	$2,384,541,388	17.86	$13,866,899,622	$2,753,206,105	19.85
Multi-Family Housing	$11,465,207,000	$190,632,065	1.66	$11,408,521,000	$229,541,142	2.01
Community Facility	$2,767,391,000	$78,029,048	2.82	$3,058,714,000	$99,863,230	3.26
Total Rural Housing	**$27,580,811,250**	**$2,653,202,501**	**9.62**	**$28,334,134,622**	**$3,082,610,477**	**10.88**
Rural Utilities						
Water & Waste	$9,858,931,000	$44,772,454	0.45	$10,380,576,000	$67,497,530	0.65
Electric	$37,492,219,623	$862,387	0.00	$39,994,977,635	$1,568,435	0.00
Telecommunications	$4,065,911,688	$52,869,500	1.30	$4,136,256,230	$57,160,853	1.38
Total Rural Utilities	**$51,417,062,311**	**$98,504,341**	**0.19**	**$54,511,809,865**	**$126,226,818**	**0.23**
Rural Business						
Business and Industry	$46,508,000	$22,031,778	47.37	$41,981,000	$23,970,052	57.10
RMAP						
Intermediary Relending Prog/HHS	$465,430,557	$2,813,442	0.60	$471,823,709	$4,268,633	0.90
Rural Economic Development	$100,272,138	$2,348,711	2.34	$104,561,135	$740,000	0.71
Total Rural Business	**$612,210,695**	**$27,193,931**	**4.44**	**$618,365,844**	**$28,978,685**	**4.69**
Total Direct Portfolio	**$79,610,084,256**	**2,778,900,773**	**3.49**	**$83,464,310,331**	**3,237,815,780**	**3.88**
Guaranteed Portfolio						
Rural Housing						
Single Family Housing	$21,652,304,867	$2,580,618,375	11.92	$33,657,773,172	$4,416,259,255	13.12
Multi-Family Housing	$293,513,268	$47,289,076	16.11	$375,841,592	$47,078,917	12.53
Community Facility	$693,265,102	$30,562,433	4.41	$789,611,518	$37,774,792	4.78
Total Rural Housing	**$22,639,083,237**	**$2,658,469,884**	**11.74**	**$34,823,226,282**	**$4,501,112,964**	**12.93**
Rural Utilities						
Water & Waste	$67,991,916	$2,148,115	3.16	$69,093,854	$1,077,868	1.56
Electric/Other	$387,571,976	$0	0.00	$371,307,313	$0	0.00
Total Rural Utilities	**$455,563,892**	**$2,148,115**	**0.47**	**$440,401,167**	**$1,077,868**	**0.24**
Rural Business						
Business and Industry	$3,770,053,800	$347,872,950	9.23	$4,396,119,578	$535,458,671	12.18
Total Rural Business	**$3,770,053,800**	**$347,872,950**	**9.23**	**$4,396,119,576**	**$535,458,671**	**12.18**
Total Guaranteed Portfolio	**26,864,700,929**	**3,008,490,949**	**11.20**	**39,659,747,025**	**5,037,649,503**	**12.70**
Total Loan Portfolio	**$106,474,785,185**	**$5,787,391,722**	**5.44**	**$123,124,057,356**	**$8,275,465,283**	**6.72**

Rural Development Loan Portfolio	September 30, 2010 Delinquent Loans > 30 Days			September 30, 2011 Delinquent Loans > 30 Days		
	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.
Direct Portfolio						
Rural Housing						
Single Family Housing	$15,135,722,480	$3,067,356,349	20.27	$15,661,062,304	$3,410,761,013	21.78
Multi-Family Housing	$11,327,192,000	$219,350,535	1.94	$11,259,524,000	$219,132,732	1.95
Community Facility	$3,300,538,000	$122,627,878	3.72	$3,791,609,000	$141,391,984	3.73
Total Rural Housing	**$29,763,452,480**	**$3,409,334,762**	**11.45**	**$30,712,195,304**	**$3,771,285,729**	**12.28**
Rural Utilities						
Water & Waste	$10,898,410,000	$133,193,915	1.22	$11,813,743,000	$142,202,484	1.20
Electric	$40,716,526,659	$1,947,483	0.00	$42,249,762,801	$1,866,825	0.00
Telecommunications	$4,324,142,251	$109,650,153	2.54	$4,479,884,552	$215,199,929	4.80
Total Rural Utilities	**$55,939,078,910**	**$244,791,551**	**0.44**	**$58,543,390,353**	**$359,269,238**	**0.61**
Rural Business						
Business and Industry	$39,965,000	$25,571,904	63.99	$36,727,000	$25,312,472	68.92
RMAP						
Intermediary Relending Prog/HHS	$474,433,759	$6,793,433	1.43	$468,800,602	$7,182,949	1.53
Rural Economic Development	$103,750,994	$5,473	0.01	$110,350,445	$3,158	0.00
Total Rural Business	**$618,149,753**	**$32,370,810**	**5.24**	**$615,878,047**	**$32,498,579**	**5.28**
Total Direct Portfolio	**$86,320,681,143**	**3,686,497,123**	**4.27**	**$89,871,463,704**	**4,163,053,546**	**4.63**
Guaranteed Portfolio						
Rural Housing						
Single Family Housing	$49,747,330,249	$5,899,546,601	11.86	$61,990,442,147	$8,017,984,786	12.93
Multi-Family Housing	$511,302,698	$46,059,939	9.01	$579,225,410	$19,128,365	3.30
Community Facility	$900,557,656	$23,161,484	2.57	$1,017,721,742	$27,753,560	2.73
Total Rural Housing	**$51,159,190,603**	**$5,968,768,024**	**11.67**	**$63,587,389,299**	**$8,064,866,711**	**12.68**
Rural Utilities						
Water & Waste	$63,865,370	$0	0.00	$62,348,855	$0	0.00
Electric/Other	$349,721,348	$0	0.00	$329,964,515	$0	0.00
Total Rural Utilities	**$413,586,718**	**$0**	**0.00**	**$392,313,370**	**$0**	**0.00**
Rural Business						
Business and Industry	$5,877,580,332	$647,005,485	11.01	$7,028,686,323	$602,168,643	8.57
Total Rural Business	**$5,877,580,332**	**$647,005,485**	**11.01**	**$7,028,686,323**	**$602,168,643**	**8.57**
Total Guaranteed Portfolio	**57,450,357,653**	**6,615,773,509**	**11.52**	**71,008,388,992**	**8,667,035,354**	**12.21**
Total Loan Portfolio	**$143,771,038,796**	**$10,302,270,632**	**7.17**	**$160,879,852,696**	**$12,830,088,900**	**7.97**

Rural Development Loan Portfolio	September 30, 2012 Delinquent Loans > 30 Days			September 30, 2013 Delinquent Loans > 30 Days		
	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.	Amount of Principal Outstanding	Delinquent Principal balance	% Delq. Prin.
Direct Portfolio						
Rural Housing						
Single Family Housing	$15,776,794,078	$3,860,545,020	24.47	$15,593,598,443	$4,044,744,331	25.94
Multi-Family Housing	$11,161,277,000	$206,782,018	1.85	$11,060,153,000	$182,852,919	1.65
Community Facility	$4,165,281,000	$180,241,446	4.33	$4,708,785,000	$141,414,500	3.00
Total Rural Housing	**$31,103,352,078**	**$4,247,568,484**	13.66	**$31,362,536,443**	**$4,369,011,750**	**13.93**
Rural Utilities						
Water & Waste	$12,004,297,000	$125,725,161	1.05	$12,080,703,000	$86,502,160	0.72
Electric	$43,087,376,196	$1,447,861	0.00	$45,790,844,797	$19,663,035	0.04
Telecommunications	$4,656,650,125	$267,219,531	5.74	$4,576,769,673	$292,421,343	6.39
Total Rural Utilities	**$59,748,323,321**	**$394,392,553**	0.66	**$62,448,317,470**	**$398,586,538**	**0.64**
Rural Business						
Business and Industry	29,854,000	$22,212,832	74.40	$24,954,000	$18,933,059	75.87
RMAP	14,914,045	$0	0.00	$20,331,259	$119,478	0.59
Intermediary Relending Prog/HHS	$453,693,800	$5,253,101	1.16	$440,390,800	$6,535,033	1.48
Rural Economic Development	$112,564,484	$400,371	0.36	$123,615,495	$175,000	0.14
Total Rural Business	**$611,026,329**	**$27,866,304**	4.56	**$609,291,554**	**$25,762,570**	**4.23**
Total Direct Portfolio	**$91,462,701,728**	**4,669,827,341**	5.11	**$94,420,145,467**	**4,793,360,858**	**5.08**
Guaranteed Portfolio						
Rural Housing						
Single Family Housing	$75,683,366,487	$9,628,542,279	12.72	$89,742,912,407	$10,210,728,503	11.38
Multi-Family Housing	$668,204,431	$6,006,470	0.90	$750,593,362	$294,890	0.04
Community Facility	$1,173,174,000	$49,050,168	4.18	$1,242,806,021	$27,568,610	2.22
Total Rural Housing	**$77,524,744,918**	**$9,683,598,917**	12.49	**$91,736,311,790**	**$10,238,592,003**	**11.16**
Rural Utilities						
Water & Waste	$90,699,867	$0	0.00	$78,665,770	$0	0.00
Electric/Other	$289,496,096	$0	0.00	$273,519,135	$0	0.00
Total Rural Utilities	**$380,195,963**	**$0**	0.00	**$352,184,905**	**$0**	**0.00**
Rural Business						
Business and Industry	$7,089,217,252	$549,985,422	7.76	$6,706,971,282	$476,680,469	7.11
Total Rural Business	**$7,089,217,252**	**$549,985,422**	7.76	**$6,706,971,282**	**$476,680,469**	**7.11**
Total Guaranteed Portfolio	**84,994,158,133**	**10,233,584,339**	12.04	**98,795,467,977**	**10,715,272,472**	**10.85**
Total Loan Portfolio	**$176,456,859,861**	**$14,903,391,680**	**8.45**	**$193,215,613,444**	**$15,508,633,330**	**8.03**

Mr. Aderholt: Please provide for the record the total number and related dollar amount of RD's service contracts for fiscal years 2010 through 2014 that supported the delivery of rural development programs.

Response: The information is submitted for the record.
[The information follows:]

FY 2010: Total actions-6,698; Total amount - $14,556,231

FY 2011: Total actions-5,986; Total amount - $33,390,588

FY 2012: Total actions-5,181; Total amount - $40,620,001

FY 2013: Total actions-6,322; Total amount - $68,599,470

FY 2014 (10/01/2013 - 04/4/2014): Total actions-2,711; Total amount - $30,221.132

Mr. Aderholt: How many employees assigned to the Rural Development mission areas are detailed outside of Rural Development, and to which agencies are they detailed?

Response: There are six employees detailed outside of Rural Development. Two employees detailed to the Department of Commerce, one to Food Safety Inspection Service, one to the Office Executive Secretariat, Departmental Management, one employee detailed to the Department of the Interior, and, one to the Department of Treasury.

Mr. Aderholt: Please update the Committee on the number of Rural Development's State offices, county offices, and other offices.

Response: The number of Rural Development has 47 State offices and 469 field offices that are co-located in the communities they serve.

Mr. Aderholt: Please provide for the record a copy of the Rural Development's Loan Portfolio as of January 31, 2014.

Response: The following information is submitted for the record.
[The information follows:]

Rural Development
Loan Portfolio
As of January 31, 2014

Loan Portfolio	# of Loans	Amount of Principal Outstanding	Delinquent Loans > 30 days				Delinquent Loans > 1 Year			
			# Loan Delinq.	% Loan Delinq.	Delinquent Principal balance	% Delq. Prin.	# Loan Delinq.	% Loan Delinq.	Delinquent Principal balance	
Direct Portfolio										
Housing and Community Facilities										
Single Family Housing	297,594	$15,533,295,437	79,359	26.67	$4,461,503,959	28.72	26,195	8.80	$1,361,709,414	
Multi-Family Housing	24,764	$11,016,959,000	* 318	** 2.14	$205,152,871	1.86	* 199	** 1.34	$133,680,398	
Community Facility	6,051	$4,850,481,000	128	2.12	$127,056,501	2.62	72	1.19	$77,422,758	
Total Housing & Community Fac.	**328,409**	**$31,400,735,437**	*** **79,487**	*** **26.18**	**$4,793,713,331**	**15.27**	*** **26,267**	*** **8.65**	**$1,572,812,570**	
Utilities										
Water & Waste	16,877	$12,273,884,000	67	0.40	$86,515,836	0.70	17	0.10	$24,079,657	
Electric	3,027	$45,929,299,670	2	0.07	$21,186,986	0.05	2	0.07	$21,186,986	
Telecommunications	1,783	$4,551,682,861	36	2.04	$324,570,631	7.13	21	1.19	$144,368,389	
Total Utilities	**21,687**	**$62,754,866,331**	**105**	**0.48**	**$432,273,453**	**0.69**	**40**	**0.18**	**$189,635,032**	
Business and Cooperative										
Business and Industry	44	$24,421,000	16	36.36	$19,032,515	77.94	11	25.00	$17,817,166	
RMAP	86	$22,530,328	2	2.33	$696,850	3.09	0	0.00	$0	
Intermediary Relending Prog/HHS	1,052	$432,289,000	14	1.33	$6,009,246	1.39	6	0.57	$3,308,572	
Rural Economic Development	363	$135,350,149	1	0.28	$480,000	0.35	0	0.00	$0	
Total Business & Cooperative	**1,545**	**$614,600,477**	**33**	**2.14**	**$26,218,611**	**4.27**	**17**	**1.10**	**$21,125,738**	
Total Direct Portfolio	**351,621**	**$94,770,202,245**	*** **79,625**	*** **24.36**	**$5,252,205,395**	**5.54**	*** **26,324**	*** **8.05**	**$1,783,573,340**	
Guaranteed Portfolio										
Housing and Community Facilities										
Single Family Housing	807,038	$93,484,436,238	97,475	12.08	$10,802,857,147	11.56	13,464	1.67	$1,615,626,342	
Multi-Family Housing	624	$765,061,592	2	0.32	$2,008,560	0.26	0	0.00	$0	
Community Facility	592	$1,232,774,450	12	1.73	$40,848,840	3.31	8	1.16	$22,107,924	
Total Housing & Community Fac.	**808,354**	**$95,482,272,280**	**97,490**	**12.06**	**$10,845,714,547**	**11.35**	**13,472**	**1.67**	**$1,637,734,266**	
Utilities										
Water & Waste	68	$88,527,337	0	0.00	$0	0.00	0	0.00	$0	
Electric/Other	17	$256,122,197	0	0.00	$0	0.00	0	0.00	$0	
Total Utilities	**85**	**$344,749,534**	**0**	**0.00**	**$0**	**0.00**	**0**	**0.00**	**$0**	
Business and Cooperative										
Business and Industry	3,452	$6,484,003,758	218	6.32	$445,142,909	6.87	152	4.40	$307,950,539	
Total Business & Cooperative	**3,452**	**$6,484,003,758**	**218**	**6.32**	**$445,142,909**	**6.87**	**152**	**4.40**	**$307,950,539**	
Total Guaranteed Portfolio	**811,891**	**$102,311,025,572**	**97,708**	**12.03**	**$11,290,857,556**	**11.04**	**13,624**	**1.68**	**$1,945,684,805**	
Total Loan Portfolio	**1,163,512**	**$197,081,227,817**	*** **177,333**	*** **15.57**	**$16,543,062,951**	**8.35**	*** **39,948**	*** **3.51**	**$3,729,258,145**	

* Number of projects delinquent.
** The % of projects delinquent: Number of projects delinquent divided by number of projects outstanding. There are 14,875 projects outstanding as of January 31, 2014.
*** Exclude Multi-Family Housing Projects (Direct)

POPULATION REQUIREMENTS

Mr. Aderholt: Please update information provided in the fiscal year 2014 hearing record on the population requirements for all Rural Development programs.

Response: The information is submitted for the record.

[The information follows:]

Program	Population
Rural Housing Programs	
Housing and Community Facilities Programs	The Agricultural Act of 2014 (Farm Bill) and the Consolidated Appropriations Act, 2014 determine eligibility for USDA housing programs and define the terms "rural" and "rural area." 1. If an area was eligible on September 30, 2013 it remains eligible through September 30, 2014. 2. If an area has a population greater than 35,000, after September 30, 2014 it will no longer be eligible regardless of whether it has previously been "grandfathered." 3. If an area has been "grandfathered" at any time between January 1, 2000 and December 31, 2010, after September 30, 2014, the following three-pronged test determines if it remains eligible: (a) The population does not exceed 35,000, and (b) The area is rural in character, and (c) The area has a serious lack of mortgage credit for lower- and moderate-income families. Areas that meet standards (a), (b) and (c) can continue to remain eligible until receipt of data from the decennial census in the year 2020.
Single Family Home Ownership Direct Loans	
Single Family Home Ownership Guaranteed Loans	
Single Family Repair Loans and Grants	
Mutual Self-Help Home Ownership Loans	
Mutual Self-Help Housing Grants	
Rural Rental Housing Direct Loans	
Rural Rental Housing Loan Guarantees	
Housing Preservation Grants	
Farm Labor Housing Loans and Grants	No population restriction.
Community Facilities Loans and Grants	City, town, or unincorporated area of not more than 20,000 in population. Facilities must primarily serve rural residents.

Program	Population
Business and Cooperative Programs	
Business and Industry Loan Guarantee	All areas except cities over 50,000 and their contiguous urbanized areas.
Rural Business Enterprise Grants	All areas except cities over 50,000 and their contiguous urbanized areas.
Intermediary Relending Program Loans	Rural areas and incorporated places with populations of less than 25,000.
Rural Microentrepreneur Assistance Program	All areas except cities over 50,000 and their contiguous urbanized areas.
Rural Economic Development Loans and Grants	Rural areas with priority to places with populations of 2,500 or less.
Rural Cooperative Development Grants	All areas except cities over 50,000 and their contiguous urbanized areas.
Small Socially Disadvantaged Producer Grants	All areas, except cities over 50,000 and their contiguous urbanized areas.
Value-Added Producer Grants	All areas.
Rural Business Opportunity Grants	All areas except cities over 50,000 and their contiguous urbanized areas.
Rural Energy for America Program (REAP)	All areas except cities over 50,000 and their contiguous urbanized areas.
REAP Loan Guarantees	Cities, towns, unincorporated areas with population less than 50,000.
REAP Grants	Cities, towns, unincorporated areas with population less than 50,000.
Biorefinery Assistance Program Loan Guarantees	No population restrictions.
Repowering Assistance Program	No population restriction.
Advanced Biofuel Payment Program	No population restriction.
Rural Utilities Programs	
Water and Waste Disposal Loans and Grants	Rural areas, and towns with up to 10,000 population.
Water and Waste Disposal Loan Guarantees	Rural areas, and towns with up to 10,000 population.
Solid Waste Management Grants	Rural areas, and towns with up to 10,000 population.
Technical Assistance/ Training/Circuit Rider	Rural areas and towns with up to 10,000 population.

Program	Population
Rural Broadband Loan and Loan Guarantee	Any area not located within a city, town, or incorporated area over 20,000 inhabitants; or an urbanized area contiguous to a city or town of greater than 50,000 inhabitants.
Electric and Telecommunications Loans	Electric: areas served by an existing rural electric borrower, or rural areas other than a city or town of more than 20,000. Telecommunications: areas cities with population over 5,000.
Distance Learning and Telemedicine	Rural areas outside incorporated or unincorporated cities with population over 20,000.
Community Connect	A single community outside incorporated or unincorporated cities with population over 20,000 which does not have broadband.

Mr. Aderholt: Please provide the U.S. Code cite for each loan program where a fee is authorized in law. If the fee is not set in authorizing legislation, please provide the authority used charging a fee. Also, provide what the authorized fee limits are for each loan program as currently authorized in law. Include any changes made by the 2014 farm bill.

Response: Rural Development programs have the following fees authorizations. The Federal Credit Reform Act treats the collection of fees for credit programs not as revenue but rather a reduction to the subsidy cost of the program. Following is a table that depicts the statutory basis for the fees for each of the RD programs. The information is provided for the record.
[The information follows:]

Program	Statutory Basis	Current Fee Structure	Farm Bill Changes
REAP	7 U.S. Code § 1927 (B)	• The current fee structure provides for a 1 percent guarantee fee to be charged on the guaranteed portion of the loan at the time of closing and. • an annual fee of 0.25 percent of the outstanding balance	NONE

Program	Statutory Basis	Current Fee Structure	Farm Bill Changes
Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance program	7 USC 1927(B)	Guarantee Fee • 3 percent Guarantee Fee - loans receiving a 90 percent guarantee • 2 percent Guarantee Fee - loans greater than 75 percent of total project costs • 1.5 percent Guarantee Fee - loans greater than 65 percent but less than or equal to 75 percent of total project costs • 1 percent Guarantee Fee - loans of 65 percent or less of total project costs • Annual fee: • one hundred basis points (1 percent) for guarantees on loans that were originally greater than 75 percent of total project costs. • (2) Seventy five basis points (0.75 percent) for guarantees on loans that were originally greater than 65 percent but less than or equal to 75 percent of total project costs. • (3) Fifty basis points (0.50 percent) for guarantees on loans that were originally for 65 percent or less of total project costs.	NONE
Guaranteed B&I	42 U.S. Code § 1490p-2 9(G) Beginning in FY2012 CR's raised fee amount to 3%	• One-time guarantee fee equal to3% of guaranteed amount • Annual renewal fee of .50%	NONE

Program	Statutory Basis	Current Fee Structure	Farm Bill Changes
Guaranteed SFH	42 U.S. Code § 1472 (h) (8)	• One-time guarantee fee equal to 2% of guaranteed amount (Statutory cap of 3.5%) • Annual renewal fee of .40% (.50% in FY15)	NONE
Guaranteed MFH	42 U.S. CODE § 1490P-2 9(G), (U)	• One-time guarantee fee equal to 1.0% of guaranteed principal amount • Annual renewal fee .50% of the outstanding principal amount • $1,500 fee for initial request to extend conditional commitment date. $2,000 fee for any subsequent extension request • $3,500 fee to re-open an application when a commitment has expired. • $1,500 fee for lender transfer of property or change in the composition of ownership entity	NONE
Guaranteed CF	7 USC 1927 (a) (b)	• One-time guarantee fee equal to 1% of guaranteed amount	NONE
Guaranteed WW	7 USC 1927(b)	• One-time guarantee fee equal to 1% of guaranteed amount	REAUTHORIZED

Program	Statutory Basis	Current Fee Structure	Farm Bill Changes
Direct SFH	• appraisal fee- 42 U.S.C. 1480(j). • credit report fee- 15 U.S.C. 1638. •7 CFR Part 3550, § 3550.153 Fees. RHS may assess reasonable fees including a tax service fee, fees for late payments, and fees for checks returned for insufficient funds. •7 CFR Part 3550, § 3550.202 (a) Late fee. A late fee will be assessed if the full scheduled payment is not received by the 15th day after the due date, or as authorized by State law. •7 CFR Part 3550, § 3550.70 (e) Fees. An application for a conditional commitment must include payment of the conditional commitment fee.	• $32 credit report fee • $102 Tax service fee • $425 appraisal fee • $500 conditional commitment fee • 4% late payment fee • $15 Insufficient funds fee	NONE

7 USC § 3717 (e) allows for all agencies to charge late payment fees to delinquent borrowers, not to exceed 6%.

Electric and Telephone are generally prohibited from charging loan origination fees on their loans.
There are two exceptions for Electric:

Program	Statutory Basis	Current Fee Structure	Farm Bill Changes
313 A bond	7 U.S.C. 940c-1	• Set at 30 basis points of the outstanding principal balance and directed to the Rural Economic Development Account with authority to use up to 1/3 of the fee collected for the cost of the subsidy	NONE
Baseload generation loans	7 U.S.C. 905	• The fee is to be set equal to the costs of the loan guarantee and is charged upfront at the borrower's request.	ADDED in 2014 FARM Bill

HEALTHY FOOD FINANCING INITIATIVE

Mr. Aderholt: Please list all expenditures by program to date spent on the Healthy Food Financing Initiative. How much do you estimate will be spent on this and any related initiative in fiscal year 2015? Include all direct and indirect costs.

Response: The 2014 Farm Bill authorized the Healthy Food Financing Initiative that will increase availability of affordable, healthy foods in underserved rural communities to create and preserve quality jobs and revitalize low-income communities, particularly through the development or equipping of grocery stores and other healthy food retailers. The Farm Bill did not provide any funds for this program. The President's 2015 budget requests funding for a multi-year Healthy Foods, Healthy Neighborhoods initiative (HFHNI). For this initiative, the Department of Agriculture will make available $13 million in financial and technical assistance to community development financial institutions, other nonprofits, public agencies, and businesses with sound strategies for addressing the healthy food needs of communities. Of the requested funds, $750,000 will be transferred to RD salaries and expenses in support of delivering the program.

2014 FARM BILL FUNDING

Mr. Aderholt: Please provide a table showing the appropriation, obligation, limitation, cancellation and carryover for each Rural Development mandatory program provided in the 2014 Farm Bill.

Response: The information is submitted for the record. No funding has been obligated as of the date of the hearing.

[The information follows:]

	2014

Renewable Energy Programs

Farm Bill Provision	$50,000
Carryover	24,762
Total Available	74,762

Value-Added Producer Grants

Farm Bill Provision	$63,000
Carryover	850
Total Available	63,850

Biorefinery Assistance Program

Farm Bill Provision	$100,000	
Carryover	71,178	b/
Total Available	171,178	

Energy Assistance Payments-Repowering Assistance Grants

Farm Bill Provision	$12,000
Total Available	12,000

Energy Assistance Payments-Bioenergy Program for Advanced Biofuels Payments

Farm Bill Provision	$15,000	
Carryover	51,131	a/
Total Available	58,131	

Microenterprise Assistance Payments

Farm Bill Provision	$3,000
Carryover	2,223
Total Available	5,223

Rural Water and Waste Disposal Grants

Farm Bill Provision	$150,000
Total Available	150,000

a/ $8,000,000 in Unobligated balances rescinded pursuant to general provision 734 of PL 113-76, dated January 17, 2014.

b/ $40,694,000 in Unobligated balances rescinded pursuant to general provision 741 of PL 113-76, dated January 17, 2014.

STAFFING LEVELS

Mr. Aderholt: Approximately how many federal and contractor support personnel help deliver Rural Development's loan and grant portfolio in fiscal years 2010 through 2014? Please break this out by number of federal employees and contractor support.

Response: The information is submitted for the record.
[The information follows:]

Fiscal Year	Federal Personnel	Contractor Personnel
2010 1/	5,865	200
2011	5,893	194
2012	5,193	175
2013	4,726	160
2014 2/	4,776	160

NOTE: The above table represents on-board staff, both full- and part-time, as of the end of the fiscal year.

1/ The numbers of FY 2010 Federal Personnel and Contractor Personnel amount exclude ARRA staff.
2/ Contract Personnel data for FY 2014 is not currently available. Therefore we are showing an estimate based on FY 2013 numbers.

COMPREHENSIVE LOAN PROGRAM

Mr. Aderholt: Please provide information on the Comprehensive Loan Program, including funding requirements and estimated timeline. Please describe the current IT system. How much funding is allocated to it in fiscal years 2014 and 2015? How much will be allocated to the Common Computing Environment in fiscal years 2014 and 2015?

Response: Rural Development's (RD) Comprehensive Loan Program (CLP) Investment modernizes and streamlines the systems used to deliver and manage RD's housing, business, and utilities loan and grant programs by developing a more agile Information Technology (IT) platform that provides more robust automation support for all RD stakeholders.

Following is the funds allocated to the Program for each of the fund years.

	2014	2015
Development/Modernization/ Enhancement (DME)	21,000,000	15,049,725
Steady State (SS)	0	0
Total	21,000,000*	15,049,725

With the funds planned for fiscal year 2014 and fiscal year 2015, CLP will strive to deliver a more flexible and fully integrated IT platform that is central to RD's portfolio management responsibilities and will allow our business processes to be conducted more efficiently with less staff. Projects currently planned will provide the following results:

- New appropriated loan programs will be online sooner and changes to existing programs can be quickly adopted.
- Data integrity will be improved and system reliability will be increased.
- Provide character recognition on documents so they can be indexed and filed quicker into the system.
- There will be increased visibility into portfolio and program performance through enhanced data, analytics, and standards.
- Systems will be intuitively designed with universal standards that are easier for employees and customers to understand, including more robust tools such as online help, automated data entry, and drop down menus.
- Enhancing Guaranteed Loan documentation processes and providing ability to digitally sign conditional commitments.
- Financial reports will be easier to generate.
- Customers will have better access and support throughout the loan and grant cycle.

Timeline: The CLP Investment current life-cycle is 2009 through 2024, with development funds (DME) planned through fiscal year 2016 and projects scheduled for completion by 2018 fiscal year-end.

The CLP mission is accomplished through the concentration of three distinct efforts with current timelines planned for completion by the end of fiscal year 2018. The three efforts include: Systems Modernization, Core Services Modernization, and System's Retirement:

Project Name	Objectives/Expected Outcomes	Project Start Date	Project Completion Date	Project Lifecycle Cost
Comprehensive Loan Program -Systems Modernization	Modernize Guaranteed Loan System, Rural Development Security Operations, Comprehensive Loan Program Supporting Applications and create a New Originations System/Process.	1/4/2010	9/29/2018	$37.378
Comprehensive Loan Program Core -Services Modernization	Implement common application framework and build support applications to efficiently meet diverse and changing business needs.	2/26/2010	9/29/2017	$16.749
Comprehensive Loan Program -Systems Retirement	Retirement of the legacy systems: Program Loan Accounting System, Automated Multi-Family Housing Accounting System and Rural Utilities Legacy System.	7/8/2010	12/29/2017	$25.815

In fiscal year 2014, $4.5 million and in fiscal year 2015, $6.2 million has been planned for allocation to the Common Computing Environment (CCE)/Optimized Computing Environment (OCE).

*The $21 million in Development Modernization Enhancements (DME) funds includes $1 million for Program Management Support funded through IT carry-over funds.

INTERNATIONAL TRAVEL

Mr. Aderholt: Did any Rural Development employees travel outside the United States in fiscal years 2013 or 2014 to date? If so, please provide the details of such travel, including costs.

Response: There was no travel by Rural Development employees outside the United States during the reporting period request.

DEBARRAMENT OR SUSPENSION

Mr. Aderholt: Were any entities or individuals debarred or suspended from any Rural Development program in fiscal year 2013? If so, please discuss each case.

Response: Below is a summary of Rural Development (RD) suspension/debarment activity during FY 2013. RD continues to utilize this sanction as a tool to safeguard the integrity of its loan and grant programs and insure that taxpayer dollars are not exposed to waste, fraud or abuse. Information provided for the record.
[The information follows:]

Entity	Date/ Duration	Suspension Debarment	Program	State	Source	Cause
William and Linda Stella	7/31/2013 - 7/31/2016	Suspension Debarment	MFH	Maine	RD	Fraudulent receipt of MFH rental assistance
Sandra Braun	6/30/2013 - 6/30/2016	Debarment	USDA Staff	Wisconsin	RD	Improper use of agency funds for personal use
Leon Sosa	6/30/2013 - 6/30/2016	Debarment	SFH	Alabama	RD	Failure to honor the contract agreement with SFH client
Adam Mack	9/30/2013- 9/30/2016	Suspension Debarment	MFH	Maine	OIG	Improper use of program funds by a property manager
Jeffrey Foss	9/30/2013- 9/30/2016	Suspension Debarment	MFH	Maine	OIG	Improper use of program funds by a property manager
Chartwell Mgt Co Inc	9/30/2013- 9/30/2016	Suspension Debarment	MFH	Maine	OIG	Improper use of program funds by a property manager
Legal Couriers	4/30/2013- 4/30/2016	Debarment	SFH	Washington	OIG	Connected to a home sale scam
Dennis Copeland	4/30/2013- 4/30/2016	Debarment	SFH	Washington	OIG	Connected to a home sale scam
Douglas Lemon	4/30/2013- 4/30/2016	Debarment	SFH	Washington	OIG	Connected to a home sale scam and tax evasion
Ronald Frank	4/30/2013- 4/30/2016	Debarment	SFH	Washington	OIG	Connected to a home sale scam and bribery
Bacil Shirley	4/30/2013- 4/30/2016	Debarment	SFH	Washington	OIG	Connected to a home sale scam and bribery
Lucinda Wilkinson	4/30/2013- 4/30/2016	Debarment	MFH	Michigan	OIG	Embezzlement of Agency funds for personal use

Mr. Aderholt: Please describe the Notice of Proposed Rulemaking published on February 2, 2014, regarding environmental policies and procedures for Rural Development. How would this proposed rule affect the workload and responsibilities of Rural Development staff? Does the fiscal year 2015 budget request assume additional staff will be needed to implement the regulation when it is finalized? How will this regulation affect Rural Development's loan programs and its borrowers?

Response: Proposed Rule 7 CFR PART 1970 - ENVIRONMENTAL POLICIES AND PROCEDURES (Published in the Federal Register on February 4, 2014) offers significant efficiencies and program performance in terms of administering and implementing RD programs which currently have two separate NEPA rules (7 CFR 1940 Subpart G utilized for Rural Housing Service and Rural Business Service and 7 CFR 1794 utilized for Rural Utilities Service). Both of these older rules were promulgated in the 1980's and 1990's and are significantly out-of-date with current environmental impact methodologies, practices and

statutory and regulatory frameworks. In addition, both regulations are deficient in defining NEPA classes of action for newer energy related technologies.

- The proposed rule addresses the expansion of RD programs, particularly those NEPA classes of action for newer energy-related technologies, and other new programs.
- Significant efficiencies include but are not limited to:
    - o greater use of Categorical Exclusions (CE) and more focused environmental documentation to support the use of CEs and to document there are no extraordinary circumstances;
    - o simplification and elimination of redundancies in NEPA classes of action across the multiple RD programs;
    - o efficiencies and improved program performance for the administration and implementation of Agency programs;
    - o simplified public involvement processes;
    - o classes of actions that have been synchronized with other similar federal agency actions;
    - o greater reliance on applicants with design professionals to assist in preparing environmental review documentation during early project planning and design; and,
    - o use of a third-party contracting process that is consistent with the CEQ procedures and other federal agency partners for actions that require Environmental Impact Statements.

One of the objectives of this rule is to reduce the workload and responsibilities of some RD staff. This will be accomplished by requiring applicants' design professionals to integrate the consideration and documentation of the environmental implications of their actions during early project planning and design (this is consistent with the practice of Section 1794). Presently under 1940-G, loan specialists are required to request and coordinate the required environmental review documentation from the applicant after RD has received an application. Under 1970, applicants will be expected to submit the necessary environmental documentation with their applications. The environmental documentation will be reviewed by the State Environmental Coordinators. Consequently the workload and responsibilities of RD loan specialists will be greatly reduced but that State Environmental Coordinators' workload will be increased by an estimate of 30%, resulting in an overall reduction in RD Staff Workload.

No new staff is anticipated for the implementation of the new rule. However, training funds will be needed in order to roll-out the new regulation to all RD staff. Plans include training the RD State Environmental Coordinators (train-the-trainer concept) who will then, with National Office assistance, train State Office staff and applicants as to the requirements of the new rule. Additional funds will be necessary to participate in various briefings to stakeholders.

An analysis of the paperwork burden package concluded that the overall burden to applicants/borrowers will be less than or similar to existing requirements. Significant streamlining actions have been incorporated into the new rule, summarized above. Another objective of the new rule will be to maximize automation tools to assist applicants and borrowers to submit environmental review documentation electronically thereby reducing paperwork.

Rural Housing Service (RHS)
RURAL HOUSING SERVICE SUBSIDY RATE

Mr. Aderholt: Please provide a table showing the OMB subsidy rate for rural housing service loan programs for fiscal years 2008 through 2015.

Response: The information is submitted for the record.
[The information follows:]

Formulation Subsidy Rates (As published in the Federal Credit Supplement)								
Program	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Direct Community Facility Loans	5.55	5.72	1.31	1.33	-3.03	-2.08	-13.21	-12.41
Housing Credit Sales - SFH	-1.15	-2.59	-15.63	-11.12	-16.85	-8.97	-8.97	-6.41
Housing Credit Sales - MFH	n/a	n/a	38.4	38.37	35.26	35.99	n/a	n/a
Section 502 SFH Direct	9.37	6.72	3.63	6.26	4.73	5.97	2.72	7.38
Very Low Income Housing Repair - Sec 504	28.27	26.87	12.85	18.93	14.21	13.67	8.28	14.03
Multi-Family Housing - Section 515	42.61	41.16	27.24	33.73	34.12	35.17	23.41	34.51
Self-Help Housing Loans Section 523	2.84	1.65	-2.21	5.80	-1.01	-2.15	-4.51	n/a
Site Development Loans - Section 524	-0.79	-1.84	-4.22	5.82	3.13	1.93	-5.95	-4.82
Rural Housing for Domestic Farm Labor 514	43.26	42.14	36.14	38.38	34.15	33.34	23.71	32.2
Multi-Family Housing - Section 515 Relending Program	46.39	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Multi-Family Housing Revitalization Demonstration Program	n/a	44.98	27.89	41.34	36.84	36.18	26.16	n/a
Multi-Family Housing Revitalization Soft Second	n/a	85.51	72.86	62.71	61.74	61.44	51.25	60.71
Multi-Family Housing - Revitalization Zero Percent	n/a	60.59	38.16	45.18	54.29	58.28	48.86	56.22
Guaranteed Community Facility	3.68	3.08	3.21	3.95	4.73	6.75	4.97	4.78

Program	2008	2009	2010	2011	2012	2013	2014	2015
Section 502 SFH Purchase	1.2	1.27	1.44	n/a	n/a	n/a	n/a	n/a
Section 502 SFH Blended	n/a	n/a	n/a	-0.19	-0.03	-0.28	-0.14	-0.58
Section 502 SFH Refinance	0.81	0.98	1.72	n/a	n/a	n/a	n/a	n/a
Section 538 GMFH	9.4	15.68	1.15	9.69	-0.06	-0.04	-0.19	-1.27
Section 538 GMFH Tornado Supplemental	n/a	n/a	19.28	n/a	n/a	n/a	n/a	n/a

Mr. Aderholt: Please update the table in the fiscal year 2014 hearing record listing by state the number and amount of application obligated in fiscal years 2010 through 2014 for the section 502 single family direct and guaranteed programs.

Response: The information is submitted for the record.
[The information follows:]

Section 502 Direct program number of applications obligated

State	2010 Number	2011 Number	2012 Number	2013 Number	2014(4/4/14) Number
ALABAMA	268	213	152	160	32
ALASKA	126	69	30	52	7
ARIZONA	280	164	158	78	9
ARKANSAS	446	281	228	177	29
CALIFORNIA	759	453	384	471	104
COLORADO	239	116	90	90	29
CONNECTICUT	41	17	19	26	8
DELAWARE	127	46	36	37	11
FLORIDA	560	314	209	179	73
GEORGIA	387	199	137	120	26
HAWAII	94	83	54	55	3
IDAHO	379	107	86	92	15
ILLINOIS	471	300	225	281	74
INDIANA	708	207	237	217	58
IOWA	496	205	182	105	23
KANSAS	274	183	123	114	20
KENTUCKY	593	351	333	306	77
LOUISIANA	418	274	178	134	42
MAINE	382	219	190	155	53
MARYLAND	131	52	28	21	5
MASSACHUSETTS	168	56	38	32	10
MICHIGAN	532	323	286	239	75
MINNESOTA	397	197	136	112	21
MISSISSIPPI	472	306	292	225	42
MISSOURI	806	435	358	236	60
MONTANA	263	105	85	97	10
NEBRASKA	184	132	105	58	13
NEVADA	97	66	71	53	14
NEW HAMPSHIRE	194	95	99	76	14

State	2010 Number	2011 Number	2012 Number	2013 Number	2014(4/4/14) Number
NEW JERSEY	138	39	45	52	16
NEW MEXICO	92	52	80	125	40
NEW YORK	326	208	142	147	32
NORTH CAROLINA	658	409	319	244	74
NORTH DAKOTA	99	47	42	35	5
OHIO	571	271	223	253	45
OKLAHOMA	367	183	160	166	40
OREGON	261	94	79	42	9
PENNSYLVANIA	351	181	153	142	37
PUERTO RICO	223	190	129	114	34
RHODE ISLAND	33	13	14	18	3
SOUTH CAROLINA	485	202	190	176	41
SOUTH DAKOTA	192	121	105	66	27
TENNESSEE	520	319	233	216	67
TEXAS	765	623	558	494	126
UTAH	550	261	214	171	55
VERMONT	146	69	62	50	12
VIRGIN ISLANDS	9	12	6	14	8
VIRGINIA	317	187	118	56	16
WASHINGTON	509	240	194	209	28
WEST VIRGINIA	255	140	125	112	20
WESTERN PACIFIC	86	14	23	31	10
WISCONSIN	313	182	123	152	32
WYOMING	82	60	32	29	8
Total	17,640	9,685	7,918	7,112	1,742

Section 502 Direct program amount of applications obligated

State	2010 Amount	2011 Amount	2012 Amount	2013 Amount	2014 (APR 4) Amount
ALABAMA	$28,759,771	$23,221,109	$16,021,973	$17,216,449	$3,444,264
ALASKA	22,806,207	11,482,926	5,051,753	8,947,089	1,226,125
ARIZONA	31,394,552	16,032,451	16,237,110	8,160,876	966,123
ARKANSAS	41,362,234	25,708,069	21,531,654	18,038,624	2,842,341
CALIFORNIA	120,555,913	69,649,142	57,057,828	70,279,051	16,595,172
COLORADO	34,066,151	15,511,357	12,161,939	12,287,433	4,017,815
CONNECTICUT	8,061,797	3,311,225	3,476,329	4,178,728	1,623,190
DELAWARE	23,359,505	7,746,022	5,717,267	5,967,934	2,072,485
FLORIDA	66,259,491	31,438,472	22,009,333	20,709,500	8,187,900
GEORGIA	42,785,560	21,062,158	14,422,864	11,456,247	3,012,081
HAWAII	19,392,275	18,273,330	12,557,380	12,020,046	1,045,220
IDAHO	52,770,723	13,518,114	$9,472,718	10,735,611	2,022,920
ILLINOIS	37,957,299	22,538,385	17,441,884	21,190,391	6,148,626
INDIANA	78,296,816	22,302,967	25,304,895	23,865,092	7,751,571
IOWA	42,153,084	17,199,670	15,455,280	8,535,919	2,057,250
KANSAS	25,052,595	15,390,018	9,822,693	9,601,105	2,167,440
KENTUCKY	61,582,929	35,112,359	32,232,206	26,339,449	7,206,173
LOUISIANA	50,419,263	33,613,014	20,930,737	16,180,931	5,264,510
MAINE	55,374,108	29,188,462	26,676,479	22,197,384	8,188,495
MARYLAND	25,415,834	9,944,511	5,620,182	3,713,723	1,148,049
MASSACHUSETTS	34,254,833	10,718,895	7,168,859	6,034,957	1,787,925
MICHIGAN	51,400,224	30,133,513	25,048,997	22,553,474	7,359,838
MINNESOTA	46,957,036	24,156,758	15,659,932	13,286,332	2,104,050
MISSISSIPPI	42,561,264	28,332,228	26,296,295	21,553,896	4,698,018
MISSOURI	75,528,340	38,273,670	32,181,934	21,263,492	5,564,369
MONTANA	38,243,345	14,526,786	12,359,843	14,686,488	1,245,255

State	2010 Amount	2011 Amount	2012 Amount	2013 Amount	2014 (APR 4) Amount
NEBRASKA	12,773,516	9,467,243	7,682,395	4,804,119	1,096,790
NEVADA	13,240,050	8,669,669	8,992,845	6,786,965	2,035,952
NEW HAMPSHIRE	29,989,136	13,717,211	13,220,650	8,828,131	1,435,500
NEW JERSEY	23,966,750	6,733,549	7,428,344	8,221,155	2,658,995
NEW MEXICO	11,586,953	6,297,397	8,654,988	15,466,817	5,758,713
NEW YORK	33,117,497	22,888,479	15,042,714	15,628,087	3,448,659
NORTH CAROLINA	86,343,551	51,944,381	40,818,653	32,478,890	10,681,623
NORTH DAKOTA	10,906,273	5,740,771	4,908,415	5,531,053	922,140
OHIO	62,673,698	29,262,734	23,438,458	27,248,402	4,622,151
OKLAHOMA	35,809,537	17,606,433	14,790,842	16,277,976	4,098,159
OREGON	41,129,246	14,036,743	10,864,552	6,111,172	1,669,423
PENNSYLVANIA	50,194,981	24,960,236	21,825,472	19,893,864	5,407,143
PUERTO RICO	21,932,469	18,846,116	12,825,099	11,208,012	3,165,103
RHODE ISLAND	6,462,723	2,762,858	2,815,123	3,944,897	880,000
SOUTH CAROLINA	60,221,750	4,745,468	23,534,890	21,530,272	5,488,137
SOUTH DAKOTA	20,284,007	12,260,811	10,883,373	7,050,268	3,037,535
TENNESSEE	53,972,685	33,609,285	24,098,129	23,205,166	8,211,965
TEXAS	75,011,994	59,878,891	55,725,858	50,414,444	13,882,813
UTAH	90,252,347	40,758,707	34,129,416	26,711,780	10,214,982
VERMONT	20,472,785	10,009,341	8,647,515	6,325,805	1,792,700
VIRGIN ISLANDS	885,205	1,571,049	1,040,538	1,968,919	842,288
VIRGINIA	42,093,990	26,192,539	14,903,244	8,328,095	2,561,625
WASHINGTON	96,429,436	43,225,012	32,364,200	34,502,448	4,320,911
WEST VIRGINIA	26,006,120	14,175,383	11,838,616	10,465,144	2,141,900
WESTERN PACIFIC	15,858,845	2,600,000	2,688,371	3,429,485	2,245,000
WISCONSIN	35,019,985	20,544,586	14,612,447	16,135,266	4,217,491
WYOMING	11,459,930	8,268,284	4,304,194	3,667,778	1,411,627
Total	$2,144,866,610	$1,119,158,787	$899,997,704	$827,164,630	$217,996,530

Section 502 Guaranteed program number of applications obligated

State	2010 Number	2011 Number	2012 Number	2013 Number	2014 (APR 4) Number
ALABAMA	3,598	3,412	3,851	4,222	1,590
ALASKA	320	368	344	410	130
ARIZONA	3,297	2,285	2,783	3,205	1,074
ARKANSAS	4,125	3,840	4,153	4,126	1,598
CALIFORNIA	3,562	4,186	5,131	4,879	1,496
COLORADO	1,163	1,336	1,709	1,741	654
CONNECTICUT	456	471	714	920	307
DELAWARE	392	397	736	828	321
FLORIDA	6,826	6,153	6,326	5,890	2,236
GEORGIA	4,394	3,670	4,061	4,777	1,968
HAWAII	494	806	902	965	306
IDAHO	1,633	1,424	1,404	1,752	588
ILLINOIS	4,785	4,528	4,671	4,753	1,518
INDIANA	4,708	5,182	4,876	5,381	2,411
IOWA	1,992	1,954	2,204	2,559	915
KANSAS	2,039	1,735	1,922	2,022	667
KENTUCKY	2,932	3,083	3,806	4,550	1,758
LOUISIANA	6,017	5,175	5,334	5,560	2,125
MAINE	1,860	1,785	1,966	2,238	775
MARYLAND	1,310	1,713	2,219	2,640	1,037
MASSACHUSETTS	555	720	1,168	1,351	389
MICHIGAN	6,816	6,389	6,697	7,140	2,744

State	2010 Number	2011 Number	2012 Number	2013 Number	2014 (APR 4) Number
MINNESOTA	2,911	3,113	3,702	4,487	1,552
MISSISSIPPI	2,917	2,511	2,704	3,216	1,130
MISSOURI	4,758	4,524	5,041	5,916	2,099
MONTANA	1,084	1,113	1,383	1,512	508
NEBRASKA	1,020	1,122	1,206	1,241	445
NEVADA	534	539	733	862	311
NEW HAMPSHIRE	836	933	988	1,067	364
NEW JERSEY	727	927	1,433	1,595	511
NEW MEXICO	369	290	356	433	142
NEW YORK	1,739	1,600	1,874	2,281	933
NORTH CAROLINA	6,945	6,315	7,427	8,248	2,799
NORTH DAKOTA	359	433	375	434	186
OHIO	3,853	4,094	4,425	5,124	2,049
OKLAHOMA	2,972	2,432	2,679	2,864	1,053
OREGON	2,678	2,314	2,688	3,062	1,234
PENNSYLVANIA	3,438	4,247	4,775	5,628	2,286
PUERTO RICO	2,672	3,211	2,598	3,067	1,652
RHODE ISLAND	105	137	171	239	61
SOUTH CAROLINA	3,410	2,886	3,214	4,509	1,809
SOUTH DAKOTA	1,167	1,203	1,276	1,527	611
TENNESSEE	4,230	4,279	5,415	6,913	3,022
TEXAS	7,145	6,496	7,299	8,164	2,904
UTAH	1,820	2,242	2,503	2,542	899
VERMONT	406	518	615	698	216
VIRGIN ISLANDS	10	1	4	4	2
VIRGINIA	2,923	3,115	3,113	4,102	1,707
WASHINGTON	2,475	3,536	3,555	3,819	1,262
WEST VIRGINIA	1,523	1,507	1,734	2,064	766
WESTERN PACIFIC	63	40	41	45	25
WISCONSIN	3,409	2,786	3,388	3,906	1,276
WYOMING	1,281	1,339	1,417	1,465	555
Total	133,053	130,415	145,109	162,943	60,976

Section 502 Guaranteed program amount of applications obligated

State	2010 Amount	2011 Amount	2012 Amount	2013 Amount	2014 (APR 4) Amount
ALABAMA	$436,081,828	$413,157,634	$470,646,318	$528,188,765	$194,575,147
ALASKA	62,043,380	70,023,424	68,145,645	81,489,975	25,162,039
ARIZONA	416,347,390	268,990,873	350,877,917	451,571,475	155,313,713
ARKANSAS	437,790,894	414,624,201	463,001,151	464,511,940	174,098,388
CALIFORNIA	587,911,880	699,261,486	864,906,041	892,191,008	273,657,947
COLORADO	200,029,979	226,238,593	292,815,515	318,659,681	116,080,659
CONNECTICUT	83,529,660	88,106,664	129,964,035	168,069,242	53,726,317
DELAWARE	74,049,954	74,058,744	132,676,182	158,840,964	61,562,424
FLORIDA	853,204,569	758,144,072	800,868,237	817,891,214	319,493,760
GEORGIA	521,604,858	412,064,012	446,004,447	560,286,629	231,001,210
HAWAII	143,524,993	260,128,782	295,823,988	326,976,476	97,998,198
IDAHO	223,788,843	186,918,374	183,915,025	252,744,855	82,428,044
ILLINOIS	438,262,106	431,357,587	450,244,009	461,360,667	141,145,049
INDIANA	480,186,754	552,111,711	526,778,700	594,027,793	261,027,592
IOWA	191,001,530	191,876,386	224,108,048	269,085,610	91,129,715
KANSAS	203,501,434	180,860,662	201,223,005	216,158,027	69,920,865
KENTUCKY	326,037,186	351,872,293	444,073,223	532,569,837	200,249,072
LOUISIANA	833,654,073	741,463,244	773,345,327	820,275,355	311,952,171
MAINE	252,081,703	253,330,502	281,802,130	322,933,661	109,580,158
MARYLAND	264,884,932	340,201,338	453,829,430	550,401,635	215,026,448
MASSACHUSETTS	107,584,083	143,315,874	230,722,664	272,537,700	79,626,551
MICHIGAN	672,442,937	640,718,003	680,649,556	769,361,880	300,388,385
MINNESOTA	339,385,535	363,935,525	443,778,478	575,272,373	196,931,232
MISSISSIPPI	345,332,420	307,031,042	336,238,155	405,881,073	140,658,523
MISSOURI	494,643,383	481,035,844	552,603,385	650,687,121	229,262,857
MONTANA	165,474,724	165,816,375	211,709,513	243,854,574	81,100,967
NEBRASKA	90,377,220	105,898,799	115,759,197	124,229,191	42,426,481
NEVADA	77,583,661	75,321,722	108,336,079	142,720,381	55,322,672
NEW HAMPSHIRE	135,625,114	159,008,683	162,090,354	180,892,106	62,324,996
NEW JERSEY	133,538,036	167,207,337	253,730,300	283,756,332	89,641,721
NEW MEXICO	51,738,187	42,359,896	49,129,230	61,751,014	19,744,968
NEW YORK	193,669,506	177,802,627	217,968,904	278,959,362	108,575,510
NORTH CAROLINA	941,161,964	873,111,758	1,026,962,446	1,169,788,829	383,081,584
NORTH DAKOTA	39,355,100	53,525,309	50,076,541	64,250,622	25,376,954
OHIO	393,432,099	422,993,926	477,888,284	556,489,875	215,279,022
OKLAHOMA	319,678,538	265,721,983	295,427,704	329,191,739	117,982,282
OREGON	424,333,972	354,135,760	411,504,141	503,073,133	206,512,253
PENNSYLVANIA	434,993,746	556,019,828	651,798,316	771,474,569	302,729,452
PUERTO RICO	307,932,238	386,951,744	303,175,042	357,573,014	190,149,960
RHODE ISLAND	21,756,814	28,415,153	33,250,669	46,091,291	12,584,172
SOUTH CAROLINA	439,941,629	375,204,042	427,197,089	610,679,370	243,657,058
SOUTH DAKOTA	132,468,126	143,044,468	153,657,027	195,359,066	76,647,685
TENNESSEE	480,460,466	502,205,431	649,549,359	846,124,007	361,145,423
TEXAS	892,012,446	826,636,595	973,306,451	1,134,560,648	413,670,275
UTAH	296,775,666	354,721,138	411,685,456	445,398,275	161,816,989
VERMONT	64,226,421	85,679,190	101,837,524	114,166,060	35,035,385
VIRGIN ISLANDS	1,508,521	159,585	471,397	702,652	190,000
VIRGINIA	428,135,999	460,905,402	475,321,369	664,845,538	272,757,477

	2010	2011	2012	2013	2014 (APR 4)
State	Amount	Amount	Amount	Amount	Amount
WASHINGTON	476,645,970	657,542,560	655,915,827	733,369,579	235,078,186
WEST VIRGINIA	183,916,343	186,476,106	222,025,800	272,566,390	101,631,856
WESTERN PACIFIC	11,465,324	7,050,464	8,006,677	8,071,253	4,215,873
WISCONSIN	411,874,404	338,357,472	414,210,775	486,521,801	157,098,861
WYOMING	224,755,690	235,827,290	252,062,442	262,026,558	98,907,891
Total	$16,763,744,230	$16,858,927,513	$19,213,094,526	$22,350,462,183	$8,206,682,420

Mr. Aderholt: Please provide a table showing the numbers of pending requests, by State, for the direct 502 loan program through fiscal year 2014 to date.

Response: The information is submitted for the record.
[The information follows:

Direct 502 loan program pending requests through April 4, 2014

State	Number	Amount
ALABAMA	156	$19,031,620
ALASKA	40	7,909,016
ARIZONA	102	10,692,768
ARKANSAS	162	17,307,966
CALIFORNIA	71	9,948,895
COLORADO	84	12,674,646
CONNECTICUT	13	2,530,601
DELAWARE	40	6,944,618
FLORIDA	211	24,709,472
GEORGIA	111	12,525,696
HAWAII	130	25,250,168
IDAHO	39	4,950,996
ILLINOIS	294	20,916,719
INDIANA	180	17,941,743
IOWA	47	4,670,114
KANSAS	60	7,140,804
KENTUCKY	271	29,252,786
LOUISIANA	94	12,716,348
MAINE	202	35,880,625
MARYLAND	69	15,018,251
MASSACHUSETTS	77	11,709,570
MICHIGAN	215	22,827,832
MINNESOTA	69	9,248,009
MISSISSIPPI	317	31,530,722
MISSOURI	221	19,897,081
MONTANA	25	3,441,622
NEBRASKA	30	3,421,614
NEVADA	36	6,397,819
NEW HAMPSHIRE	106	14,394,254
NEW JERSEY	45	6,984,794
NEW MEXICO	131	12,463,235
NEW YORK	92	13,166,292

State	Number	Amount
NORTH CAROLINA	276	38,065,221
NORTH DAKOTA	15	2,227,835
OHIO	151	15,492,228
OKLAHOMA	183	18,154,733
OREGON	144	18,804,583
PENNSYLVANIA	112	18,977,676
PUERTO RICO	64	6,250,307
RHODE ISLAND	15	2,742,967
SOUTH CAROLINA	143	17,892,355
SOUTH DAKOTA	33	3,800,544
TENNESSEE	70	8,686,950
TEXAS	779	82,701,251
UTAH	192	33,152,520
VERMONT	25	3,607,056
VIRGIN ISLANDS	43	4,416,017
VIRGINIA	46	6,507,631
WASHINGTON	216	35,362,362
WEST VIRGINIA	81	8,518,182
WESTERN PACIFIC	15	2,480,650
WISCONSIN	137	21,561,309
WYOMING	13	2,053,707
Total	**6,493**	**$804,952,781**

Mr. Aderholt: Please provide the Committee with an estimate of the units that will be financed under section 502 direct loans and the cost per unit, based on budget authority requested for fiscal year 2015.

Response: We project to approve and obligate 2,912 section 502 direct loans. This is based on an average loan of $123,633 and total program funds of $360 million.

Mr. Aderholt: What is the average cost per staff of a direct loan?

Response: The average cost per staff is of about $34,000.

Mr. Aderholt: Please update information provided for the fiscal year 2014 hearing record regarding the number of houses currently held in inventory. Include information on their location (by State). What is the total estimated value of this housing?

Response: The information is submitted for the record and represents the number of properties owned by Rural Development as of April 4, 2014. The information is provided for the record.

[The information follows:]

State	Properties	Estimated Value
AK	5	$680,120
AL	62	3,888,793
AR	11	602,740
AZ	10	726,354
CA	10	819,828
CO	33	3,216,928
CT	23	2,448,607
DE	11	1,113,541
FL	49	2,920,273
GA	67	5,151,206
GU	3	384,030
HI	1	75,496
IA	24	1,896,754
ID	27	2,869,683
IL	11	1,109,019
IN	75	4,765,826
KS	20	1,518,766
KY	38	2,631,908
LA	21	1,587,323
MA	14	1,546,097
MD	33	4,382,341
ME	13	953,415
MI	133	11,574,706
MN	44	4,093,386
MO	13	972,946
MS	8	384,461
MT	37	4,294,973
NC	81	6,082,300
ND	2	208,200
NE	7	343,748
NH	22	2,989,992
NJ	49	5,174,387
NM	94	7,340,790
NV	3	339,472
NY	6	417,637
OH	1	43,000

State	Properties	Estimated Value
OK	35	2,472,809
OR	57	7,191,341
PA	5	378,183
PR	95	5,245,564
SC	106	6,773,943
SD	5	409,146
TN	41	3,202,916
TX	77	5,049,495
UT	18	2,308,324
VA	83	5,983,260
VI	6	486,096
VT	3	310,472
WA	18	2,220,169
WI	58	5,790,570
Grand Total	**1,668**	**$137,371,337**

SECTION 502 RURAL SINGLE FAMILY HOUSING PROGRAM

Mr. Aderholt: What is the average household income for 502 direct borrowers? What is the average household income for 502 guaranteed borrowers?

Response: The information is submitted for the record. The average household income is:

[The information follows:

Average Household income

Program	2010	2011	2012	2013	2014 (April)
Section 502 Direct	$27,500	$27,100	$27,600	$28,300	$29,600
Section 502 Guaranteed	$48,700	$50,600	$52,600	$54,200	$55,400

Mr. Aderholt: What is the current backlog, in dollar volume and number of new construction and repair and rehabilitation, for section 515 loans in fiscal years 2008 through 2013?

Response: There has been no backlog of 515 requests in any of the fiscal years from 2008 through 2013.

Mr. Aderholt: What incentives does RHS offer section 515 owners to maintain the properties? How much did RHS spend on these incentives in fiscal years 2010 through 2013? Has any legislative or judicial concern been

raised about the section 515 multi-family housing loan program's incentive regulations in the past years?

Response: Rural Development has been authorized to provide the following incentives to Section 51 owners to maintain the properties in the program: additional rental assistance, in properties with section 8 assistance, permission to receive rents in excess of what is determined necessary by the Agency to defray the long-term repair and maintenance of the property, interest credit, increased return on investment, and equity loans. In Fiscal Year 2010, Rural Development approved 14 equity loans totaling $10,607,811 and issued additional rental assistance totaling $5,738,536. In Fiscal Year 2011, Rural Development approved 23 equity loans totaling $16,700,983 and issued additional rental assistance totaling $3,076,092. In Fiscal Year 2012, Rural Development approved 53 equity loans totaling $30,182,369 and issued rental assistance totaling $15,464,940. In Fiscal Year 2013, Rural Development did not issue any prepayment incentives.

Legal concerns have been raised regarding the implementation of the prepayment statute covering the Section 515 and Section 514 programs, including the use of incentives required under the statute. In the Franconia decision, the Supreme Court ruled that the Government could be sued for potential damages related to the implementation of the prepayment statute.

SECTION 515 LITIGATIONS

Mr. Aderholt: Please update the Committee on the status of litigation and negotiations regarding the section 515 program.

Response: Rural Development and the Department of Justice have been working on prepayment related cases for years, settling with over 700 borrowers by paying extensive damages. The agency anticipates continuing efforts to reach settlement agreements by hundreds of additional borrowers. Housing advocates have also brought legal action related to assuring that the Agency follows the statutory process.

RENTAL ASSISTANCE PROGRAM

Mr. Aderholt: How much Section 8 rental assistance funds did HUD provide to rural rental programs in fiscal years 2010 through 2013?

Response: HUD's rental subsidy programs assist about 48,500 residents in Section 515 and Section 514 multifamily and labor housing properties in 2013. This assistance takes the form of either project-based or tenant Section 8 vouchers. The table below represents RD's best estimate of the amount of HUD assistance provided. The information is provided for the record.
[The information follows:]

HUD SUBSIDIZED UNITS		
FY	No. Units	Estimated Cost
2010	52,801	$145,730,760
2011	51,695	148,881,600
2012	51,174	153,522,000
2013	48,533	151,422,960

Mr. Aderholt: What is the breakdown of rental assistance in fiscal years 2008-2014 for renewals, in lieu of debt forgiveness, and new construction farm labor housing?

Response: Please refer to the following chart for the breakdown of rental assistance in fiscal years 2008-2014. The information is provided for the record.

[The information follows:]

Fiscal Year	Renewals		New Construction (Section 515)		New Construction (Section 514)		Incentives	
	No. Units	Amount (Millions)	No. Units	Amount (Millions)	No. Units	Amount (Millions)	No. Units	Amount (Millions)
2008	120,449	$479	74	$0.3			1,045	$4
2009	202,525	902	509	2.2	772	$3	1,119	5
2010	219,148	979	537	2.3	739	3	1,257	6
2011	216,654	954	466	2.0	650	3	726	3
2012	206,216	905	341	1.5	0	0	3,512	15.5
2013	190,697	837	0	0	242	1.1	203	.9
2014 (Est)	252,350	1.11	0	0	341	1.5	0	0

SECTION 538 MULTIFAMILY GUARANTEED LOAN PROGRAM

Mr. Aderholt: Please provide the Committee a table showing the number and amount of pending requests by State for section 538 guaranteed loans at the end of fiscal year 2013.

Response: Please refer to the following chart for the pending requests for Section 538 guaranteed loans at the end of fiscal year 2013. The information is provided for the record.

[The information follows:]

FY 2013 Section 538 GRRHP Obligations		
State	No. of Obligations	Obligated Amount
Arizona	1	$750,000
California	6	8,902,716
Kansas	1	500,000
Louisiana	1	1,160,000
Maryland	1	1,780,000
North Carolina	1	1,320,000
Ohio	2	2,287,000
Oklahoma	2	600,000
Oregon	3	7,850,000
South Dakota	1	1,225,900
Tennessee	3	8,127,608
Wyoming	1	2,034,580
Total	**23**	**$36,537,804**

SECTION 504 VERY LOW INCOME HOUSING REPAIR PROGRAM

Mr. Aderholt: What are the number and dollar amounts, by State, of pending requests for grants for very low-income housing repair as of the end of fiscal year 2013?

Response: The information is submitted for the record.
[The information follows:]

Section 504 very-low income housing repair grant pending requests
As of September 30, 2013

State	Number	Amount
ALABAMA	186	$1,301,701
ALASKA	1	7,500
ARIZONA	178	1,291,955
ARKANSAS	142	1,010,108
CALIFORNIA	7	45,700
COLORADO	11	82,500
CONNECTICUT	4	30,000
FLORIDA	103	587,600
GEORGIA	217	1,585,050
HAWAII	19	130,034
IDAHO	5	31,121
ILLINOIS	32	203,804
INDIANA	25	126,990
IOWA	19	112,193
KANSAS	10	75,000

State	Number	Amount
KENTUCKY	65	459,248
LOUISIANA	152	1,129,455
MAINE	33	235,673
MARYLAND	9	63,000
MASSACHUSETTS	21	145,001
MICHIGAN	37	249,432
MINNESOTA	20	127,425
MISSISSIPPI	273	2,006,361
MISSOURI	38	206,252
MONTANA	11	69,800
NEBRASKA	10	68,380
NEVADA	2	15,000
NEW HAMPSHIRE	5	32,050
NEW JERSEY	3	22,500
NEW MEXICO	44	297,501
NEW YORK	66	473,724
NORTH CAROLINA	112	787,263
NORTH DAKOTA	17	122,685
OHIO	65	398,999
OKLAHOMA	102	720,357
OREGON	9	60,001
PENNSYLVANIA	25	171,200
PUERTO RICO	43	$254,664
RHODE ISLAND	6	45,000
SOUTH CAROLINA	209	1,525,558
SOUTH DAKOTA	15	106,950
TENNESSEE	97	647,636
TEXAS	195	1,398,896
UTAH	4	30,000
VERMONT	13	82,480
VIRGIN ISLANDS	3	22,500
VIRGINIA	65	473,993
WASHINGTON	29	210,832
WEST VIRGINIA	12	55,901
WESTERN PACIFIC	79	584,736
WISCONSIN	49	305,707
WYOMING	4	24,598
Total	2,901	$20,252,015

Mr. Aderholt: Please provide a table listing by State the number and amount of applications obligated in fiscal years 2010 through 2014 to date for very low-income housing repair grants.

Response: Response: The information is submitted for the record.
[The information follows:]

Section 504 very-low income housing repair grant number of applications obligated

State	2010	2011	2012	2013	2014(4/4/14)
	Number	Number	Number	Number	Number
ALABAMA	237	170	149	149	52
ALASKA	19	15	9	10	0
ARIZONA	98	142	116	58	11
ARKANSAS	205	173	131	81	22
CALIFORNIA	58	47	35	46	16
COLORADO	43	60	28	19	12
CONNECTICUT	17	13	19	26	8
DELAWARE	6	11	1	7	0
FLORIDA	162	163	135	136	32
GEORGIA	180	159	212	167	48
HAWAII	36	13	28	42	2
IDAHO	65	51	44	24	10
ILLINOIS	234	172	202	180	72
INDIANA	203	128	160	129	33
IOWA	154	117	98	94	35
KANSAS	117	146	93	69	15
KENTUCKY	202	202	270	190	75
LOUISIANA	187	144	115	118	29
MAINE	124	117	106	94	27
MARYLAND	38	25	17	27	9
MASSACHUSETTS	29	35	29	29	4
MICHIGAN	244	186	172	205	62
MINNESOTA	117	102	108	120	18
MISSISSIPPI	304	160	179	143	62
MISSOURI	232	209	188	163	57
MONTANA	29	31	24	26	2
NEBRASKA	75	55	38	41	3
NEVADA	26	34	21	39	8
NEW HAMPSHIRE	71	69	67	51	19
NEW JERSEY	17	18	12	23	10
NEW MEXICO	24	44	37	55	30
NEW YORK	190	151	138	137	38
NORTH CAROLINA	257	273	240	264	62
NORTH DAKOTA	67	36	26	16	4
OHIO	269	220	177	133	50
OKLAHOMA	117	80	112	65	20
OREGON	39	73	36	33	6
PENNSYLVANIA	261	239	230	198	54
PUERTO RICO	62	63	55	55	25
RHODE ISLAND	9	35	11	9	0
SOUTH CAROLINA	128	144	151	146	42
SOUTH DAKOTA	44	35	18	32	4
TENNESSEE	212	199	239	192	77
TEXAS	364	342	312	259	72
UTAH	42	36	29	31	6
VERMONT	55	60	48	41	21
VIRGIN ISLANDS	6	8	6	5	1
VIRGINIA	140	141	148	110	12
WASHINGTON	55	63	46	57	9

State	2010	2011	2012	2013	2014(4/4/14)
	Number	Number	Number	Number	Number
WEST VIRGINIA	136	126	104	82	25
WESTERN PACIFIC	25	9	33	34	14
WISCONSIN	169	135	121	131	39
WYOMING	16	27	8	3	3
Total	6,216	5,506	5,131	4,594	1,367

Section 504 very-low income housing repair grant amount of applications obligated

State	2010	2011	2012	2013	2014 (4/4/14)
	Amount	Amount	Amount	Amount	Amount
ALABAMA	$1,422,142	$999,000	$835,949	$844,938	$298,608
ALASKA	137,500	108,775	65,000	70,000	
ARIZONA	664,955	956,991	803,905	411,626	73,958
ARKANSAS	1,250,751	1,001,331	786,748	505,839	133,659
CALIFORNIA	377,673	307,273	231,920	327,863	90,632
COLORADO	300,123	409,518	184,050	140,500	77,800
CONNECTICUT	89,973	65,941	99,203	129,285	43,181
DELAWARE	40,154	63,816	7,375	43,920	0
FLORIDA	838,029	885,897	784,542	782,790	187,163
GEORGIA	1,171,695	1,069,889	1,410,628	1,136,841	336,656
HAWAII	251,490	93,460	198,420	267,645	12,500
IDAHO	369,214	330,265	300,824	141,457	64,118
ILLINOIS	1,074,951	842,942	1,019,615	920,129	357,305
INDIANA	1,045,146	657,554	762,430	721,880	153,885
IOWA	570,911	408,763	431,899	411,282	130,720
KANSAS	689,534	811,418	505,251	395,525	75,094
KENTUCKY	1,091,761	1,144,284	1,705,507	1,126,767	00,278
LOUISIANA	1,303,658	1,020,154	827,447	859,819	206,810
MAINE	655,749	676,615	642,713	558,126	161,155
MARYLAND	250,572	165,643	111,193	165,484	55,639
MASSACHUSETTS	184,557	176,378	161,253	181,240	30,000
MICHIGAN	1,124,753	860,536	888,223	1,009,243	275,785
MINNESOTA	645,979	523,134	615,164	655,815	95,553
MISSISSIPPI	2,095,799	1,097,176	1,265,041	1,010,578	455,554
MISSOURI	1,095,718	875,753	998,714	827,691	282,222
MONTANA	156,762	189,554	132,891	144,870	8,620
NEBRASKA	432,161	302,370	188,811	230,964	20,644
NEVADA	152,497	212,347	106,942	182,894	36,370
NEW HAMPSHIRE	457,200	446,268	425,894	287,542	117,750
NEW JERSEY	90,047	118,275	82,012	146,864	60,649
NEW MEXICO	168,760	304,535	248,072	375,243	216,225
NEW YORK	1,019,849	810,076	826,210	736,968	202,193
NORTH CAROLINA	1,533,984	1,587,940	1,541,730	1,670,410	368,480
NORTH DAKOTA	386,839	240,224	177,812	94,839	19,180
OHIO	1,144,342	1,007,214	875,294	659,299	239,295
OKLAHOMA	727,820	513,691	688,247	413,160	131,376
OREGON	224,288	455,623	183,994	172,155	25,840
PENNSYLVANIA	1,352,904	1,214,726	1,319,177	1,067,247	326,825
PUERTO RICO	388,921	375,556	315,111	295,511	153,878
RHODE ISLAND	50,010	164,923	45,304	60,409	0

State	2010	2011	2012	2013	2014 (4/4/14)
	Amount	Amount	Amount	Amount	Amount
SOUTH CAROLINA	874,992	993,706	1,015,322	1,040,832	286,947
SOUTH DAKOTA	243,391	187,223	114,810	196,038	24,450
TENNESSEE	1,092,767	982,638	1,151,331	1,050,644	392,367
TEXAS	2,397,957	2,152,533	2,082,968	1,724,180	482,536
UTAH	224,644	206,705	159,261	168,601	39,000
VERMONT	271,657	317,497	244,857	219,042	100,920
VIRGIN ISLANDS	43,654	44,772	44,907	37,485	6,346
VIRGINIA	828,186	848,305	914,298	707,920	77,348
WASHINGTON	353,657	424,576	270,616	396,441	61,814
WEST VIRGINIA	698,680	661,535	596,340	474,989	142,900
WESTERN PACIFIC	180,020	57,390	211,385	246,591	101,800
WISCONSIN	890,439	727,990	661,992	702,044	213,908
WYOMING	74,725	143,481	47,210	18,500	5,652
Total	$35,203,938	$31,244,176	$30,315,811	$27,167,965	$7,961,588

Mr. Aderholt: Please provide a table showing the number and amount of pending requests by State for direct housing repair loans as of the end of fiscal year 2013.

Response: The information is submitted for the record.

[The information follows:]

Section 504 very-low income housing repair loan pending requests as of September 30, 2013

State	Number	Amount
ALABAMA	147	$664,548
ALASKA	2	0
ARIZONA	41	135,288
ARKANSAS	109	439,640
CALIFORNIA	2	7,500
COLORADO	2	7,500
CONNECTICUT	1	7,500
DELAWARE	3	0
FLORIDA	137	461,077
GEORGIA	264	1,012,008
HAWAII	17	45,034
IDAHO	9	1,121
ILLINOIS	89	79,479
INDIANA	20	24,834
IOWA	18	33,244

State	Number	Amount
KANSAS	6	15,000
KENTUCKY	122	90,000
LOUISIANA	113	461,955
MAINE	34	15,000
MARYLAND	3	7,500
MASSACHUSETTS	28	107,500
MICHIGAN	56	173,849
MINNESOTA	16	58,831
MISSISSIPPI	142	429,819
MISSOURI	35	55,200
MONTANA	6	0
NEBRASKA	9	16,380
NEVADA	2	0
NEW HAMPSHIRE	3	0
NEW JERSEY	4	0
NEW MEXICO	19	77,502
NEW YORK	48	195,368
NORTH CAROLINA	212	405,851
NORTH DAKOTA	12	0
OHIO	33	34,098
OKLAHOMA	75	303,895
OREGON	16	37,501
PENNSYLVANIA	51	50,000
PUERTO RICO	21	112,587
RHODE ISLAND	4	15,000
S. CAROLINA	189	1,170,902
SOUTH DAKOTA	11	45,000
TENNESSEE	37	118,699
TEXAS	246	697,802
UTAH	1	0
VERMONT	11	22,500
VIRGINIA	72	371,350
WASHINGTON	20	105,832
WEST VIRGINIA	15	33,401
WESTERN PAC	71	388,300
WISCONSIN	61	262,601
WYOMING	2	2,098
Total	2,667	$8,800,094

Mr. Aderholt: Please provide a table listing by State the number and amount of applications obligated in fiscal years 2010 through 2014 to date for direct housing repair loans.

Response: The information is submitted for the record.
[The information follows:]

Section 504 very-low income housing repair loan number of applications obligated

State	2010 Number	2011 Number	2012 Number	2013 Number	2014 4/4/14) Number
ALABAMA	127	99	52	69	43
ALASKA	4	6	3	3	0
ARIZONA	23	47	19	6	4
ARKANSAS	106	114	38	48	10
CALIFORNIA	11	3	3	13	2
COLORADO	9	11	1	1	0
CONNECTICUT	3	1	3	7	3
DELAWARE	8	3	1	2	0
FLORIDA	169	146	90	61	22
GEORGIA	109	113	66	43	15
HAWAII	49	17	28	16	2
IDAHO	37	22	13	10	4
ILLINOIS	349	317	127	185	73
INDIANA	135	80	48	52	21
IOWA	184	122	40	71	15
KANSAS	75	66	18	34	6
KENTUCKY	360	265	112	229	52
LOUISIANA	130	103	43	54	13
MAINE	104	82	50	66	20
MARYLAND	10	3	2	7	2
MASSACHUSETTS	14	9	3	6	3
MICHIGAN	209	155	72	115	33
MINNESOTA	105	85	27	58	5
MISSISSIPPI	147	140	89	101	39
MISSOURI	166	216	76	103	37
MONTANA	15	7	3	12	1
NEBRASKA	50	28	11	9	2
NEVADA	18	21	13	17	1
NEW HAMPSHIRE	25	35	8	26	8
NEW JERSEY	5	1	3	6	1
NEW MEXICO	8	16	11	25	14
NEW YORK	86	76	38	36	9
NORTH CAROLINA	282	258	124	157	37
NORTH DAKOTA	27	18	8	9	3
OHIO	114	118	40	45	14
OKLAHOMA	48	37	27	25	1
OREGON	20	38	14	13	3
PENNSYLVANIA	174	167	62	61	10
PUERTO RICO	36	39	21	29	13
RHODE ISLAND	5	7	2	1	0
SOUTH CAROLINA	87	61	50	46	23

State	2010 Number	2011 Number	2012 Number	2013 Number	2014 4/4/14) Number
SOUTH DAKOTA	52	36	10	18	1
TENNESSEE	239	195	89	100	37
TEXAS	227	261	117	149	45
UTAH	28	16	8	5	2
VERMONT	31	41	19	19	4
VIRGIN ISLANDS	2	1	1	0	0
VIRGINIA	85	110	40	36	4
WASHINGTON	39	35	20	21	5
WEST VIRGINIA	149	125	57	72	22
WESTERN PACIFIC	21	11	21	46	13
WISCONSIN	108	64	28	67	18
WYOMING	2		3	2	1
Total	4,626	4,047	1,872	2,412	719

Section 504 very-low income housing repair loan amount of applications obligated

State	2010 Amount	2011 Amount	2012 Amount	2013 Amount	2014 (4/4/2014) Amount
ALABAMA	$794,596	$602,815	$289,676	$490,559	$275,289
ALASKA	46,500	46,141	19,490	12,646	0
ARIZONA	149,860	298,633	136,132	32,923	39,250
ARKANSAS	625,749	546,174	170,074	256,643	45,238
CALIFORNIA	93,271	14,385	30,048	129,301	12,400
COLORADO	75,725	85,889	10,000	2,500	0
CONNECTICUT	16,628	12,250	6,375	59,458	16,958
DELAWARE	38,637	28,500	7,000	9,680	0
FLORIDA	946,450	810,860	459,144	336,401	105,559
GEORGIA	792,773	744,907	445,332	319,661	118,346
HAWAII	369,337	138,470	163,067	119,121	14,979
IDAHO	204,307	114,625	50,649	63,188	13,740
ILLINOIS	1,707,562	1,578,227	604,493	893,212	322,869
INDIANA	658,793	394,715	208,913	301,881	94,182
IOWA	867,697	589,464	161,800	331,388	61,193
KANSAS	333,226	322,750	63,993	171,729	17,822
KENTUCKY	1,959,497	1,474,326	616,345	1,443,246	255,049
LOUISIANA	923,074	708,936	317,952	484,086	100,579
MAINE	524,448	405,669	218,070	351,185	128,581
MARYLAND	62,057	22,470	13,490	62,740	9,990
MASSACHUSETTS	112,783	63,405	22,430	31,286	15,039
MICHIGAN	973,619	711,675	348,933	607,132	152,493
MINNESOTA	612,727	478,241	146,301	401,351	25,240
MISSISSIPPI	1,033,162	854,915	561,985	714,131	258,672

State	2010	2011	2012	2013	2014 (4/4/2014)
	Amount	Amount	Amount	Amount	Amount
MISSOURI	815,106	850,473	309,778	483,795	184,010
MONTANA	106,911	52,055	7,430	55,538	1,175
NEBRASKA	318,322	144,626	39,798	42,377	11,179
NEVADA	94,451	129,725	50,766	72,374	424
NEW HAMPSHIRE	158,745	244,034	52,140	215,170	59,510
NEW JERSEY	29,315	4,100	22,589	48,700	2,050
NEW MEXICO	56,361	138,250	65,355	184,572	90,466
NEW YORK	446,986	417,947	224,241	201,862	39,307
NORTH CAROLINA	1,740,261	1,520,352	768,098	991,039	200,838
NORTH DAKOTA	155,925	111,942	63,484	40,380	34,165
OHIO	630,810	718,226	217,059	271,795	78,412
OKLAHOMA	281,386	200,800	164,998	186,544	6,000
OREGON	131,429	222,991	80,989	84,689	11,710
PENNSYLVANIA	868,607	707,368	249,718	313,579	45,900
PUERTO RICO	140,517	209,868	79,682	129,134	60,345
RHODE ISLAND	51,800	58,475	24,500	4,100	0
SOUTH CAROLINA	594,846	518,351	312,599	382,104	197,627
SOUTH DAKOTA	247,919	165,735	52,511	71,389	7,448
TENNESSEE	1,184,693	807,033	390,715	458,136	147,651
TEXAS	1,459,526	1,402,294	749,777	865,657	257,825
UTAH	175,156	125,543	34,496	58,471	19,379
VERMONT	177,560	207,628	79,555	133,985	22,410
VIRGIN ISLANDS	22,506	6,550	7,140	0	0
VIRGINIA	550,731	600,662	206,436	201,188	29,350
WASHINGTON	378,182	290,562	134,738	143,590	23,425
WEST VIRGINIA	620,430	538,535	265,784	370,562	63,520
WESTERN PACIFIC	166,050	76,620	118,316	389,111	116,330
WISCONSIN	616,355	331,840	126,268	292,986	109,597
WYOMING	11,000	0	27,749	16,792	7,100
Total	$26,154,364	$21,851,027	$9,998,400	$14,335,068	$3,957,600

MUTUAL SELF-HELP PROGRAM

Mr. Aderholt: Please provide a list of funding allocated through the Mutual and Self-Help program by State for fiscal year 2013.

Response: Section 523 funds are not allocated to the States. All obligations are completed at the National Office. Obligations for fiscal year 2013 are as follows. The information is provided for the record.

[The information follows:]

Section 523 Mutual and Self Help Housing Grants and Contracts Obligations FY 2013				
State	Number Obligated	Amount Obligated	Contracts	Contract Amount
Arizona	6	$3,154,720		
Arkansas	4	1,630,229		
California	5	8,236,000	1	$2,257,100
Delaware	2	1,580,000	1	827,500
Florida	1	2,045,070	1	1,002,934
Hawaii	2	1,383,302		
Kansas	3	677,000		
Kentucky	1	450,000		
Louisiana	2	367,650		
Michigan	2	239,200		
Mississippi	2	290,708		
Montana	21	567,060		
New Mexico	1	486,695		
Oklahoma	4	1,687,938	1	1,534,506
Oregon	3	1,071,550		
Texas	1	293,000		
Utah	1	496,000		
Washington	2	761,400		
Western Pacific	1	236,700		
Interagency Agreement with Dept. of Interior for Indirect Cost Rate Negotiations			1	106,400
Total	**45**	**25,654,222**	**5**	**$5,728,440**

Mr. Aderholt: Please update the Committee on information provided for the fiscal year 2014 hearing regarding the Mutual and Self-Help Program. What States have active Self-Help programs? What States have programs for very low income housing repair? What States have programs for land development?

Response: The following States have active Self-Help programs:

Alaska	Maryland	Tennessee
Alabama	Michigan	Texas

Arizona
Arkansas
California
Colorado
Delaware
Florida
Hawaii
Illinois
Idaho
Indiana
Kansas
Kentucky
Louisiana
Maine
West Pac (Marshall Islands)
Mississippi
Missouri
Montana
Nevada
New Mexico
North Carolina
Oklahoma
Ohio
Oregon
Pennsylvania
Puerto Rico
Rhode Island
South Carolina
South Dakota
Utah
Washington
West Virginia
Wisconsin

Every State has access to the very low income housing repair program. States that have programs for Section 523 land development loans are: Hawaii, Montana, Arizona, and North Carolina.

RURAL HOUSING PROGRAMS

Mr. Aderholt: What was the number and amount of pending requests for farm labor housing assistance at the end of fiscal year 2013?

Response: There were 9 pending requests for farm labor housing assistance for a total of approximately $14.3 million in loans and $3.6 million in grants.

Mr. Aderholt: Provide a table for fiscal years 2008 through 2013 showing the annual cost and the number of units sold through the credit sales of acquired property program.

Response: The information is submitted for the record.
[The information follows:]

	NON-PROGRAM CREDIT SALES		PROGRAM REAL ESTATE OWNED CREDIT SALES		TOTALS	
Fiscal Year	Loans	Dollars	Loans	Dollars	Total Loans	Total Dollars
2008	6	$320,825	58	$4,499,717	64	$4,820,542
2009	17	1,031,896	64	5,292,866	81	6,324,762
2010	25	1,103,685	88	7,679,774	113	8,783,459
2011	14	710,885	83	7,219,712	97	7,930,597
2012	22	975,460	66	5,585,575	88	6,561,035
2013	12	652,940	64	5,684,587	76	6,337,527

Mr. Aderholt: Please provide a table listing by State the number of projects and funding provided for Community Facility direct and guaranteed loans for fiscal years 2010 through 2014 to date.

Response: The information is submitted for the record.
[The information follows:]

Number of Projects and Funding Provided (FY 2010 - 2014) (dollars in thousands; as of Apr 4, 2014)				
States	Direct Loans		Guaranteed Loans	
	Number	Amount	Number	Amount
ALABAMA	42	$24,525	1	$9,360
ALASKA	18	83,761	2	10,000
ARIZONA	20	58,756	9	26,840
ARKANSAS	27	70,981	3	4,000
CALIFORNIA	53	128,032	9	8,723
COLORADO	27	33,862	1	1,868
CONNECTICUT	32	90,996	5	27,028
DELAWARE	14	31,121	1	500
FLORIDA	25	56,757	5	14,300
GEORGIA	98	59,278	0	0
GUAM	4	27,250	1	25,000
HAWAII	23	113,885	4	13,301
IDAHO	24	21,928	6	1,766
ILLINOIS	38	81,550	7	21,024
INDIANA	35	143,246	6	21,525
IOWA	49	211,801	8	16,591
KANSAS	45	67,696	6	8,810
KENTUCKY	77	307,078	1	20,133
LOUISIANA	31	73,871	2	1,527
MAINE	31	24,259	9	18,271
MARYLAND	19	28,660	2	7,592
MASSACHUSETTS	35	55,397	10	8,628
MICHIGAN	92	123,211	6	26,597
MINNESOTA	105	233,922	13	50,150
MISSISSIPPI	25	68,846	1	10,000
MISSOURI	114	198,438	10	49,605
MONTANA	28	59,456	6	27,350
NEBRASKA	39	122,967	5	25,695
NEVADA	15	21,690	1	2,449
NEW HAMPSHIRE	11	17,096	3	2,423
NEW JERSEY	25	19,229	1	3,000

	Direct Loans		Guaranteed Loans	
States	Number	Amount	Number	Amount
NEW MEXICO	19	29,450	0	0
NEW YORK	62	56,879	6	21,068
NORTH CAROLINA	204	432,683	14	52,752
NORTH DAKOTA	31	86,223	13	26,119
OHIO	49	52,183	5	9,901
OKLAHOMA	7	11,980	6	5,800
OREGON	7	17,696	1	225
PENNSYLVANIA	106	245,532	4	31,034
PUERTO RICO	34	39,572	1	1,144
RHODE ISLAND	10	16,494	1	384
SOUTH CAROLINA	67	209,055	8	13,086
SOUTH DAKOTA	65	99,426	6	21,448
TENNESSEE	108	206,818	1	1,300
TEXAS	80	139,565	6	24,381
UTAH	25	77,241	14	65,169
VERMONT	27	14,397	5	5,881
VIRGIN ISLANDS	0	0	0	0
VIRGINIA	104	186,852	1	326
WASHINGTON	42	96,845	6	14,896
WEST VIRGINIA	55	146,736	3	13,925
WESTERN PACIFIC	1	3,500	1	11,900
WISCONSIN	38	99,632	8	14,235
WYOMING	7	15,615	0	0
TOTAL	2,369	$4,943,920	254	$799,028

COMMUNITY FACILITY PROGRAM

Mr. Aderholt: Please provide a table showing the number and amount of pending requests by State for Community Facility loans and grants as of the end of fiscal year 2013.

Response: The information is submitted for the record.
[The information follows:]

Number of Projects Pending as of September FY 2013 (dollars in thousands)				
	Direct Loans		Guaranteed Loans	
States	Number	Amount	Number	Amount
ALASKA	3	$2,024		
ALABAMA	17	35,420		
ARKANSAS	2	4,050		
ARIZONA	12	52,117		
CALIFORNIA	34	246,647		
COLORADO	8	23,858		
CONNECTICUT	0	0		
DELAWARE	3	26,690		
FLORIDA	13	33,226		
GEORGIA	15	28,163		
HAIWAII	9	30,503		
IOWA	7	26,837		
IDAHO	6	9,202	1	$115
ILLINOIS	5	11,165		
INDIANA	3	2,206		
LOUISIANA	3	1,133		
MAINE	2	13,500		
MARYLAND	6	7,384		
MAINE	16	11,118	1	1,373
MICHIGAN	11	13,863	1	888
MINNESOTA	25	78,912	1	1,100
MISSOURI	8	9,661		
MISSISSIPPI	7	13,297		
MONTANA	9	55,303		
NEBRASKA	10	4,514		
NEW HAMPSHIRE	1	108	1	1,500
NEW JERSEY	5	5,972		
NEW MEXICO	9	29,758		
NEVADA	0	0		
NEW YORK	20	10,903		
OHIO	5	4,943		
OKLAHOMA	3	13,820		
OREGON	3	17,895		
PENNSYLVANIA	25	59,962		
PUERTO RICO	19	22,745		
S.CAROLINA	47	51,894		

	Direct Loans		Guaranteed Loans	
States	Number	Amount	Number	Amount
TEXAS	37	84,250	3	40,200
UTAH	3	2,070		
VIRGINIA	15	11,822		
VERMONT	0	0		
WASHINGTON	20	12,275		
WISCONSIN	6	13,094		
WESTERN PACIFIC	6	77,091		
WEST VIRGINIA	3	18,298		
WYOMING	0	0		
TOTAL	528	$1,377,801	8	$45,176

COMMUNITY FACILITIES GUARANTEE LOAN DEFAULTS

Mr. Aderholt: Please update the Committee on the increase in defaults in guaranteed Community Facilities program.

Response: The total losses for the Community Facilities (CF) guaranteed loan program, beginning in March, 1997 through September, 2013, were $78,220,287 or 9 percent of the total portfolio. The four largest losses in the history of the program totaled $43,218,176, or 61 percent of total losses. Three of these loans were obligated in 2000 and one in 2005. These loans were made for two golf courses and two hospitals.

Two of these loans, totaling just over $25 million, were made by non-traditional lenders (e.g.: non-commercial banks, such as an investment bank). One of the lenders continues to service its debt, and we expect to collect an additional $1.2 million. These losses were attributed to golf courses and non-traditional lenders. As a result of these losses, we strengthened our oversight and standards for recreational facilities and non-traditional lenders requesting to participate in the program. CF published a final rule in the Federal register on May 7, 2013 which prohibits the financing of recreational facilities that are inherently commercial in nature, such as golf courses and water parks. After the final rule was published in the Federal Register, and as a result of our efforts to strengthen the safety and soundness of the portfolio, the FY 2014 and FY 2015 subsidy rates decreased from 6.34 percent to 4.97 percent and from 5.75 percent to 4.78 percent, respectively.

For FY 2013, the percentage of delinquent CF Guaranteed loans has steadily decreased. At the beginning of FY 2013, there were 20 delinquent loans, which is 2.82 percent of the total portfolio. At the end of FY 2013, the number of delinquent loans decreased to 16, which is only 2.27 percent of the total portfolio.

Rural Business-Cooperative Service (RBCS)

RURAL BUSINESS - COOPERATIVE SERVICE SUBSIDY RATES

Mr. Aderholt: Please provide a table that lists the subsidy rates for fiscal years 2008 through 2015 for all of the Rural Business-Cooperative Service programs.

Response: The information is submitted for the record.
[The information follows:]

Formulation Subsidy Rates (As published in the Federal Credit Supplement)								
Program	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Intermediary Relending	42.89	41.85	25.24	38.58	33.88	32.04	21.61	30.8
Rural Economic Development	22.59	20.89	13.05	17.91	12.98	12.39	8.45	12.77
Microenterprise	n/a	34.03	21.13	n/a	n/a	14.95	6.26	12.81
Guaranteed Business & Industry	4.32	4.35	5.33	5.06	5.58	5.88	6.99	5.11
Guaranteed Business & Industry - Nadbank	7.69	10.36	7.96	8.38	9.52	16.06	n/a	n/a
Rural Business Investment Program	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10.19
Guaranteed Renewable Energy	9.69	9.69	13.64	46.36	26.19	24.01	27.43	10.58
Biorefinery	n/a	33.34	35.47	31.1	26.8	42.00	41.43	40.32

BUSINESS AND INDUSTRY PROGRAM

Mr. Aderholt: How many and what percent of the B&I loans are delinquent? What is the dollar amount of the total delinquency? How much is attributed to the direct program and the guaranteed program?
How many and what percent of the B&I loans are delinquent? What is the dollar amount of the total delinquency? How much is attributed to the direct program and the guaranteed program?

Response: As of April 4 2014, the total number of B&I loans that are delinquent is 201 or approximately 6.22 percent of the total loan portfolio (guaranteed loans plus direct loans). The dollar amount of these 201 delinquent loans is $169,991,385. The breakdown between the direct loan program and the guaranteed loan programs is as follows:

- There are 186 delinquent B&I guaranteed loans (excluding bankruptcies), a delinquency rate of 6.62 percent. The amount of unpaid principal outstanding for these delinquent loans is $151,470,445.
- There are 15 delinquent B&I direct loans, a delinquency rate of 34.09 percent. The amount of unpaid principal outstanding for

these delinquent loans is $18,520,940. No Direct B&I loans have been made since FY 2001.

Mr. Aderholt: Did any B&I loan default in fiscal years 2008 through 2014 to date? If so, please provide an explanation.

Response: Yes, some B&I loans did default in FYs 2008 through 2014 to date. B&I problem loans have been attributed to a number of causes. The most common being a change in the existing personal circumstance experienced by the borrower, unpredictable reversal in a borrower's financial condition, a downturn in the local/national economy, and natural disasters. All of these causes would be considered not foreseeable or controllable at the time of loan inception.

Mr. Aderholt: What is the total amount of guaranteed B&I loans that have been written off? Please update the table provided in the fiscal year 2014 hearing record.

Response: The total amount of guaranteed B&I loans written off is $122,721,000.

The information is provided for the record.
[The information follows:]

Write-offs FY 2001 - 2013
(dollars in thousands)

Fiscal Year	Financing Business and Industry
FY 2001	0
FY 2002	0
FY 2003	0
FY 2004	0
FY 2005	0
FY 2006	0
FY 2007	$4,896
FY 2008	6,192
FY 2009	3,025
FY 2010	7,946
FY 2011	17,273
FY 2012	21,386
FY 2013	60,416
FY 2014	1,587
Total	$122,721

Mr. Aderholt: Of the guaranteed business and industry loans that are in default, what type of business defaulted on the loans? What type of lender did the government guarantee for the loan? Is there a trend in the type of business or lender that is more likely to have a loan go into default?

Response: Commercial banks make up 82% of lenders with a loan in default. The manufacturing industry was one of the hardest hit sectors by the most recent recession and has experienced more defaults with B&I Guaranteed loans than any other business (27%). However, it has begun to rebound and manufacturers have started increasing productivity and output in addition to creating more jobs. Because commercial banks make up more than three-quarters of B&I's eligible lenders, it is very likely that they will continue to hold the majority of loans in default.

KNOW YOUR FARMER, KNOW YOUR FOOD

Mr. Aderholt: Please provide a list of all Rural Business Enterprise Grants made in fiscal year 2013 to meet the goals of the Know Your Farmer, Know Your Food Initiative. Include the name of the grant recipient, state, amount of award, term of award, and the purpose of the project.

Response: The information is submitted for the record.
[The information follows:]

Recipient	State	Grant Amount	Grant Term	Purpose
CALIF. ASSOC. FOR ENTERPRISE OPPORTUNITY	CALIFORNIA	$65,000	1 year	Project will provide training and technical assistance to increase lending. This project will increase the number of small businesses served and number of jobs both new and retained.
NORTHERN CALIFORNIA REGIONAL LAND TRUST	CALIFORNIA	$45,000	1 year	Project proposes t/a to beginner, small farmers, small value-added producers to grow local food market and distribution particularly to food deserts in the county.
BYRON, CITY OF	GEORGIA	$31,875	1 year	Rural Development funds will be used to construct ADA compliant restrooms at the local Farmers Market. Funds will provide jobs for local farmers participating in the Farmers Market.

Recipient	State	Grant Amount	Grant Term	Purpose
MOLOKAI COMMUNITY SERVICE COUNCIL, INC.	HAWAII	$41,113	1 year	USDA funds will be used to purchase a used truck and dump trailer to help cooperative members improve the quality and quantity of the food they produce.
EMMETT, CITY OF	IDAHO	$15,000	1 year	Rural Development funds will be used to contract with an architectural firm to complete a Feasibility and Preliminary Concept Design for a Food Hub in the City of Emmett or Gem County. The specific Scope of Work tasks include a space needs assessment, existing facility evaluations, probable construction cost estimates, and an information analysis and assessment.
EMMETT, CITY OF	IDAHO	$16,350	1 year	Rural Development funds will be used to contract with a firm to conduct a Food Hub Feasibility Study that will analyze both the need for and the possible placement of a local Food Hub in the City of Emmett or Gem County.
CASS COUNTY, IOWA	IOWA	$11,554	1 year	Rural Development funds will be used to provide technical assistance for developing sustainable and economically successful local foods systems that support farm-based businesses and entrepreneurs in Cass County, Iowa.

Recipient	State	Grant Amount	Grant Term	Purpose
GREATER FORT DODGE GROWTH ALLIANCE	IOWA	$19,600	1 year	Rural Development funds will be used to provide technical assistance to support the development of small and emerging business in the greater Fort Dodge, Iowa, area by funding a part-time Market Manager position to organize and operate Market on Central, the local art and farmer's market.
OTTUMWA PROGRESS, INC.	IOWA	$62,676	1 year	This project supports local businesses and entrepreneurs by providing a newly developed year-round farmer's market and incubator
WINNESHIEK CO AGRICULTURAL EXTENSION DIS	IOWA	$48,000	1 year	RBEG/TA - Coordinate producers & processors through food hub delivery and marketing service.
DOUGLAS COUNTY	KANSAS	$58,250	1 year	The Food Hub Feasibility Study will test the viability of a regional food hub in 16 counties in NE KS, providing a market analysis for an aggregation, storage, and distribution facility for regionally produced foods.
CEDARVILLE BAND OF PISCATAWAY INDIANS	MARYLAND	$50,000	1 year	Program includes training to "extend" grow season for locally grown produce sold at Mini-Farm.
SHORE GOURMET, INC.	MARYLAND	$43,000	1 year	Project will provide technical assistance to support and promote food and agricultural value-added businesses of Eastern Shore.
TRI-COUNTY COUNCIL	MARYLAND	$20,000	1 year	Entry level skills for positions in restaurants, catering, food production, food service and tourism industry.

Recipient	State	Grant Amount	Grant Term	Purpose
FAIR FOOD NETWORK	MASSACHUSETTS	$46,500	1 year	Business Development assistance to emerging food system enterprises in specific Franklin and Berkshire County small towns. Grant targets assistance to 5 food entrepreneurs to improve operations and create viable business plans for growth.
FIELD TO TABLE, INC	MASSACHUSETTS	$21,500	1 year	Feasibility study for relocation of North Quabbin Community Coop into an area which would enhance expansion of facility which would provide local food delivery in a food desert.
NEW ENGLAND FARMERS UNION EDUCATION FOUN	MASSACHUSETTS	$40,000	1 year	Training will be provided to food producers to increase production and marketing of their products through cooperative business ventures.
BUCHANAN CO. AGRI-BUS. EXPO CENTER, INC.	MISSOURI	$41,400	1 year	This project is to pay costs associated with the design/engineering of an Ag Expo Center. The center that comes from this project will have a permanent farmers market
LAMAR CITY OF	MISSOURI	$20,000	1 year	This RBEG will be used to improve the farmers market so several small/emerging businesses can extend their marketing season for locally grown produce.
LINCOLN UNIVERSITY	MISSOURI	$14,214	1 year	Funding will be used to purchase a refrigerated truck to transport coop members' produce to the market; refrigeration extends the shelf life of the produce.

Recipient	State	Grant Amount	Grant Term	Purpose
NORTHWEST MO ENTERPRISE FACILITATION	MISSOURI	$16,000	1 year	NWMEF provides consulting to small businesses. These small businesses have included those that produce and or market locally produced foods.
OLD TRAILS REGIONAL TOURISM PARTNERSHIP	MISSOURI	$49,500	1 year	The grant would hire an executive director which would connect regional economic assets and cooperative marketing by increasing visitor attraction to the regions and create opportunity for emerging businesses of the region
PERRYVILLE, CITY OF	MISSOURI	$19,500	1 year	Funds are provided for a tent to expand the farmer's market which is all locally grown produce and products - within the county. In addition, the tent will provide the mobility to set up near other city venues which will expand the consumer market and will also generate additional small and emerging businesses.
THE HELP CENTER INC	MISSOURI	$25,000	1 year	The Help Center, Inc. will be able to purchase/pick up local foods with truck and distribute at the local food pantry.
TRENTON, CITY OF	MISSOURI	$25,250	1 year	Creation of the farmers market pavilion will be a provide a place where local farmers can establish a market to sell locally-grown produce directly to residents of Trenton, Mo.

Recipient	State	Grant Amount	Grant Term	Purpose
BEARTOOTH RC&D	MONTANA	$16,000	1 year	This retail outlet store receives dairy products from producers for resale in their marketplace.
LOUP BASIN RC&D COUNCIL	NEBRASKA	$61,500	1 year	Funds will be used to develop markets for local farm businesses selling fresh foods to schools in the nine county service area in Nebraska.
RUTGERS THE STATE UNIVERSITY OF NJ	NEW JERSEY	$86,440	1 year	Local farmers provide fresh produce to local schools
SALEM COUNTY	NEW JERSEY	$44,560	1 year	Grant will be used for technical assistance for product development and marketing the project of Salem county farmers.
VILLAGE OF MAGDALENA	NEW MEXICO	$19,850	1 year	Depending on results of feasibility study, should a grocery store be deemed feasible, the project will improve the community's ability to access local produced food and will support businesses that produce and market their food locally.
ST. LAWRENCE COUNTY IDA	NEW YORK	$25,900	1 year	Group of small farmers selling their produce to the local markets. Know you Farmer, Know your Food.
UNITED HELPERS MANAGEMENT COMPANY, INC.	NEW YORK	$99,800	1 year	Local poultry farmers will be trained how to market their birds to the local markets now that there is a USDA Certified Mobile Processing Unit in their area.

Recipient	State	Grant Amount	Grant Term	Purpose
WASHINGTON CTY LDC	NEW YORK	$90,670	1 year	Argyle Cheese Farmer (NY)is now making a wide variety of products, including traditional and Greek yogurts, three fresh and five aged hard cheeses, gelato, yogurt smoothies and frozen yogurt.
MUSKINGUM COUNTY BUSINESS INCUBATOR	OHIO	$92,000	1 year	Funds will be used to develop a kitchen incubator that will also serve as a local food hub.
RURAL RESOURCES, INC.	TENNESSEE	$38,000	1 year	Rural Development funds will be used to help purchase upgraded refrigeration equipment for the Mobile Farmer s Market. Funds will also be used to market and build connections with institutions to encourage them to purchase locally grown produce.
COMMUNITY SEEDS	TEXAS	$99,900	1 year	Community Kitchen.
WAYNE COUNTY BUSINESS ASSOCIATION	UTAH	$37,840	1 year	The grant will be used to help fund a micro-lending program which will help numerous entrepreneurs and small business owners such as Castle Rock Coffee & Candy.
APPALACHIAN SUSTAINABLE DEVELOPMENT	VIRGINIA	$28,500	1 year	The proposed funding will enable the applicant to purchase a semi (road tractor) to haul produce from local farmers in rural Washington County to Appalachian Harvest in southwest Virginia.
FORWARD COMMUNITY INVESTMENTS, INC.	WISCONSIN	$63,470	1 year	Project focuses on establishing t/a network to develop local & organic food businesses in WI.

Recipient	State	Grant Amount	Grant Term	Purpose
COUNTY OF SULLIVAN INDUSTRIAL DEV AGENCY	NEW YORK	$213,400	1 year	New LTL Facility to distribute less than trailer load produce from Sullivan County to surrounding Counties (Delaware, Orange and Ulster).

Mr. Aderholt: Please provide a list of all Rural Business Opportunity Grants made in fiscal year 2013 to meet the goals of the Know Your Farmer, Know Your Food Initiative. Include the name of the grant recipient, state, amount of award, term of award, and the purpose of the project.

Response: The information is submitted for the record.
[The information follows:]

Recipient	State	Grant Amount	Term	Purpose
BUCHANAN CO. AGRI-BUS. EXPO CENTER, INC.	MISSOURI	$37,575	1 Year	Plans include the development of a farmers market which will have local vendors. The facility being planned is centered around agriculture in the region.
COUNTY OF SULLIVAN INDUSTRIAL DEV AGENCY	NEW YORK	$89,353	1 Year	The outcome of the grant is to help establish a centrally located aggregation and distribution facility within Sullivan County to enable transactions between small and mid-size farmers and wholesale buyers

Recipient	State	Grant Amount	Term	Purpose
COUNTY OF SULLIVAN INDUSTRIAL DEV AGENCY	NEW YORK	$50,000	1 Year	The development of the red meat processing facility will allow small farmers the ability to market their product locally.
DAKOTA COLLEGE AT BOTTINEAU	NORTH DAKOTA	$100,000	1 Year	Will provide technical assistance to farmers markets assisting them to become economically viable and contribute to the economies of the local community.
FARRMS	NORTH DAKOTA	$89,607	1 Year	Identify the economic viability of light processing, wash and pack, and grading facilities for fruit and vegetables grown in ND.

RURAL UTILITIES SERVICE AND RURAL ECONOMIC DEVELOPMENT GRANTS AND LOANS

Mr. Aderholt: How many RUS borrowers, as of the end of FY 2013, were taking part in the Rural Economic Development Loan and Grant program?

Response: A total of 385 RUS borrowers were participating in the Rural Economic Development Loan and Grant (REDLG) program as of the end of FY 2013; of these, 72 borrowers received new REDLG awards in FY 2013.

Mr. Aderholt: Please update the table provided in the fiscal year 2014 hearing record on Rural Economic Development Loan and Grant program to include FY 2013.

Response: The information is submitted for the record.
[The information follows:]

RURAL ECONOMIC DEVELOPMENT LOANS			
Fiscal Year	Number of Projects	Total Dollars Awarded	Total Dollars leveraged
2001	66	$22,640,567	$145,927,010
2002	42	14,966,887	148,374,522
2003	43	14,869,939	70,484,024
2004	41	14,704,169	49,900,970
2005	52	24,302,375	132,911,628
2006	46	25,110,309	95,246,365
2007	42	26,167,000	95,634,958
2008	45	32,402,228	145,589,831
2009	49	36,171,370	72,102,919
2010	38	21,925,572	100,780,855
2011	47	29,412,012	360,906,863
2012	65	40,779,170	229,437,227
2013	58	49,306,600	209,339,057
TOTAL	**634**	**$352,758,198**	**$1,856,636,229**

RURAL ECONOMIC DEVELOPMENT GRANTS			
Fiscal Year	Number of Projects	Total Dollars Awarded	Total Dollars leveraged
2001	16	$2,956,569	$15,195,284
2002	15	2,620,000	7,335,780
2003	22	4,066,300	15,680,690
2004	13	10,786,000	22,865,387
2005	31	8,120,000	22,704,267
2006	36	10,000,000	59,630,463
2007	36	9,863,333	66,360,527
2008	37	10,000,000	82,346,316
2009	31	9,014,156	65,986,989
2010	33	9,036,570	78,805,423
2011	24	6,557,333	78,402,272
2012	36	9,573,436	127,975,163
2013	35	9,980,338	33,956,751
TOTAL	**365**	**$102,574,035**	**$677,245,312**

Mr. Aderholt: Please list the number of requests for technical assistance and services provided to cooperatives in fiscal year 2013.

Response: During FY 2013, Cooperative Programs (CP) Staff in the National Office completed two technical assistance reports and a research report, involving dairy producers in the Pacific Northwest. Due to staff reductions and limited resources for CP staff travel, technical assistance requests were referred to regional cooperative development centers (funded under the Rural Cooperative Development Grant (RCDG) program where appropriate expertise was available.

During 2013, CP staff in the National Office, in partnership, with a cadre of specialists at the State Rural Development (RD) Offices serviced ongoing technical assistance projects. National Office staff also worked with the RD state office staff to respond to numerous less technical inquiries from cooperatives and other similar business operations. The majority of assistance requests came from small producer groups while others originated from more established cooperatives. Local foods and succession planning of small businesses through use of the worker cooperative business model were areas with increased interest.

Mr. Aderholt: How many cooperative agreements did the RBCS enter into in fiscal years 2010 through 2014? What is the total value of these agreements?

Response: During 2010, Rural Business-Cooperative Service (RBS) entered into 31 cooperative agreements for a total of $7,707,319. This total included $2.8 million appropriated for Alternative Technology Transfer for Rural Areas (ATTRA), $300,000 appropriated for research on the economic impact of cooperatives, $1.5 million (15 agreements) for the historically black universities and colleges (1890 program) and $200,000 appropriated for the Kansas Farm Bureau.

In FY 2011, RBS entered into 12 cooperative agreements for a total of $1,434,445. This total included $950,000 (11 agreements) and $484,445 appropriated for ATTRA.

In FY 2012, RBS entered into four cooperative agreements for a total of $2,360,000. This total included $2.25 million appropriated for ATTRA.

In FY 2013, RBS entered into nine cooperative agreements for a total of $2,451,732. This total included $2.1 appropriated for ATTRA.

As of April 4, 2014, RBS has entered into 2 cooperative agreements for a total of $661,830. This total included $611,830 appropriated for ATTRA.

Rural Utilities Service (RUS)
RUS SUBSIDY RATES

Mr. Aderholt: Please provide a table that lists the subsidy rates for the fiscal years 2008 through 2015 for all of the RUS programs. Explain the reason for any significant changes in the subsidy rate over that time period.

Response: The information is submitted for the record.
[The information follows:]

Formulation Subsidy Rates								
(As published in the Federal Credit Supplement)								
Program	2008	2009	2010	2011	2012	2013	2014	2015
Water and Waste Disp. Loans	6.81	14.62	7.54	8.58	9.58	8.07	-0.87	-0.61
Distance Learning & Telemedicine	2.14	2.46	2.78	1.47	-0.69	9.68	9.85	n/a
Broadband 4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Broadband (Treasury)	2.15	3.9	7.24	5.58	3.55	9.47	13.07	18.69
Electric Hardship	0.12	-2.38	-27.73	-7.38	-14.4	-16.41	-26.64	n/a
FFB Electric	-0.7	-2.28	-0.47	-4.43	-4	-6.29	-3.31	-5.64
FFB Electric Guaranteed Underwriting	0.09	0.10	-1.85	0.14	-6.32	-8	-4.32	n/a
Telecommunications Hardship	0.08	-1.76	-18.59	-7.37	13.78	15.09	23.3	n/a
FFB Telecommunications	0.62	-0.94	-0.65	-4.65	-3.64	-3.94	-2.99	-3.49
Telecom. Treasury	0.67	0.21	-0.43	-0.32	-1.19	-1.14	-1.19	-1.17
Guaranteed Water and Waste Disposal	-0.82	-0.82	-0.82	-0.85	1.59	1.06	0.71	0.59

The reason for the significant change in broadband was due to the write-off of a major loan. Other factors, such as interest earned, helped offset the increase in subsidy from the loan write-off. The reason for the significant change in electric program loans was due to increases in interest earned, which caused a decrease in the subsidy rate.

BACKLOG APPLICATIONS FOR THE ELECTRIC AND TELECOMM PROGRAMS

Mr. Aderholt: Please update the tables provided in the fiscal year 2014 hearing record showing the number of backlog applications and total loan requests by state on hand through fiscal year 2014 to date for each category of Electric and Telecommunications loans.

Response: The information is submitted for the record.
[The information follows:]

PENDING ELECTRIC PROGRAM FFB GUARANTED LOAN APPLICATION BY STATE
As of Second Quarter FY 2014

STATE	NUMBER OF APPLICATIONS	TOTAL AMOUNT
California	1	$8,000,000
Delaware	1	36,000,000
Georgia	1	3,000,000
Illinois	1	10,305,000
Kentucky	4	134,440,000
Mississippi	1	57,823,000
Montana	1	3,436,000
North Dakota	2	145,000,000
Ohio	1	4,800,000
South Dakota	1	4,400,000
Virginia	1	40,000,000
Washington	1	5,221,000
TOTAL	**16**	**$452,425,000**

Mr. Aderholt: What is the number and dollar amount of electric loans that have been approved for fiscal years 2010 through 2014 to date? Please indicate the amounts for hardship, municipal, FFB, and guaranteed loans.

Response: The information is submitted for the record.
[The information follows:]

ELECTRIC PROGRAM FY 2010 LOAN APPROVALS, As of Second Quarter, FY 2014

Loan Program	Number of Loans Approved	Total Dollar Amount Approved
FFB GUARANTEED	169	$6,500,000,000
HARDSHIP	4	100,000,000
MUNICIPAL	0	0
Guaranteed	0	0
Total	173	$6,600,000,000

ELECTRIC PROGRAM FY 2011 LOAN APPROVALS

Loan Program	Number of Loans Approved	Total Dollar Amount Approved
FFB GUARANTEED	117	$4,233,247,000
HARDSHIP	5	39,610,000
MUNICIPAL	0	0
Guaranteed	1	499,000,000
Total	123	$4,771,857,000

ELECTRIC PROGRAM FY 2012 LOAN APPROVALS

Loan Program	Number of Loans Approved	Total Dollar Amount Approved
FFB GUARANTEED	119	$4,317,791,000
HARDSHIP	0	0
MUNICIPAL	0	0
Guaranteed	1	424,286,000
Total	120	$4,742,077,000

ELECTRIC PROGRAM FY 2013 LOAN APPROVALS

Loan Program	Number of Loans Approved	Total Dollar Amount Approved
FFB GUARANTEED	135	$4,410,308,000
HARDSHIP	0	0
MUNICIPAL	0	0
Guaranteed	1	500,000,000
Total	136	$4,910.308.000

ELECTRIC PROGRAM FY 2014 LOAN APPROVALS
As of April 4, 2014

Loan Program	Number of Loans Approved	Total Dollar Amount Approved
FFB GUARANTEED	22	$540,489,000
HARDSHIP	0	0
MUNICIPAL	0	0
Guaranteed	0	0
Total	22	$540,489,000

Mr. Aderholt: Did RUS receive any requests for deferment of RUS-scheduled debt service payments in fiscal years 2010 through 2014 to date? If so, provide a list of the recipients of those deferments.

Response: The Electric Program did not receive any requests for deferments of scheduled debt in fiscal years 2011 or 2012. We do not expect any in 2014.

The Electric Program also offers deferrals under the Energy Resource Conservation (ERC) program. The ERC program authorized by 7 U.S.C.912 allows borrowers to defer principal and interest, re-amortized over 7 years, to make funds available for renewable energy, energy efficiency, conservation, and demand side management initiatives in the communities they serve. It is anticipated that all these deferments will be timely repaid. These are not considered deferments of debt service.

Mr. Aderholt: Please provide a description of electric utility loan write-downs or forgiveness in fiscal year 2013 and what is expected in fiscal year 2014.

Response: The Electric Program did not approve any loan write-downs or debt forgiveness in FY 2013. We do not expect to approve any write-downs in FY 2014. The electric program did not receive any requests in fiscal years 2010, 2011 and 2012.

Mr. Aderholt: Please describe how funds are generated in the guaranteed electric underwriting loan program to subsidize the cost of the rural economic development loan and grant program. How much was generated in fiscal year 2013 and 2014 (estimated) for the program?

Response: Section 313A of the Rural Electrification Act (7 U.S.C. 940c-1) assesses an annual fee of 30 basis points on the unpaid principal balance of guaranteed underwriting loans. The fees generated are deposited to the rural economic development subaccount and may be used for Rural Economic Development Loans and Grants. In FY 2013, fees paid were $12,964,012.51 and in FY 2014, we expect an estimated $13,094,000 (as of April 4, 2014).

WATER AND WATERWASTE BACKLOG

Mr. Aderholt: Provide a breakout by State and by direct and guaranteed loans and grants of the application backlog with the most recent information available for the water and wastewater program.

Response: The information is submitted for the record.
[The information follows:]

WATER AND WASTE DISPOSAL APPLICATION BACKLOG AS OF 4/4/14

State Name	FY 2014 # Loans	FY 2014 Loans	FY 2014 # Grants	FY 2014 Grants	$ Total
ALABAMA	19	$33,061,193	21	$28,223,301	$61,284,494
ALASKA	4	1,694,524	8	10,259,805	11,954,329
ARIZONA	13	55,432,696	17	34,420,999	89,853,695
ARKANSAS	23	26,977,541	22	13,862,453	40,839,994
CALIFORNIA	46	89,776,527	55	39,332,546	129,109,073
COLORADO	3	2,891,587	5	694,996	3,586,583
CONNECTICUT	1	935,250	3	5,105,050	6,040,300
DELAWARE	4	7,410,029	3	2,134,000	9,544,029
FLORIDA	12	32,304,128	14	20,375,292	52,679,420
GEORGIA	10	25,700,498	12	12,118,332	37,818,830
HAWAII	2	35,601,975	2	11,867,325	47,469,300
IDAHO	6	4,433,750	18	6,785,759	11,219,509
ILLINOIS	22	45,469,900	21	16,553,800	62,023,700
INDIANA	21	55,132,063	18	48,822,388	103,954,451
IOWA	23	15,016,287	20	8,821,950	23,838,237

State Name	FY 2014 # Loans	FY 2014 Loans	FY 2014 # Grants	FY 2014 Grants	$ Total
KANSAS	5	4,224,413	10	6,610,087	10,834,500
KENTUCKY	15	28,736,500	23	22,904,250	51,640,750
LOUISIANA	16	41,016,246	13	13,395,214	54,411,460
MAINE	9	21,544,750	16	17,409,250	38,954,000
MARYLAND	10	16,234,065	15	15,814,445	32,048,510
MASSACHUSETTS	6	9,219,000	9	8,096,000	17,315,000
MICHIGAN	17	30,365,000	9	9,841,000	40,206,000
MINNESOTA	37	86,311,748	42	71,219,604	157,531,352
MISSISSIPPI	9	5,821,856	6	2,965,839	8,787,695
MISSOURI	20	53,405,444	16	17,637,121	71,042,565
MONTANA	14	39,288,425	15	21,518,475	60,806,900
NEBRASKA	15	17,034,425	15	8,708,474	25,742,899
NEVADA	1	925,000	4	2,010,768	2,935,768
NEW HAMPSHIRE	2	1,305,000	2	895,000	2,200,000
NEW JERSEY	5	9,855,725	5	3,212,575	13,068,300
NEW MEXICO	33	83,984,348	27	31,566,373	115,550,721
NEW YORK	51	95,752,000	56	37,759,950	133,511,950
NORTH CAROLINA	16	30,457,844	11	11,786,159	42,244,003
NORTH DAKOTA	10	19,816,732	13	10,831,510	30,648,242
OHIO	8	31,920,488	7	11,861,829	43,782,317
OKLAHOMA	9	28,209,280	17	14,703,609	42,912,889
OREGON	10	21,945,667	8	11,403,590	33,349,257
PENNSYLVANIA	14	48,960,929	9	25,711,400	74,672,329
PUERTO RICO	8	11,882,195	11	2,973,270	14,855,465
RHODE ISLAND	1	384,000	3	561,000	945,000
SOUTH CAROLINA	19	76,615,856	19	40,078,312	116,694,168
SOUTH DAKOTA	14	34,960,550	14	12,002,850	46,963,400
TENNESSEE	14	10,836,801	22	7,632,600	18,469,401
TEXAS	54	133,256,650	55	81,054,286	214,310,936
UTAH	4	16,872,650	4	9,221,950	26,094,600
VERMONT	3	9,180,500	4	4,231,500	13,412,000
VIRGIN ISLANDS	1	2,000,000	1	104,478	2,104,478
VIRGINIA	5	12,673,750	2	1,288,250	13,962,000
WASHINGTON	16	25,794,796	14	7,709,906	33,504,702
WEST VIRGINIA	13	32,599,445	23	18,442,840	51,042,285

State Name	FY 2014 # Loans	FY 2014 Loans	FY 2014 # Grants	FY 2014 Grants	$ Total
WESTERN PACIFIC	1	830,000	1	830,000	1,660,000
WISCONSIN	8	23,889,093	6	10,771,510	34,660,603
WYOMING	4	2,365,725	5	988,840	3,354,565
Grand Total	706	$1,552,314,844	771	$835,132,110	$2,387,446,954

There is no backlog of guaranteed loans at this time.

Mr. Aderholt: Please update the table provided in the fiscal year 2014 hearing record listing by State the number and amount of applications approved in fiscal years 2010 through 2014.

Response: The information is submitted for the record.
[The information follows:]

WATER AND WASTE DISPOSAL APPLICATIONS APPROVED IN FY 2010

State	FY 2010 # Loans	FY 2010 Loans	FY 2010 # Grants	FY 2010 Grants	FY 2010 Totals
ALABAMA	12	$10,103,080	13	$8,412,285	$18,515,365
ALASKA	0	0	50	72,489,335	72,489,335
ARIZONA	4	6,891,000	11	21,829,283	28,720,283
ARKANSAS	43	46,244,500	41	64,098,500	110,343,000
CALIFORNIA	25	143,774,000	21	32,291,057	176,065,057
COLORADO	9	27,063,000	11	10,745,423	37,808,423
CONNECTICUT	5	8,300,000	6	8,184,590	16,484,590
DELAWARE	9	42,870,000	7	9,382,602	52,252,602
FLORIDA	15	48,341,000	14	22,387,440	70,728,440
GEORGIA	13	21,887,000	10	30,727,398	52,614,398
HAWAII	3	3,286,100	2	733,269	4,019,369
IDAHO	13	43,728,000	16	12,978,400	56,706,400
ILLINOIS	37	53,522,250	28	14,964,063	68,486,313
INDIANA	28	70,191,500	15	18,606,950	88,798,450
IOWA	27	49,411,500	21	22,897,800	72,309,300
KANSAS	32	38,711,400	17	15,593,759	54,305,159
KENTUCKY	32	68,417,000	43	34,677,322	103,094,322
LOUISIANA	14	23,498,000	10	24,479,518	47,977,518
MAINE	24	14,485,874	27	20,534,304	35,020,178
MARYLAND	15	43,134,410	13	24,238,301	67,372,711
MASSACHUSETTS	18	39,812,785	24	47,088,740	86,901,525
MICHIGAN	54	121,106,000	29	35,669,197	156,775,197

State	FY 2010 # Loans	FY 2010 Loans	FY 2010 # Grants	FY 2010 Grants	FY 2010 Totals
MINNESOTA	23	40,201,000	27	20,043,000	60,244,000
MISSISSIPPI	26	26,222,106	23	24,676,382	50,898,488
MISSOURI	44	56,223,300	45	33,340,034	89,563,334
MONTANA	17	17,078,000	23	23,034,714	40,112,714
NEBRASKA	13	11,651,000	13	9,237,500	20,888,500
NEVADA	6	9,037,000	6	4,974,403	14,011,403
NEW HAMPSHIRE	8	24,543,000	9	14,843,779	39,386,779
NEW JERSEY	13	23,106,700	10	9,797,997	32,904,697
NEW MEXICO	13	21,849,382	33	33,324,578	55,173,960
NEW YORK	38	57,257,000	37	29,799,257	87,056,257
NORTH CAROLINA	53	165,781,000	41	72,647,050	238,428,050
NORTH DAKOTA	15	20,772,850	12	8,443,179	29,216,029
OHIO	15	41,257,000	20	38,061,046	79,318,046
OKLAHOMA	25	38,716,085	19	48,974,163	87,690,248
OREGON	8	32,955,000	9	10,630,090	43,585,090
PENNSYLVANIA	40	172,681,200	21	36,676,400	209,357,600
PUERTO RICO	6	19,965,000	4	7,321,000	27,286,000
RHODE ISLAND	4	1,615,000	5	1,526,335	3,141,335
SOUTH CAROLINA	32	90,125,700	20	52,540,500	142,666,200
SOUTH DAKOTA	29	25,078,000	26	21,171,000	46,249,000
TENNESSEE	38	42,941,000	45	25,126,711	68,067,711
TEXAS	34	85,246,500	24	41,437,227	126,683,727
UTAH	7	8,020,000	7	10,199,719	18,219,719
VERMONT	9	5,061,000	12	9,916,451	14,977,451
VIRGINIA	34	108,336,580	19	37,974,000	146,310,580
WASHINGTON	23	83,280,064	12	21,461,400	104,741,464
WEST VIRGINIA	17	40,037,200	30	46,930,203	86,967,403
WISCONSIN	28	44,462,700	31	24,585,953	69,048,653
WYOMING	2	1,372,000	1	340,000	1,712,000
Total	**1,052**	**$2,239,650,766**	**1,013**	**$1,272,043,607**	**$3,511,694,373**

WATER AND WASTE DISPOSAL APPLICATIONS APPROVED IN FY 2011

STATE	FY 2011 # Loans	FY 2011 Loans	FY 2011 # Grants	FY 2011 Grants	FY 2011 Totals
ALABAMA	20	$27,059,007	13	$13,346,200	$40,405,207
ALASKA	2	1,716,000	26	50,501,374	52,217,374
ARIZONA	3	6,721,388	13	13,721,666	20,443,054
ARKANSAS	19	47,899,000	11	5,467,800	53,366,800
CALIFORNIA	13	29,113,000	25	17,715,426	46,828,426
COLORADO	12	9,951,300	6	3,901,000	13,852,300
CONNECTICUT	3	7,867,000	6	2,906,325	10,773,325
DELAWARE	3	7,127,000	2	2,246,000	9,373,000
FLORIDA	10	21,996,000	12	11,265,550	33,261,550
GEORGIA	11	20,565,600	9	15,429,740	35,995,340
HAWAII	1	2,188,000	1	1,513,000	3,701,000
IDAHO	7	8,962,000	12	4,531,775	13,493,775
ILLINOIS	28	32,516,000	18	$9,304,950	41,820,950
INDIANA	17	26,103,400	6	8,914,000	35,017,400
IOWA	19	14,970,300	18	9,301,400	24,271,700
KANSAS	13	12,262,500	11	3,457,703	15,720,203
KENTUCKY	26	41,844,000	30	17,057,513	58,901,513
LOUISIANA	14	21,285,000	12	9,250,448	30,535,448
MAINE	7	9,284,500	15	5,704,100	14,988,600
MARYLAND	8	14,269,000	12	11,333,663	25,602,663
MASSACHUSETTS	11	8,772,000	15	3,053,390	11,825,390
MICHIGAN	24	55,035,000	13	11,328,300	66,363,300
MINNESOTA	16	22,966,000	18	9,893,000	32,859,000
MISSISSIPPI	27	31,950,079	19	18,438,653	50,388,732
MISSOURI	32	28,362,900	25	9,454,520	37,817,420
MONTANA	10	7,960,200	10	5,791,770	13,751,970
NEBRASKA	14	11,500,000	11	5,280,000	16,780,000
NEVADA	6	8,329,681	8	3,198,577	11,528,258
NEW HAMPSHIRE	7	4,558,000	10	3,312,150	7,870,150
NEW JERSEY	8	11,355,000	7	5,925,100	17,280,100
NEW MEXICO	8	9,154,119	17	18,630,400	27,784,519
NEW YORK	26	23,789,000	18	17,282,400	41,071,400
N. CAROLINA	18	41,171,492	17	15,336,992	56,508,484
NORTH DAKOTA	5	2,750,300	6	4,215,600	6,965,900
OHIO	16	36,705,000	13	11,356,900	48,061,900
OKLAHOMA	15	33,334,450	13	30,634,311	63,968,761

STATE	FY 2011 # Loans	FY 2011 Loans	FY 2011 # Grants	FY 2011 Grants	FY 2011 Totals
OREGON	3	8,018,242	4	2,324,140	10,342,382
PENNSYLVANIA	13	44,824,300	11	11,225,400	56,049,700
PUERTO RICO	3	9,292,000	3	3,305,000	12,597,000
RHODE ISLAND	4	2,131,000	5	1,754,000	3,885,000
S. CAROLINA	19	32,423,600	12	12,451,000	44,874,600
SOUTH DAKOTA	18	20,632,000	11	23,204,000	43,836,000
TENNESSEE	28	34,678,000	27	15,734,704	50,412,704
TEXAS	29	44,382,000	20	28,301,100	72,683,100
UTAH	5	2,282,000	6	2,545,800	4,827,800
VERMONT	7	8,945,000	6	3,677,000	12,622,000
VIRGINIA	16	42,989,900	11	11,562,500	54,552,400
WASHINGTON	18	33,480,500	5	5,160,000	38,640,500
WEST VIRGINIA	10	15,943,400	10	8,263,600	24,207,000
WISCONSIN	13	30,378,600	10	6,718,530	37,097,130
WYOMING	3	871,500	4	1,165,000	2,036,500
Total	**668**	**$1,032,665,258**	**623**	**$527,393,470**	**$1,560,058,728**

WATER AND WASTE DISPOSAL APPLICATIONS APPROVED IN FY 2012

STATE	FY 2012 # Grants	FY 2012 Loans	FY 2012 # Grants	FY 2012 Grants	FY 2012 Totals
ALABAMA	16	$19,277,630	11	$15,033,248	$34,310,878
ALASKA	0	0	24	33,636,381	33,636,381
ARIZONA	4	5,647,048	9	13,365,387	19,012,435
ARKANSAS	22	9,009,000	16	6,260,442	15,269,442
CALIFORNIA	18	56,754,000	22	11,449,500	68,203,500
COLORADO	8	9,053,000	10	4,063,910	13,116,910
CONNECTICUT	4	8,023,000	6	2,645,000	10,668,000
DELAWARE	8	24,042,000	5	3,223,917	27,265,917
FLORIDA	8	20,211,600	9	9,324,170	29,535,770
GEORGIA	12	26,860,980	11	14,359,325	41,220,305
IDAHO	8	15,753,000	15	5,480,301	21,233,301
ILLINOIS	29	31,790,000	24	11,028,544	42,818,544
INDIANA	11	23,146,000	10	9,953,158	33,099,158
IOWA	15	13,287,860	17	10,867,923	24,155,783
KANSAS	30	44,580,570	19	12,921,600	57,502,170
KENTUCKY	24	31,849,000	32	16,087,998	47,936,998
LOUISIANA	9	17,448,200	7	7,222,000	24,670,200

STATE	FY 2012 # Grants	FY 2012 Loans	FY 2012 # Grants	FY 2012 Grants	FY 2012 Totals
MAINE	10	8,059,000	15	5,088,408	13,147,408
MARYLAND	6	9,021,000	12	9,854,300	18,875,300
MASSACHUSETTS	9	9,275,000	11	2,752,708	12,027,708
MICHIGAN	32	65,230,000	17	10,712,316	75,942,316
MINNESOTA	24	23,096,000	29	16,229,366	39,325,366
MISSISSIPPI	19	11,837,300	16	5,529,830	17,367,130
MISSOURI	27	36,025,600	20	9,201,240	45,226,840
MONTANA	7	9,107,000	13	7,447,172	16,554,172
NEBRASKA	12	11,275,000	12	3,830,000	15,105,000
NEVADA	1	747,000	1	207,000	954,000
NEW HAMPSHIRE	1	6,616,000	4	5,781,443	12,397,443
NEW JERSEY	9	12,952,800	6	3,371,000	16,323,800
NEW MEXICO	10	4,843,000	14	10,898,150	15,741,150
NEW YORK	21	26,979,000	24	10,045,900	37,024,900
NORTH CAROLINA	22	42,074,000	21	12,958,521	55,032,521
NORTH DAKOTA	10	12,759,749	9	8,895,018	21,654,767
OHIO	12	25,875,000	10	9,753,500	35,628,500
OKLAHOMA	8	15,556,180	9	31,761,372	47,317,552
OREGON	2	2,797,300	1	2,004,320	4,801,620
PENNSYLVANIA	12	25,304,300	7	11,059,000	36,363,300
PUERTO RICO	5	8747325	8	3,587,485	12,334,810
RHODE ISLAND	5	940,000	5	1,263,750	2,203,750
SOUTH CAROLINA	10	33,248,292	7	12,425,500	45,673,792
SOUTH DAKOTA	12	11,868,500	8	30,432,293	42,300,793
TENNESSEE	25	34,890,000	33	13,877,475	48,767,475
TEXAS	24	37,725,184	19	22,289,752	60,014,936
UTAH	4	3,562,000	6	5,890,909	9,452,909
VERMONT	6	3,563,000	9	2,823,778	6,386,778
VIRGINIA	12	28,200,600	14	9,624,888	37,825,488
WASHINGTON	8	9,660,400	4	996,385	10,656,785
WEST VIRGINIA	21	41,624,500	19	14,879,370	56,503,870
WISCONSIN	15	21,868,850	18	7,079,170	28,948,020
WYOMING	1	407,000	1	233,958	640,958
TOTAL	**628**	**$952,468,768**	**649**	**$489,708,081**	**$1,442,176,849**

WATER AND WASTE DISPOSAL APPLICATIONS APPROVED IN FY 2013

State Name	FY 2013 # Loans	FY 2013 Loans	FY 2013 # Grants	FY 2013 Grants	FY 2013 Total
ALABAMA	14	$10,658,900	11	$10,183,000	$20,841,900
ALASKA	0	0	31	31,048,186	31,048,186
ARIZONA	2	4,812,000	5	17,706,614	22,518,614
ARKANSAS	21	15,953,700	12	6,513,737	22,467,437
CALIFORNIA	14	29,298,728	17	9,218,346	38,517,074
COLORADO	5	7,507,000	8	2,167,603	9,674,603
CONNECTICUT	5	8,719,000	6	3,182,200	11,901,200
DELAWARE	4	4,897,000	4	2,248,700	7,145,700
FLORIDA	2	4,878,000	3	3,261,230	8,139,230
GEORGIA	5	5,854,000	8	6,400,150	12,254,150
HAWAII	3	6,663,000	4	7,919,100	14,582,100
IDAHO	7	8,963,000	17	5,087,690	14,050,690
ILLINOIS	28	28,601,750	17	6,292,000	34,893,750
INDIANA	7	12,621,000	5	5,629,900	18,250,900
IOWA	15	21,715,000	17	7,615,300	29,330,300
KANSAS	18	38,330,600	11	8,617,000	46,947,600
KENTUCKY	28	43,178,000	33	15,498,800	58,676,800
LOUISIANA	10	20,557,071	7	5,985,000	26,542,071
MAINE	11	13,651,000	18	8,524,004	22,175,004
MARYLAND	10	14,598,000	10	12,010,013	26,608,013
MASSACHUSETTS	8	7,540,000	12	3,181,000	10,721,000
MICHIGAN	26	55,021,000	19	14,379,000	69,400,000
MINNESOTA	14	21,495,000	19	12,894,000	34,389,000
MISSISSIPPI	10	14,655,000	7	3,262,500	17,917,500
MISSOURI	35	39,425,950	28	11,016,516	50,442,466
MONTANA	12	22,160,000	15	13,877,600	36,037,600
NEBRASKA	13	9,816,000	10	3,041,900	12,857,900
NEVADA	4	13,972,000	5	8,135,480	22,107,480
NEW HAMPSHIRE	5	13,275,000	7	3,370,610	16,645,610
NEW JERSEY	6	7,659,000	6	2,604,800	10,263,800
NEW MEXICO	2	360,000	6	6,434,200	6,794,200
NEW YORK	25	30,196,000	26	14,767,300	44,963,300
N. CAROLINA	11	21,590,700	13	4,429,602	26,020,302
NORTH DAKOTA	10	13,267,500	9	9,402,800	22,670,300
OHIO	7	16,512,000	6	9,382,800	25,894,800
OKLAHOMA	14	18,310,475	14	31,172,797	49,483,272
OREGON	5	4,374,825	4	5,205,313	9,580,138

State Name	FY 2013 # Loans	FY 2013 Loans	FY 2013 # Grants	FY 2013 Grants	FY 2013 Total
PENNSYLVANIA	11	28,046,600	6	9,738,400	37,785,000
PUERTO RICO	4	8,901,000	5	2,824,000	11,725,000
RHODE ISLAND	3	1,928,000	4	1,602,000	3,530,000
S. CAROLINA	13	6,965,100	9	14,131,233	61,096,333
SOUTH DAKOTA	11	10,044,000	12	7,738,000	17,782,000
TENNESSEE	25	36,509,400	32	12,655,499	49,164,899
TEXAS	20	44,923,000	13	15,936,950	60,859,950
UTAH	3	5,522,800	4	2,431,000	7,953,800
VERMONT	4	9,408,000	4	4,646,000	14,054,000
V. ISLANDS	0	0	2	272,100	272,100
VIRGINIA	14	$26,481,000	10	9,699,500	36,180,500
WASHINGTON	10	13,821,100	5	3,085,300	16,906,400
WEST VIRGINIA	12	18,078,000	14	9,389,325	27,467,325
WISCONSIN	12	34,906,700	14	15,897,485	50,804,185
WYOMING	2	728,000	4	1,827,000	2,555,000
Grand Total	**560**	**$897,349,899**	**588**	**$443,540,583**	**$1,340,890,482**

WATER AND WASTE DISPOSAL APPLICATIONS APPROVED IN FY 2014 (As of 4/4/14)

State Name	FY 2014 # Loans	FY 2014 Loans	FY 2014 # Grants	FY 2014 Grants	FY 2014 Total
ALABAMA	3	$3,710,000	0	0	$3,710,000
ARKANSAS	5	3,327,900	3	1,186,000	4,513,900
CALIFORNIA	2	970,000	1	104,000	1,074,000
COLORADO	1	33,000	1	131,000	164,000
CONNECTICUT	2	10,600,000	0	0	10,600,000
FLORIDA	2	2,233,000	1	249,500	2,482,500
IDAHO	2	550,000	0	0	550,000
ILLINOIS	10	8,045,000	6	2,578,540	10,623,540
IOWA	3	2,652,000	3	1,875,000	4,527,000
KANSAS	12	11,744,000	7	3,160,000	14,904,000
KENTUCKY	16	30,981,000	6	1,564,500	32,545,500
LOUISIANA	4	3,501,400	1	180,000	3,681,400
MAINE	4	4,012,000	1	1,200,000	5,212,000
MARYLAND	5	4,670,000	0	0	4,670,000
MASSACHUSETTS	4	3,408,000	1	45,000	3,453,000
MICHIGAN	18	28,217,000	7	6,260,000	34,477,000

State Name	FY 2014 # Loans	FY 2014 Loans	FY 2014 # Grants	FY 2014 Grants	FY 2014 Total
MINNESOTA	8	8,721,000	4	1,992,000	10,713,000
MISSISSIPPI	6	5,665,259	3	1,400,500	7,065,759
MISSOURI	8	5,768,000	4	2,072,000	7,840,000
MONTANA	2	3,369,000	1	464,000	3,833,000
NEBRASKA	4	2,429,000	3	1,597,500	4,026,500
NEW YORK	10	9,558,000	3	1,269,000	10,827,000
NORTH CAROLINA	2	1,498,412	1	2,500,000	3,998,412
NORTH DAKOTA	4	2,594,200	2	1,051,000	3,645,200
OHIO	3	6,065,000	2	2,233,564	8,298,564
OKLAHOMA	3	1,953,000	0	0	1,953,000
OREGON	1	1,578,000	0	0	1,578,000
PENNSYLVANIA	1	467,400	2	2,595,700	3,063,100
RHODE ISLAND	2	2,040,000	1	70,000	2,110,000
SOUTH CAROLINA	2	5,992,000	0	0	5,992,000
SOUTH DAKOTA	1	511,000	1	66,000	577,000
TENNESSEE	5	7,123,000	1	369,000	7,492,000
TEXAS	1	1,296,000	0	0	1,296,000
UTAH	1	3,096,000	1	3,044,000	6,140,000
VIRGINIA	1	684,000	0	0	684,000
WASHINGTON	2	94,000	0	0	94,000
WEST VIRGINIA	3	1,385,000	0	0	1,385,000
WISCONSIN	3	5,236,000	2	223,860	5,459,860
WYOMING	2	1,295,000	2	1,132,000	2,427,000
Grand Total	**168**	**$197,072,571**	**71**	**$40,613,664**	**$237,686,235**

Mr. Aderholt: In fiscal year 2013, what percent of water and waste disposal loans were used to expand existing systems?

Response: The information is submitted for the record.
[The information follows:]

FY Obligated	Loan Amount Obligated	Loan Amt for Expansion	Percent Expansion
2010	$2,236,434,722	$585,750,405	26%
2011	1,032,665,258	206,842,851	20%
2012	952,468,768	192,187,447	20%
2013	879,339,549	112,858,300	13%

Mr. Aderholt: Please update the table provided in the fiscal year 2014 hearing record regarding the average loan-to-grant ratio for the water and waste program for the last five fiscal years.

Response: The information is submitted for the record.
[The information follows:]

Fiscal Year	Ratio of Loan to Grant	Percent Loan	Percent Grant
2013	2.7	73%	27%
2012	2.6	73%	27%
2011	2.7	73%	27%
2010	1.77	64%	36%
2009	1.71	63%	37%
2008	2.33	70%	30%
2007	2.33	70%	30%

CIRCUIT RIDERS

Mr. Aderholt: Please provide the number and amount of circuit riders obligated in fiscal years 2008 through 2014 by State.

Response: The charts below provide circuit riders funded pursuant to the Rural Development Circuit Rider contract only. Additional funding for National Rural Water Association circuit riders through the RUS Technical Assistance and Training Grant Program are shown in the response to question RD-66. Obligations of funds did not occur prior to April 4, 2014. The information is submitted for the record.
[The information follows:]

Circuit Riders (Regular Appropriations only)														
(Dollars in Thousands)														
	FY 2008		FY 2009		FY 2010		FY 2011		FY 2012		FY 2013		FY 2014 (Projected)	
State	CR	Amt. Paid	CR	Amt. Paid	CR	Amt. Paid	CR	Amt. Paid	CR	Amt. Paid	CR	Amt. Paid	CR	Amt. Paid
AL	3	$314	3	$316	3	$322	3	$375	3	$360	3	$323	3	$322
AK	2	393	2	421	2	368	2	381	2	432	2	390	2	398
AZ	2	208	2	212	2	212	2	250	2	240	2	215	2	214
AR	3	309	3	318	3	322	3	375	3	360	3	323	3	316
CT/RI	2	210	2	212	2	214	2	250	2	221	2	161	2	214
CA	3	316	3	212	3	322	3	367	3	360	3	310	3	322
CO	2	210	2	212	2	214	2	250	2	240	2	215	2	214
DE	2	210	2	212	2	214	2	236	2	234	2	188	2	213
FL	2	245	2	212	2	214	2	250	2	306	2	225	2	214
GA	3	316	3	318	3	322	3	375	3	360	3	323	3	322
HI	0	0	0	0	0	0	1	0	1	35	2	405	2	417
ID	3	309	3	318	3	307	3	371	3	360	3	323	3	322
IL	3	314	3	318	3	322	3	375	3	360	3	323	3	322
IN	2	209	2	212	2	214	2	250	2	240	2	215	2	214
IA	2	310	2	212	2	214	2	250	2	240	2	200	2	206
KS	2	210	2	212	2	214	2	250	2	315	2	225	2	214
KY	3	316	3	318	3	322	3	375	3	360	3	323	3	322
LA	3	316	3	318	3	322	3	375	3	360	3	323	3	322
ME	2	210	2	212	2	214	2	250	2	240	2	215	2	214
MD	2	210	2	212	2	214	2	250	2	240	2	215	2	214
MA	2	209	2	212	2	214	2	247	2	240	2	215	2	212
MI	3	311	3	318	3	303	3	356	3	359	3	314	3	313
MN	2	210	2	212	2	214	2	250	2	315	2	225	2	214
MS	3	316	3	318	3	322	3	375	3	360	3	321	3	322
MT	2	210	2	212	2	214	2	230	2	237	2	215	2	214
NE	2	210	2	212	2	214	2	250	2	310	2	225	2	214
NV	2	205	2	210	2	214	2	236	2	240	2	209	2	214
NH	2	210	2	205	2	214	2	250	2	239	2	215	2	214
NJ	2	189	2	212	2	214	2	250	2	240	2	215	2	214
NM	2	210	2	212	2	214	2	250	2	315	2	225	2	214
NY	3	316	3	318	3	322	3	375	3	360	3	323	3	322
NC	3	304	3	296	3	319	3	374	3	360	3	323	3	322
ND	2	310	2	212	2	214	2	250	2	240	2	215	2	214
OH	2	210	2	212	2	214	2	250	2	240	2	215	2	214
OK	3	316	3	318	3	322	3	375	3	360	3	323	3	322
PA	2	210	2	212	2	214	2	250	2	240	2	215	2	214
SC	2	210	2	210	2	214	2	239	2	309	2	225	2	214
SD	2	210	2	212	2	214	2	250	2	315	2	225	2	214
TN	3	316	3	307	3	322	3	375	3	360	3	323	3	322
TX	3	279	3	318	3	322	3	375	3	360	3	323	3	322
UT	2	210	2	212	2	214	2	250	2	240	2	215	2	214
VT	2	210	2	212	2	214	2	248	2	240	2	215	2	214
VA	2	210	2	212	2	214	2	250	2	306	2	225	2	214
WA	3	314	3	318	3	322	3	375	3	360	3	309	3	322
WV	3	314	3	305	3	322	3	363	3	360	3	323	3	320
WI	2	210	2	212	2	214	2	250	2	315	2	225	2	214
WY	2	210	2	212	2	214	2	250	2	240	2	215	2	214
TOTAL	112	$12,090	112	$11,916	112	$12,117	113	$14,023	113	$14,283	114	$12,579	114	$12,575

Mr. Aderholt: Please provide a list of all technical assistance grants that were made in fiscal years 2008 through 2014 by State.

Response: There are no amounts for 2014 as of the date of the hearing. The information is submitted for the record.
[The information follows:]

STATE	Grantee	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
AK	Alaska Forum	$175,000	$175,000	$238,880			
	Alaska Native Tribal Health Consortium	$100,000		$270,000	$300,000	$292,000	$267,300
	Tanana Chiefs Conference	$100,000	$150,000	$161,151	$142,900	$133,800	$150,714
	Zender Environmental Health& Research			$214,490	$224,800	$183,400	$210,110
	SE AK Regional Health Consortium				$162,400	$147,200	$176,527
	Aleutian Pribilof Islands Association				$89,000		
	Yukon River Inter Tribal Wtrsd Council					$162,800	$190,800
	State AK Total	$375,000	$325,000	$884,521	$919,100	$919,200	$995,451
AR	Winrock International					$270,344	
AZ	Intertribal Council of AZ				$400,000	$592,990	$500,002
CA	OCT Water Quality Academy				$141,397	$167,900	$100,000
	University Enterprise Corp. at CSUSB						$154,481
	State CA Total				$141,397	$167,900	$254,481
IA	IA Onsite Wastewater Association			$100,000			
	Golden Hills Resource Consortium				$44,400		
	State IA Total			$100,000	$44,400		
KY	E. Kentucky PRIDE Foundation					$100,000	
ME	Northern ME Development Commission	$80,000		$92,000	$90,000	$79,200	
	Hancock County Planning Commission				$27,400	$14,200	$13,500
	Eastern Maine Development Corp				$51,600		
	Passamaquoddy Tribal Council						$30,890
	State ME Total	$80,000		$92,000	$169,000	$93,400	$44,390

STATE	Grantee	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
MO	MO IncuTech Foundation dba MO Enterprises		$80,000				
	SE Technical Assistance Service			$56,000			
	State MO Total		$80,000	$56,000			
NM	National Tribal Env. Council	$794,400	$850,000	$800,000	$798,400		
NV	Native American Water Association	$274,200	$280,000	$280,000	$100,000	$207,000	$200,000
NY	Syracuse University		$190,000		$198,200	$172,900	$205,788
SC	SC Manufacturing Extension Partnership				$215,400		
WA	South Central Washington RC&D Council						$76,982
	Pacific N. W. Pollution Prevention Res. Ctr						$88,405
	State WA Total						$165,387
WV	West Virginia University (NDWC)	$986,100	$1,007,828	$787,479	$780,000	$800,000	$645,025
VI	Coral Bay Community Council, Inc (VI)						$189,507
National	Rural Community Assistance Partnership	$5,560,800	$5,700,000	$6,000,000	$5,988,000	$5,750,000	$5,250,013
National	National Rural Water Association	$10,300,000	$10,600,000	$10,500,000	$9,800,000	$10,000,000	$9,100,000
	Total By Fiscal Year	$18,370,500	$19,032,828	$19,500,000	$19,553,897	$19,073,734	$17,550,044

EMERGENCY COMMUNITY WATER ASSISTANCE GRANTS

Mr. Aderholt: Please provide a table showing emergency community water assistance grants made in fiscal years 2008 through 2014 by State.

Response: The information is submitted for the record.

[The information follows:]

EMERGENCY COMMUNITY WATER ASSISTANCE GRANTS

State	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014, As of 4/4/14
ALABAMA	0	$54,600	$135,000	0	0	$17,500	0
CALIFORNIA	$150,000	0	0	0	0	0	0
IDAHO	650,000	15,000	0	$631,000	$479,000	457,000	$100,000
ILLINOIS	334,400	0	493,000	0	$0	0	650,000
INDIANA	0	0	0	0	150,000	147,000	0
IOWA	0	0		0	0	1,500,000	0
KANSAS	0	0	0	0	0	290,000	
KENTUCKY	500,000	0	0	0	0		0
MINNESOTA	0	0	0		37,000	359,000	0
MISSOURI	150,000	574,000	1,089,085	103,500	150,000	624,000	0
MONTANA	500,000	0	0	0	0	0	0
NEBRASKA	1,730,000	1,177,000	264,000	0	500,000	0	0
NEVADA	0	500,000	0	0	0	0	0
NEW MEXICO	500,000	0	0	0	0	0	0
NEW YORK	240,000	0	0	0	495,000	500,000	0
OKLAHOMA	464,000	500,000	76,500	149,450	0	0	136,950
OREGON	0	126,000	0	0	0	0	0
SOUTH CAROLINA	0	0	0	0	0	800,000	0
TENNESSEE	1,107,700	925,000	500,000	500,000	826,000	610,000	0
TEXAS	0	85,000	0	0	500,000	500,000	0
VERMONT	0	0	0	0	0	0	251,000
WASHINGTON	506,000	583,000	0	0	0	0	0
WEST VIRGINIA	0	0	90,900	0	0	0	0
Total	**$6,832,100**	**$4,539,600**	**$2,648,485**	**$1,383,950**	**$3,137,000**	**$5,804,500**	**$1,137,950**

BROADBAND PROGRAM LOANS AND GRANTS

Mr. Aderholt: Please provide a summary of the status of the broadband loan program. How many projects are underway? How many are pending? What is total amount that has been borrowed under the program? In what states are the projects underway?

Response: RUS has 76 active Farm Bill broadband loans totaling approximately $840 million. The 2014 Farm Bill amended the eligibility

requirements for the Broadband loan program; therefore, broadband applications are not being accepted until a new regulation is published implementing the changes. Four projects are still underway. These projects are located in MN, OK, ND and AL.

Mr. Aderholt: Please provide a summary of the broadband grant (Community Connect) program. How many projects are underway? How many are pending? What is the total amount that has been awarded under the program? In what states are the projects underway?

Response: Since inception in 2002, RUS has awarded 243 grants totaling $142.6 million through September 30, 2013. A total of 59 projects funded under the grant program are underway in AK, AL, AR CA, IN, IL, KY, LA, MO, ND, NM, NV, OH, OK, SC, VA, WA, and

FEDERAL COMMUNICATIONS COMMISSION

Mr. Aderholt: Please update the Committee on the agency's concerns with the Federal Communications Commission's (FCC) reforms to the Universal Service Fund. How has RUS engaged the FCC? How many RUS borrowers are negatively affected? Has FCC addressed any RUS concerns?

Response: As the Federal government's longest serving infrastructure lender in rural America, USDA has an institutional interest the Universal Service Fund/Interstate Commerce Commission reform order and its potential impact on the ability of existing borrowers to complete their broadband investments across rural unserved areas. While the impact of the FCC's Transformation Order has not taken full effect, there is little doubt that the changes to USF support mechanisms outlined has already had a profound effect on lending for rural telecommunications.

CONGRESSMAN TOM LATHAM

Renewable Energy and Rural Development

Mr. Latham: Mr. O'Brien, thank you for appearing before us today. I appreciate the recognition in your testimony that rural areas of our country face many economic challenges. As you indicate, we need to be exploring avenues for "drawing young people back to rural communities, generating jobs and improving the quality of rural life. We finally have the passage of a long term farm bill which will give some certainty to our farm communities and help to stabilize our rural economic systems, but as you are well aware that is only a start. As someone who grew-up and for many years "lived the life" in rural Iowa…and who represents many rural communities, we need to find avenues to "build out" from our agriculture base and capitalize on our assets.

In addition to your comments in your testimony related to the importance of the emerging bio-economy sector, which I believe you properly describe as being "on the cutting edge of science and technology…making products and alternative fuels from the plants that our farmers grow…" I would like you to expand upon your views on the importance of renewable energy sources, ethanol, bio-diesel, wind and others to the creating a diversified and more prosperous rural economy in our country.

How important of a role do you believe that renewable energy plays in rural development? What can USDA do to help spur the advancement of renewable energy in rural areas? In your view is USDA currently doing enough to promote the growth of renewable energy development in our rural areas? What ideas do have as to how USDA might partner with the private sector to help improve economic conditions in our rural areas? Do you believe the REAP program has been useful in moving in that direction?

Response: Renewable energy investments are instrumental to USDA Rural Development's mission of increasing economic opportunity and improving the quality of life for rural America.

Energy efficiency improvements and renewable energy generation can benefit local economies in significant ways including: energy cost savings; new jobs; increased certainty for energy prices and supply; improved local business competitiveness; higher property values; local market and industrial development; and sometimes, marketing and branding opportunities for the community. These investments have immediate and positive economic effects.

From 2009-13, USDA, under the Rural Energy for America Program (REAP), invested $465 million in grants and loan guarantees to executed more than 8,200 projects. These projects to install renewable energy systems and make energy efficiency improvements will assist thousands of rural small businesses, farmers, and ranchers to improve their bottom line. When operational, these projects are expected to generate and/or save more than 9.3 billion kilowatt hours; enough energy to power 812,000 American homes annually. Additionally, over $1.1 billion of matching funds was leveraged by the recipients of REAP.

A conservative economic multiplier of 1.5 (US DOE, "Spurring Local Economic Development with Clean Energy Investments: Lessons from the Field," November 2013) on the spillover benefits of these projects would suggest that an

additional $2.3 billion (1.5 * $1.565 billion = $2.3 billion) in economic benefit was generated/realized in rural communities by the deployment of these projects.

CONGRESSWOMAN MS. ROSA DELAURO

National Sustainable Agriculture Information Service

Ms. DeLauro: The ATTRA program, also known as the National Sustainable Agriculture Information Service, was first authorized by the 1985 Farm Bill and for the past 27 years has provided practical, cutting edge information to farmers, extension agents, conservation professionals and many others.

In your FY 15 budget justifications, you note that during 2013, ATTRA provided more than 40,000 responses to technical assistance requests and received more than 1.3 million unique website visitors. More than 3.3 *million* publications were downloaded or printed from the website. In 2014, ATTRA will organize, present, or facilitate presentations, workshops, and field days in at least 25 locations across the U.S. attended by at least 15,000 people.

In my state alone there were over 34,471 client contacts via telephone calls, meetings, and online materials.

This program is enormously successful and popular among producers, extension, and other specialists. So why then are you proposing to cut its funding by over 7 percent in FY 15? ATTRA is a very unique resource for producers across the country, and I would strongly urge this Subcommittee to provide *at least* level funding in FY 15.

Response: Rural Development recognizes the tremendous resource the ATTRA project has been, and continues to be, for beginning and experienced producers. The information, technical assistance, and education resources produced and distributed through this project are important to a large number of rural residents looking to access Rural Development programs. Rural Development values the partnership with the National Center for Appropriate Technology built through the ATTRA project and is most supportive of all the work being done. The level of funding requested for ATTRA would provide sufficient resources to maintain the current level of operations while also supporting the Administration's objective of ensuring that Rural Development is delivering programs that yield results which will have the greatest economic impact in rural America.

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